



Edward T. Perry, CPA

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March 28, 2018

To the Members of the School Board
Contoocook Valley Regional School District
106 Hancock Road
Peterborough, NH 03458.

Dear Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Contoocook Valley Regional School District for the year ended June 30, 2017. 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 May 15, 2017. 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

Scott T. Eagen, CFE

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 Contoocook Valley Regional 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 2017. We noted no transactions entered into by the Contoocook Valley Regional 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 Contoocook Valley Regional School District's financial statements were:

Management's estimate of the allocation of payroll benefit expenditures is based on each function's respective share of the total budget for payroll benefits. We evaluated the key factors and assumptions used to develop the allocation of payroll benefit expenditures in determining that it is reasonable in relation to the financial statements taken as a whole. This applies to the general fund and governmental activities.

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

Management's estimate of the other postemployment benefits liability is based on 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 the key factors and assumptions used to develop the other postemployment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole. This applies to the governmental activities.

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Management's estimate of the net pension liability and deferred outflows and inflows of resources related to pensions are based on assumptions of future events, such as employment, mortality, and estimates of the value of reported amounts. We evaluated the key factors and assumptions used to develop the net pension liability and 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. This applies to the governmental activities.

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. Management has corrected all such misstatements. Adjustments proposed and approved by management were primarily of a routine nature which management expects the independent auditors to make as part of their year-end procedures. The adjustments for the general fund had a net loss effect of \$306,751, and the adjustments for the food service fund had a net gain of \$18,427, which are attached to this letter.

The government-wide financial statements were not prepared by management. We prepared these financial statements which management reviews and approves.

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 March 28, 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 Contoocook Valley Regional 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 Contoocook Valley Regional 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.

Adjusting Journal Entries (repeat comment)

In review of adjusting journal entries, we determined that not all adjusting journal entries were properly reviewed and approved by the Business Administrator. We recommend that the School District adhere to their internal controls and ensure that all adjusting journal entries are reviewed and approved by the Business Administrator.

Food Service Fund (repeat comment)

We noted the food service fund continues to operate in a deficit. The food service fund reported an operating loss of \$20,988 for the year, even after a \$75,000 transfer from the general fund, increasing its deficit from \$54,633 to \$75,621.



We recommend that the School District review its meal prices to ensure they are adequate to sustain the fund. Additionally, we recommend that the School District review its policies relating to fund transfers or make the necessary transfers to zero out the deficit, in accordance with the policy.

Student Activities Funds

In performing our testing of the Contoocook Valley Regional School District student activity funds, we noted the following issues:

- Contoocook Valley Regional High School
 - While performing our review of the student activity and principal's accounts, we noted that deposits are not being made in a timely manner. We recommend that deposits be made at least weekly, more frequently for when larger receipts are collected.
 - We also identified one equipment purchase made out of the student activity account. The purchase of equipment from a student activity account raises many issues, including ownership, insurance, maintenance, and liability. We recommend that equipment purchases for items that will remain property of the School District be made out of the general fund. If purchases are to be made in part or in whole using student activity funds, the funds should be transferred to the general fund in order to make the purchase.
- South Meadow School
 - We noted multiple instances where no disbursement request form was completed and the disbursement was not initialed as being approved. We recommend that disbursement request forms be completed and approved for all disbursements.
 - We identified one equipment purchase made out of the student activity account and another made out of the principal's account. As noted above, issues of ownership, insurance, maintenance, and liability are raised. We recommend equipment purchases be made out of the general fund and reimbursed by the student activity account.
 - We noted a purchase of \$200 of gift cards using the School District's credit card. This is not a proper use for student activity funds and poses a high risk for fraud. We recommend against the purchase of gift cards for student use.
 - We noted that a significant amount of purchases in the account are made using the School District's P-Card (credit card). When combined with the lack of disbursement request forms or proper approval, noted above, the P-Cards act as a means to circumvent the student activity's purchasing procedures as well as those of the School District. It creates an opportunity for purchases to be incurred that may not otherwise be approved and without ensuring that adequate funds are available. Furthermore, the student activity account maintains a separate bank account with its own set of checks that are used exclusively for student activity purchases. There are very few, if any, purchases made from a student activity account that require the exclusive use of a credit card. We recommend limiting the use of P-Cards for student activity accounts to purchases that cannot reasonably be accommodated through the use of a check from the student activity account.
- Great Brook School
 - We noted several instances where deposits were not being made in a timely manner. We recommend that deposits be made at least weekly, or daily for large receipts.
 - We noted a payment for delivery of concrete for a student's playground as well as the purchase of Visa gift cards. These purchases are not appropriate for a student activity account. We recommend concrete purchases be paid through the general fund and that any purchase of gift cards be disallowed.

General Fund Balance Sheet

The general fund balance sheet for the School District contains numerous liability accounts that relate to various grants, donations, and other miscellaneous revenue sources received during the year. During the course of the year, these accounts have tens of thousands of dollars running through them. This represents tens of thousands of dollars that are being netted



against one another and are never being properly reported as revenues and expenditures on the School District's trial balance. Since this activity is not included in the annual budget, we recommend moving these balances to a separate special revenue fund and then ensuring that all of the revenues and expenditures are being properly recorded.

In addition, a further understanding needs to be obtained regarding the establishment and purposes of these various liability accounts. This information will help to ensure that the fund balance, revenues, and expenditures for the accounts are properly reported and classified.

Capital Asset Policy

We noted the School District's current Fixed Asset policy (DID), last updated on June 18, 2013, does not contain the necessary information to ensure proper guidance and maintenance of the School District's capital assets. The policy does not include capital asset thresholds, identification or description of capital asset classes, useful lives, or procedures for identifying capital assets, which are all essential elements of a proper capital asset policy. We recommend the policy be revised to include these necessary items.

Employee Pay

We identified several employees of the School District that received 1099's, in addition to W-2's, for additional wages they received for working as athletic officials. Once an individual is identified as an employee, all additional payments made to that person should be as an employee. Due to this issue, the School District may not have reported employee wages or withholdings correctly. We recommend that all future payments to employees that officiate athletic events be made through the payroll system with the appropriate payroll withholdings.

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. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, issued in June 2015, will be effective for the School District beginning with its fiscal year ending June 30, 2018. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45 and No. 57.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued in March 2016, will be effective for the School District beginning with its fiscal year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67 No. 68 and No. 73*, issued in March 2016, will be effective for the School District beginning with its fiscal year ending June 30, 2018. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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. 85, *Omnibus 2017*, issued in March 2017, will be effective for the School District with its fiscal year ending June 30, 2018. This Statement addresses practice issues identified during implementation of certain GASB Statements.

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.

We applied certain limited procedures to the Schedule of Funding Progress for Other Postemployment Benefit Plan, Schedule of the School District's Proportionate Share of Net Pension Liability, and Schedule of School District Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. 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 and Schedule of Expenditures of Federal Awards, 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 use of the School Board and management of the Contoocook Valley Regional School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully,


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Enclosures



Prepared by _____

Contoocook Valley School District
Adjusting Journal Entries

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
21.01	Adjusting	06/30/17				
		21-000-0157-00-000	FOOD SERVICE ACCTS RECEI	19,755.31		
		21-000-0400-00-000	DUE TO OTHER FUNDS		19,755.31	
			Restatement and adjustments to actual per B1 #3.8			0.00
21.02	Adjusting	06/30/17				
		21-000-0770-00-000	FUND BALANCE - GENERAL F	550,000.00		
		21-000-0720-00-000	Committed Fund Balance		550,000.00	
			To record committed fund balance for FY18 WA's funded with June 30 fund balance.			0.00
21.03	Adjusting	06/30/17				
		21-000-1121-00-000	Current Appropriations	4,600,495.00		
		21-000-3121-00-000	Adequacy Tax		4,600,495.00	
			To reclassify the State Tax portion out of Local Appropriations.			0.00
21.04	Adjusting	06/30/17				
		21-000-0100-00-000	CASH		1,326.39	
		21-000-0130-00-000	DUE FROM OTHER FUNDS		14,388.89	
		21-330-2630-44-430	CVHS GRNDS ATHL MAINTEN	211,343.00		
		21-000-0770-00-000	FUND BALANCE - GENERAL F		195,627.72	
			Adjust beginning fund balance to tie to PY.			(211,343.00)
21.05	Adjusting	06/30/17				
		21-000-0130-00-000	DUE FROM OTHER FUNDS	8,068.20		
		21-000-0100-00-001	Cash - Building Fund Account	102.12		
		21-000-3000-00-100	Transfer from Capital Project		8,170.32	
			Record transfer to close out capital project fund.			8,170.32
21.06	Adjusting	06/30/17				
		21-000-0101-00-000	MBIA	42.67		
		21-000-1510-00-000	Interest		42.67	

**Contoocook Valley School District
Adjusting Journal Entries**

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
			To record interest income in the NH PDIP account.			42.67
21.07	Adjusting	06/30/17				
		21-000-0150-00-000	ACCOUNTS RECEIVABLE	4,934.77		
		21-000-0470-00-000	FEDERAL WITHHOLDING		4,934.77	
			To reclassify debit balance in payroll liability for reporting purposes.			0.00
21.08	Adjusting	06/30/17				
		21-000-1100-99-299	Reallocated expenditures	4,161,489.94		
		21-000-1200-99-299	Reallocated expenditures	817,232.47		
		21-000-1300-99-299	Reallocated expenditures	46,847.78		
		21-000-1400-99-299	Reallocated expenditures	80,749.50		
		21-000-2100-99-299	Reallocated expenditures	219,350.15		
		21-000-2200-99-299	Reallocated expenditures	75,732.58		
		21-000-2300-99-299	Reallocated expenditures	120,178.36		
		21-000-2400-99-299	Reallocated expenditures	383,705.35		
		21-000-2600-99-299	Reallocated expenditures	73,080.43		
		21-000-9000-80-211	Fixed Charges Health		1,169,912.91	
		21-000-9000-80-212	Fixed Charges Dental		189,906.93	
		21-000-9000-80-213	Fixed Charges Life Insurance		43,678.49	
		21-000-9000-80-214	Fixed Charges LTD Insurance		47,190.93	
		21-000-9000-80-220	Fixed Charges FICA		1,574,500.00	
		21-000-9000-80-225	Admin Annuity		14,721.00	
		21-000-9000-80-231	Fixed Charges Non Teach Retirement		543,368.98	
		21-000-9000-80-232	Fixed Charges Teacher Retirement		2,342,957.64	
		21-000-9000-80-260	Fixed Charges Unemployment		45,989.00	
		21-000-9000-80-270	HRA ACCOUNTS		8,987.50	
		21-000-1100-99-299	Reallocated expenditures	2,846.82		
			To allocate benefit expenditures to function per A #6.4(1)			0.00
21.09	Adjusting	06/30/17				
		21-000-0770-00-000	FUND BALANCE - GENERAL F	1,295,471.55		
		21-000-0730-00-000	Assigned Fund Balance		1,295,471.55	
			To reclassify balance assigned for encumbrances per A #10.1			0.00
21.10	Adjusting	06/30/17				
		21-000-0770-00-000	FUND BALANCE - GENERAL F	21,827.50		
		21-000-0700-00-000	Nonspendable Fund Balance		21,827.50	
			To reclassify nonspendable fund balance related to prepaid items			0.00

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**Contoocook Valley School District
Adjusting Journal Entries**

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
21.11	Adjusting	06/30/17				
		21-000-0130-00-000	DUE FROM OTHER FUNDS	7,826.49		
		21-000-0400-00-000	DUE TO OTHER FUNDS		7,826.49	
			To adjust food service interfund to actual			0.00
21.12	Adjusting	06/30/17				
		21-000-5220-40-890	Transfer to Food Service	75,000.00		
		21-000-0130-00-000	DUE FROM OTHER FUNDS		75,000.00	
			To record transfer to food service fund to reduce fund deficit			(75,000.00)
21.13	Adjusting	06/30/17				
		21-000-0175-00-000	PREPAID EXPENSE		28,621.30	
		21-000-1100-18-890	MISCELLANEOUS	28,621.30		
			To adjust prepaid balance to actual.			(28,621.30)
		TOTAL		12,804,701.29	12,804,701.29	(306,751.31)

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**Contoocook Valley School District
Adjusting Journal Entries**

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
24.01	Adjusting	06/30/17				
		24-000-0770-00-000	District Wide	15,985.07		
		24-000-0130-00-000	Food Service Interfund		15,985.07	
			Record PY audit entry per B1 #11.1			0.00
24.02	Adjusting	06/30/17				
		24-000-2560-24-613	Food Service District Commoditie:	63,991.97		
		24-000-3015-00-003	USDA Commodities		63,991.97	
			Record USDA Commodities per B1 #3.5			0.00
24.03	Adjusting	06/30/17				
		24-000-3015-00-002	State Breakfast Reimbursement		1,596.42	
		24-000-3015-00-000	Federal Breakfast Reimbursement		71,479.08	
		24-000-3015-00-001	Federal Lunch Reimbursement		265,280.77	
		24-000-3020-00-000	State Revenue	338,356.27		
			Allocate revenue per B1 #3.5			0.00
24.04	Adjusting	06/30/17				
		24-000-0901-00-000	Fruits and Vegetables Program		1,081.73	
		24-000-2560-24-890	Food Service District Misc	1,081.73		
			Break out AP posted directly against revenue per review of account detail and inquiry of Liz Walton			0.00
24.05	Adjusting	06/30/17				
		24-000-0130-00-000	Food Service Interfund	19,755.31		
		24-000-3040-00-000	Sales		19,755.31	
		24-000-0770-00-000	District Wide	12,837.23		
		24-000-0470-00-000	FOOD SERVICE DEFERRED RE		12,837.23	
		24-000-3040-00-000	Sales	1,517.66		
		24-000-0470-00-000	FOOD SERVICE DEFERRED RE		1,517.66	
			Restatement and adjustments to actual per B1 #3.8			18,237.65
24.06	Adjusting	06/30/17				
		24-000-0150-00-000	Food Service Other Receivables	189.37		
		24-000-2560-24-890	Food Service District Misc		189.37	

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**Contoocook Valley School District
Adjusting Journal Entries**

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Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit	Net Income Effect
			To record adjustment to intergovernmental receivable			189.37
		TOTAL		<u>453,714.61</u>	<u>453,714.61</u>	<u>18,427.02</u>