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December 23, 2019

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 New Boston School District for the year ended June 30, 2019. 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 April 11, 2019. 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 New Boston School District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2018-2019. 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 estimates of the capital asset useful lives are 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 they are reasonable in relation to the financial statements taken as a whole.

Management's estimates of the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense 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, and pension expense in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimates of the other postemployment benefit (OPEB) liabilities, deferred outflows and inflows of resources related to OPEB, and OPEB expense are based on the assumptions 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 OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense in determining that they are reasonable in relation to the financial statements taken as a whole.

PLODZIK & SANDERSON, P.A.
Certified Public Accountants

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 and 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, 2019.

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 (repeat finding)

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, and Fraud Prevention. 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.

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.



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” student accounts. 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.

Purchase Orders

Of the 20 disbursements examined one, or five percent, was noted to have invoice dates that preceded that of the purchase order. Purchase orders should be prepared and approved prior to obtaining the goods or services requested. This can cause an increased risk for purchases to be made that are 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.

Payroll Master Files

During review of the School District’s internal controls over payroll it was noted that all employees in the Finance Department have access to make changes to the payroll master files. These are the files that contain employee pay rates and deductions. Access to this function in the payroll files should be limited to only those necessary employees in order to ensure the integrity of the files. Allowing this level of access to many employees increases the risk of misstated payroll amounts. We recommend that the Finance Office employees all have read-only access to this part of the system and only a couple of necessary employees have the ability to make edits.

Budget Transfers

The School District’s internal controls over budget transfers indicate that all transfers over \$5,000 are to be approved by the Superintendent. However, the Superintendent did not approve transfers within this range made in FY 18-19. It was further determined that the Superintendent was never setup for this function in the School District’s general ledger software and these transfers were only approved by the Business Administrator. Additionally, per School District policy all transfers under \$5,000 should be reported to the School Board and there was no evidence that this occurred in FY 18-19. We recommend that the School District follow the transfer of appropriations policy that is in place.

Gift Cards

Several purchases of gift cards to local gas stations were noted during review of disbursements. These cards are provided to families to provide transportation to students as part of the School District special programs. There is not enough evidence to determine if these cards are being used appropriately. We recommend that the School District request receipts for gas purchases or include a signed document from the recipients indicating that the cards are only to be used for gas.

Federal Grant Reporting

During review of the School District’s grant documentation and receivable balances it was noted that requests for reimbursements at year end are not being completed in a timely manner. None of the June 2019 activity had been requested for reimbursement as of August 2019. Reimbursements for DOE controlled grants should be completed on a monthly basis to ensure accurate reporting and timely receipt of funds. The School District is at an increased risk of misstatement of balances and such delays in reporting can cause further delays in funding. We recommend that the School District ensure these reimbursement requests are completed monthly for all appropriate grants.

Manifest Approval

The June 30 year end accounts payable check manifest did not have formal documentation of approval from the School Board or Superintendent. The School District’s internal controls indicate that all manifests are to be signed by the majority of the School Board prior to the release of checks. Over the summer months the School Board does not meet and gives authority for this process to the Business Administrator. We recommend that the Business Administrator formally sign off as approval of all accounts payable check manifests that he is approving on behalf of the School Board.



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. 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. 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. 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.

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019, will be effective for the School District with its fiscal year ending June 30, 2022. This Statement will provide a single method of reporting conduit debt obligations and eliminate differences in practice.

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

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

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

PLODZIK & SANDERSON
Professional Association

Attachment:

General Fund journal entries

Client: 1068 - New Boston School District
 Engagement: 2019 - New Boston School District
 Period Ending: 6/30/2019
 Trial Balance: 001.0000 - Government Fund Trial Balance
 Workpaper: 910.0031 - Copy of General Fund Journal Entries
 Fund Level: Fund
 Index: 10

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 4				
To adjust for Food Service deficit				
10-111-5251-00-932	TRANSFER TO FOOD SERVICE		1,223.00	
10-000-0000-00-130	DUE TO DUE FROM			1,223.00
Total			<u>1,223.00</u>	<u>1,223.00</u>
Adjusting Journal Entries JE # 6				
To net fund 11 Interfund balance with general fund and reclassify pooled cash				
10-000-0000-00-130	DUE TO DUE FROM		598,142.00	
10-000-0000-00-130	DUE TO DUE FROM		105,863.00	
10-000-0000-00-105	POOLED CASH			105,863.00
10-000-0000-11-130	DUE TO DUE FROM - FUND 11			598,142.00
Total			<u>704,005.00</u>	<u>704,005.00</u>
Total Adjusting Journal Entries			<u>705,228.00</u>	<u>705,228.00</u>
Total All Journal Entries			<u>705,228.00</u>	<u>705,228.00</u>