

REQUIRED COMMUNICATIONS

December 20, 2022

To the Governing Board
Guadalupe Educational System, Inc.

We have audited the modified cash basis financial statements of Guadalupe Educational System, Inc. for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 22, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Guadalupe Educational System, Inc. are described in Note B to the financial statements. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by administration and are based on administration's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements included on the attached schedule.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 20, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the School’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Although not considered material weaknesses or significant deficiencies in internal control over financial reporting, during our audit, we noted the following matters involving internal control, compliance and other operational matters that are presented for your consideration:

SALES TAX - During our review of June utility invoices, we noted sales tax on the Consolidated Communications invoice. During our review of credit cards, we noted 38% of the High School’s Arvest credit card purchases for the month of May contained sales tax. The School’s staff accountant had reached out to the purchasers to inform them the School is a tax-exempt entity and provided a copy of their tax exemption for future purchases. We recommend that the School implement procedures for all purchases to be excluded from sales tax by providing proper information to the vendor. Additionally, we recommend that the School request reimbursement where sales tax was inadvertently charged to the School.

Auditee’s Response: GES has requested all employees to present the Missouri Sales Tax Exemption Letter when making purchases with the School’s credit cards. This will be re-emphasized to all staff. In addition, the Accounting department will request refunds from Consolidated Communications on any sales tax that was improperly withheld.

EMPLOYEE STIPENDS - During our audit, we noted that the Board authorized payment of stipends to staff in the amount of \$500 per employee if working during the 2019-20 school year. Article III Section 39 (3) of the Missouri Constitution prohibits the payment of additional pay for services previously rendered. While we noted the stipends were approved and included in payroll, we recommend the discontinuation of these bonus type payments.

Auditee’s Response: The GES Board paid staff a \$500 stipend due to the demands of COVID. The stipend was provided to all returning employees in FY22.

TRANSPORTATION - The School’s non-disabled riders reported on the Application for State Transportation Aid did not agree to the summary ridership lists maintained by the School. We also noted that mileage information did not agree with the summary mileage maintained by the School. DESE requires that accurate ridership counts for October and February be reported and all mileage information be accurately tracked and reported on the Application for State Transportation Aid. We recommend that the School implement a review process to ensure that all ridership and mileage is being properly tracked and reported.

Auditee’s Response: The School will request corrective action steps by Student Services in resolving this issue.

PAYROLL - During our audit of payroll, we noted that employees did not have state Forms W-4 on file. These forms need to be completed by employees so employers can withhold the correct state income tax from their paychecks. We recommend that the School perform an internal review of its employees' withholding statuses and verify that state income tax withholdings in the accounting system agree to the Forms W-4 submitted by employees. We also recommend the School implement procedures to require Form W-4 forms be completed by each employee prior to employment.

Auditee's Response: The School will address this issue with Human Resources to assure all State Withholdings agree with the employees W-4s.

Other Matters

We were engaged to report on the supplementary information, which accompany the financial statements. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction of Use

This information is intended solely for the use of the administration and the Governing Board and is not intended to be and should not be used by anyone other than these specified parties.

Westbrook & Co., P.C.

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Client: **1346 - Guadalupe Educational System Inc.**
 Engagement: **1346 - GUADALUPE EDUCATIONAL SYSTEM, INC.**
 Period Ending: **6/30/2022**
 Trial Balance: **TB**
 Workpaper:

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		520.02		
To reclass principal and interest on Apple lease				
10 3800	TRANSFERS OUT		132,287.41	
40 5131 6613	Lease principal		129,693.54	
40 5231 6623	Lease interest		2,593.87	
10 1151 6412 1925 3 40001	Technology Supplies			132,287.41
40 3700	TRANSFERS IN			132,287.41
Total			264,574.82	264,574.82
Adjusting Journal Entries JE # 2		990.30.2		
To reverse transportation overhead allocation - savings of approx. \$7,500				
20 2111 6111 1925 3 40001	Certified Salaries - Regular		16,181.79	
20 2111 6111 3925 3 40001	Certified Salaries - Regular		11,327.25	
20 2111 6111 3925 3 40001	Certified Salaries - Regular		26,430.26	
20 2111 6211 1925 3 40001	Teachers' Retirement		1,456.36	
20 2111 6211 3925 3 40001	Teachers' Retirement		1,019.45	
20 2111 6211 6905 3 40001	Teachers' Retirement		2,378.72	
20 2111 6231 1925 3 40001	FICA AND MEDICARE INSURANCE		1,003.27	
20 2111 6231 3925 3 40001	FICA AND MEDICARE INSURANCE		702.29	
20 2111 6231 6905 3 40001	FICA AND MEDICARE INSURANCE		1,638.68	
20 2111 6232 1925 3 40001	Medicare		234.64	
20 2111 6232 3925 3 40001	Medicare		164.25	
20 2111 6232 6905 3 40001	Medicare		383.24	
20 2551 6111 0000 3 00000	Certified Salaries - Regular			53,939.30
20 2551 6211 0000 3 00000	Teachers' Retirement			4,854.54
20 2551 6231 0000 3 00000	Benefits			3,344.24
20 2551 6232 0000 3 00000	Certified Salaries - Regular			782.12
Total			62,920.20	62,920.20
Adjusting Journal Entries JE # 3		350		
To zero out Fund 20				
10 5311	Basic Formula		86,352.00	
10-1111	UMB BANK		86,352.00	
20 3700	TRANSFERS IN		86,352.00	
20-1111	UMB BANK		86,352.00	
10 3800	TRANSFERS OUT			86,352.00
10-1111	UMB BANK			86,352.00
20 5311	Basic Formula			86,352.00
20-1111	UMB BANK			86,352.00
Total			345,408.00	345,408.00
Adjusting Journal Entries JE # 4		TB		
To correct Fund 20				
10-1111	UMB BANK		20.00	
20 3111	FUND BALANCE		20.00	
10 3111	FUND BALANCE			20.00
20-1111	UMB BANK			20.00
Total			40.00	40.00
Adjusting Journal Entries JE # 6		520.80.1		
To adjust payroll liabilities to actual				
10 2154	FSA PAYABLE		10,916.31	
10 2160	GARNISHMENT PAYABLE		3,225.60	
10 2165	GYM KC PAYABLE		978.30	
10 2169	Principal Payable		2,647.14	
10 2321 6231 0000 3 00000	FICA AND MEDICARE INSURANCE		7,469.55	
10 5311	Basic Formula		34,662.65	
20 1111 6241 6905 3 40001	Employee Insurance		15,205.60	
20 1131 6241 3925 3 40001	Employee Insurance		10,086.61	
20 1151 6241 1925 3 40001	Employee Insurance		9,370.44	
10 2151	FEDERAL INCOME TAXES			118.99
10 2152	LOCAL TAXES PAYABLE			7,350.56

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 Workpaper:

Account	Description	W/P Ref	Debit	Credit
10 2156	BCBS PAYABLE			39,751.79
10 2158	KCMO RETIREMENT PAYABLE			116.04
10 2159	DENTAL/VISION PAYABLE			4,217.48
10 2162	403B PAYABLE			3,225.60
10 2168	Allstate Payable			2,922.40
10 2172	HSA PAYABLE			2,196.69
20 5311	Basic Formula			34,662.65
Total			<u>94,562.20</u>	<u>94,562.20</u>