



Edward T. Perry, CPA

James A. Sojka, CPA*

Sheryl A. Pratt, CPA

Michael J. Campo, CPA, MACC

December 20, 2018

To the Members of the School Board
New Boston School District
11 School Street
Goffstown, NH 03045

Dear Members of the School Board:

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the New Boston School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards 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 February 23, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Donna M. LaClair, CPA**

Ashley J. Miller, CPA, MSA

Tyler A. Paine, CPA

Kyle G. Gingras, CPA

Ryan T. Gibbons, CPA

Derek M. Barton, CPA

Scott T. Eagen, CFE

* Also licensed in Maine

** Also licensed in Massachusetts

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 New Boston School District are described in Note 1 to the financial statements. As described in Note 2-C to the financial statements, the New Boston School District changed accounting policies to change the way the School District calculates and reports the costs associated with postemployment benefits other than pensions by adopting State of Governmental Accounting Standards (GASB) Statement No. 75, *Accounting, and Financial Reporting for Postemployment Benefits Other than Pensions* in fiscal year 2017-18. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported Note 2-C, Accounting Change/Restatement.

We noted no transactions entered into by the New Boston School District 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.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management'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. The most sensitive estimates affecting the New Boston School District's financial statements were:

Management's estimate of the capital asset useful lives is based on historical information and industry guidance. We evaluated the key factors and assumptions used to develop the capital asset useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the other postemployment benefit liability, deferred outflows and inflows of resources as they relate to the New Hampshire Retirement System portion are based on the assumption of future events, such as employment, mortality and the healthcare cost trend, as well as estimates of the value of reported amounts. We evaluated key factors and assumptions used to develop the other postemployment benefits liability, deferred outflows and inflows of resources related to the other postemployment benefits in determining that they are reasonable in relation to the financial statements taken as a whole.

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Management's estimate of the net pension liability, deferred outflows and inflows of resources related to pensions are based on assumptions of future events, such as employment, mortality and estimates of value of reported amounts. We evaluated the key factors and assumptions used to develop the net pension liability, deferred outflows and inflows of resources related to pensions in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Adjustments proposed and approved were primarily of a routine nature which management expects the independent auditors to record as part of their year-end procedures. A list of these adjustments for the general fund are attached to this letter.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 19, 2018.

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 New Boston School District'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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the New Boston School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

School District Policies

Upon review of the School District's policies it was noted that several policies have not yet been adopted including but not limited to Fiscal Accounting & Reporting, Capital Assets, Fraud Prevention, Fiscal Management, and Fiscal Accounting and Reporting. Good accounting practice recommends that the School District have in place policies and procedures to provide accountability for their operations. The policies should be periodically reviewed to ensure that they are effective and working properly. If policies are not reviewed periodically, they may not reflect current processes or best practices due to changing technologies and business environments.

We recommend that all policies be reviewed and those that are missing be developed and adopted. Once adopted they should be reviewed every 3 to 5 years so that they are up to date and are effective for the processes in place.

Capital Asset Policy

No formal capital asset policy could be found. However, review of the June 30, 2016 audit report indicates that the threshold being used for capital assets is \$5,000.



We recommend that a capital asset policy be adopted to include a capital asset threshold and establishing policies over the capitalization and disposal of assets. In addition, the policy should also address the periodic inventory of the capital assets by an individual separate from the tracking of those assets.

Investment Policy

Upon review of the School District's investment policy, it was noted that it had not been updated since November of 2014. RSA 197:23-a paragraph IV, Treasurer's Duties – states that "At least yearly, the school board shall review and adopt an investment policy..." In addition, it was noted that the policy does not specifically address the types of investments that the School District can make, nor does it incorporate, any concepts of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which addresses items like custodial credit risk, concentration of credit risk, and interest rate risk.

We recommend that the School Board review the existing policy and amend it to address the types of investments that the School District uses and to also include the necessary GASB Statement No. 40 concepts. Finally, we recommend that the School Board review and approve the investment policy on an annual basis in accordance with the State statute.

Fund Balance Policy

In June of 1999 the Governmental Accounting Standards Board issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis - for State and Local Governments*, and in March 2009 Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented, which became effective June 30, 2011. GASB Statement No. 34 requires that the School District formally establish a fund balance policy and GASB Statement No. 54 requires that the School District update its fund balance policy to enhance the usefulness of the fund balance information by providing clearer fund balance classifications that can be more consistently applied. As of June 30, 2018, the School District had not yet established or adopted a fund balance policy.

We recommend that the School Board adopt and formally approve such a policy.

Credit Card Policy

Upon documentation of the School District's policies we found that there is no formal credit card policy in place. We recommend that the School District document a formal credit card policy and address in the policy a requirement that supporting receipts be submitted for all charges; limiting the use of personal credit cards for School District purchases and the use of store credit cards.

Information Technology (IT) Incident Report Policy

The School District is lacking a formal policy that states how to report incidents, problems and errors related to Information Technology (IT) to ensure that they are resolved in a timely manner. A formal policy over this area will increase efficiency and ensure that the School District's IT processes are performed accurately in relation to its financial software. We recommend that the District formalize an incident report policy to communicate IT problems consistently and timely.

Timely Reconciliation of Bank Statements

During our testing of the School District's bank reconciliations, we noted that reconciliations were not performed until several months after month's end. If errors are noted or questions arise on reconciling items it may be more difficult to resolve if not done so in a timely manner. Reconciling items should be researched promptly, so that corrective action may be taken, when and where necessary, to dispose of them. This process will substantially increase control over cash. We recommend that bank accounts be reconciled monthly, and reconciled to the general ledger, so that errors and adjustments can be quickly identified and corrected.

Food Service Fund – Student Balances

Our testing of the food service fund records indicated that the food service fund retained \$2,635 in student balances from "inactive" students. These balances represent money owed to students who no longer live in the School District. There is no indication of how long this money has been accumulating. While many of the balances were under \$10, several were larger, including four over \$150. Since this money does not belong to the School District, we recommend that this money be returned to the appropriate families. It is recommended that a decision be made for the immaterial balances and how they should be handled. We also recommend that the Food Service Director develop a policy for student balances and how they are handled that can be approved by the School Board and implemented.



Student Activity Funds

Student activity funds are typically generated through student fundraising efforts for student clubs and organizations. As the name implies, student activity funds account for money that is used to support extracurricular student activities. Student activity funds consist of resources received and held by the School District in a custodial capacity. The nature of the activity funds; however, makes them especially vulnerable to misuse, fraud, or error. Therefore, it is imperative that strong internal controls exist to ensure that funds are safely maintained.

We noted during our review of the student activity fund that the monthly bank reconciliations are not being reviewed by the School Principal.

We recommend that the School Principal review the monthly bank reconciliations for any unusual items and document their approval by signing off on the reconciliation. This will significantly improve the system of checks and balances necessary for strong internal controls. In addition, we recommend that the School District develop a policy on student activity funds and update it as necessary. The policy should be reviewed with all school officials to communicate the importance of the School District's policy and procedures over the student activity funds.

Purchase Orders

Of the thirty-one disbursements examined four, or thirteen percent, were noted to have invoice dates that preceded that of the purchase order. Purchase orders should be obtained and approved prior to obtaining the goods or services requested. This can cause an increased risk for purchases to be made that is disallowed by management or over expending of budget lines. We recommend that the School District's purchasing policy be followed, and all purchases should have an approved purchase order prior to ordering goods or services.

Other Matters

Implementation of New GASB Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued in November 2016, will be effective for the School District beginning with its fiscal year ending June 30, 2019. It addresses accounting and financial reporting for certain asset retirement obligations and establishes criteria for determining timing and pattern of recognition of a liability and corresponding deferred outflow of resources.

GASB Statement No. 84, *Fiduciary Activities*, issued in January 2017, will be effective for the School District beginning with its fiscal year ending June 30, 2020. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, issued in May 2017, will be effective for the School District with its fiscal year ending June 30, 2018. This Statement improves the consistency of accounting and financial reporting for certain debt extinguishment transactions.

GASB Statement No. 87, *Leases*, issued in June 2017, will be effective for the School District with its fiscal year ending June 30, 2021. This Statement will improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued April 2018, will be effective for the School District with its fiscal year ending June 30, 2019. This Statement will improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.



GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued June 2018, will be effective for the School District with its fiscal year ending June 30, 2021. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*, issued August 2018, will be effective for the School District with its fiscal year ending June 30, 2020. This Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

We applied certain limited procedures to the following, which are required supplementary information (RSI) that supplements the basic financial statements:

- Management's Discussion & Analysis,
- Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability,
- Schedule of School District Contributions – Other Postemployment Benefits,
- Schedule of the School District's Proportionate Share of Net Pension Liability, and
- Schedule of School District Contributions - Pensions

Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund schedules, which accompany the financial statements but are not RSI. With respect to this 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 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 on Use

This information is intended solely for the information and use of the members of the School Board and management of the New Boston School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,



PLODZIK & SANDERSON
Professional Association

Enclosures



WPreRef: A WTB
Name: General Fund Working Trial Balance

Preparer: ASH 08/17/18
Reviewer: ***
FinalReviewer: SAP 09/20/18
Final Review: ***

Prepared by _____		New Boston School District Adjusting Journal Entries					1068 Page 1
Reviewed by _____							
Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Worksheet
10.01	Adjusting	06/30/18					
		10-000-1111-00-111	CURRENT APPROPRIATION	1,333,192.00			
		10-000-3112-00-312	ADEQUACY AID FROM TAX		1,333,192.00		
		To reclassify adequacy aid per A #11.1				0.00	
10.02	Adjusting	06/30/18					
		10-000-0000-00-750	DESIGNATED RESRV BALANC		150,000.00		
		10-000-0000-00-740	UNRESERVED FUND BALANCE	150,000.00			
		To adjust retained fund balance				0.00	
10.03	Adjusting	06/30/18					
		10-111-5210-00-931	FUND TRANSFERS	36,800.00			
		10-000-0000-00-130	DUE TO DUE FROM		36,800.00		
		To record amount due to capital project per 6/27/18 vote				(36,800.00)	
10.04	Adjusting	06/30/18					
		10-000-0000-00-410	INTGOV'T ACCTS PAYABLE	354,941.00			
		10-000-0000-00-740	UNRESERVED FUND BALANCE		354,941.00		
		To record restatement for tuition payable per A #6.1				0.00	
10.05	Adjusting	06/30/18					
		10-111-5210-00-931	FUND TRANSFERS	456.35			
		10-000-0000-00-130	DUE TO DUE FROM		456.35		
		10-111-1200-00-211	HEALTH INSURANCE	0.08			
		10-111-1200-00-212	DENTAL INSURANCE	0.09			
		10-000-0000-00-130	DUE TO DUE FROM		0.17		
		10-000-0000-11-130	DUE TO DUE FROM - FUND 11	4,250.00			
		10-111-1100-11-731	ADD'L EQUIPMENT - FUND 11		4,250.00		
		To record entry provided by client				3,793.48	
10.06	Adjusting	06/30/18					
		10-000-0000-00-108	POOLED CASH		166,412.83		
		10-000-0000-00-130	DUE TO DUE FROM	166,412.83			
		To reclassify pooled cash per AF #1.1				0.00	

WPRef: A WTB
Name: General Fund Working Trial Balance

Preparer: ASH 08/17/18
Reviewer: ***
FinalReviewer: SAP 09/20/18
Final Review: ***

Prepared by _____

**New Boston School District
Adjusting Journal Entries**

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect	Workpaper
10.07	Adjusting	06/30/18					
		10-000-0000-00-130	DUE TO DUE FROM		1.01		
		10-000-1990-00-199	OTHER LOCAL REVENUE	1.01			
			To adjust interfund balances to actual			(1.01)	
		TOTAL		<u>2,046,053.36</u>	<u>2,046,053.36</u>	<u>(33,007.53)</u>	