

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

To the School Committee
Wachusett Regional School District

We have audited the financial statements of the Wachusett Regional School District as of and for the year ended June 30, 2018 and have issued our report thereon dated March 13, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and others in our Firm have complied with all relevant ethical requirements regarding independence. Safeguards that have been applied to eliminate threats to independence or reduce them to an acceptable level include annual certification by all Firm staff of independence, or when circumstances change during the year.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in the notes to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Estimated lives and depreciation methods for depreciable assets.
- Collectability of receivables.
- OPEB liability.
- Net pension liability.
- Accrued interest.

Management's estimates of the above are based on various criteria. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We noted no particularly sensitive disclosures affecting the District's financial statements.

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

As an added service to the District, we assisted in compiling the government-wide financial statements, including consolidating various funds into governmental activities, converting to the accrual basis of accounting, and recording all long-term assets, long-term liabilities, and net position classifications. This consolidation and conversion process was based on information from the District's accounting records.

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached reports summarize material misstatements that we identified as a result of our audit procedures and were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in their letter dated March 13, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

Findings or Issues

In planning and performing our audit of the basic financial statements of Wachusett Regional School District as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Wachusett Regional School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Wachusett Regional School District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. All of the comments that follow are considered to be significant deficiencies.

1. Improve Controls Over Financial Reporting

During the fiscal year 2018 audit, the District's processes and controls with respect to the general ledger were reviewed. As a result of inquiry of District personnel, observation and review of supporting documentation, walkthroughs of processes, and audit testing the following areas were noted where improvements should be made:

Journal Entries

Based on testing and review of supporting documentation for adjusting journal entries, a lack of supporting documentation was noted, as well as no documented oversight evidence, such as a signature or initials, that indicated that multiple individuals were involved (i.e. lack of segregation of duties). As journal entries can be used to circumvent other properly functioning controls, the process should be redesigned to require detailed supporting documentation and a segregation of duties. Specifically, supporting documentation should accompany all journal entry reports, and there should be documented evidence that someone other than the initiator of the entry has approved the entry. As an alternative to an actual signature or initials on the supporting documentation itself, the general ledger software can be set up so that certain individuals can enter journal entries but not post them, and other individuals can approve and post journal entries only.

2. Improve Controls Over Disbursements

During the fiscal year 2018 audit, the District's processes and controls with respect to disbursements were reviewed, as follows:

- The control objective.
- An evaluation of what could go wrong.
- An evaluation of the identified key controls that exist.
- An assessment of whether the identified key controls are designed effectively.
- An assessment of whether the identified key controls are implemented.

- Identification of the control deficiency if key controls are not designed effectively or implemented properly.

Vendor Disbursements - Recommendations

The following recommendations relate to control issues identified from walkthroughs, review of documentation, and specific issues identified during testing:

Process Recommendations

- In order to improve controls over vendor disbursements, changes to vendor files should be reviewed and approved by an individual that is independent of the accounts payable process. This oversight/mitigating control should become part of monthly closing procedures and performance of the control should be documented. In lieu of including this step in monthly closing procedures, the accounting software can be set up to send automatic email notifications to an individual independent of the vendor disbursements process whenever there is a change to the master file.
- Although certain well-designed and operating controls exist related to warrant approval, consideration should be given to further improving controls over the vendor disbursements process related to documented approval on invoices/bills/receipts. Specifically, instances were noted where administrative staff, instead of department heads, approved items for payment. An “authorization matrix”, that indicates which individuals or positions have the authority to approve disbursements, would address this issue by providing better documented support for the approval process.

Payroll Disbursements - Recommendations

The following recommendations relate to control issues identified from walkthroughs, review of documentation, and specific issues identified during testing:

Specific Issues

- Missing rate agreements.
- Time sheets without documented approval.
- Amounts paid that did not agree to supporting documentation provided.
- Lack of documented evidence that detailed payroll reports were reviewed prior to disbursement by an individual not involved in processing payroll.

Process Recommendations

- Since the individual that is responsible for processing payroll disbursements also has the ability to enter new employees and make changes to payrates and withholdings, another individual that is not involved in processing payroll should review and approve changes to the payroll master file. Properly approved rate and salary agreements should be maintained for each employee and approved rates periodically

verified to the rates included in the payroll master file. Further, the list of active employees should be reviewed periodically for accuracy against termination documentation/logs. This review should also be documented.

- Detailed payroll reports, including gross and net payroll information shown by employee, should be reviewed for accuracy against properly approved timesheets by someone not involved in payroll processing, prior to payroll disbursement. This review should be documented.

3. Improve Controls Over Departmental Receipts

During the fiscal year 2018 audit, the District's processes and controls with respect to certain departmental receipts were reviewed. The following recommendations should be implemented in order to improve controls over receipts:

- Documented verifications for each phase of the receipts process should be required. Detailed register reports should be reconciled to bank deposits and to the general ledger by an individual that is not involved in the receipts process.
- Written procedures for all District receipts should be developed, implemented, and monitored by an individual that is not involved in the receipts process.
- Pre-numbered forms should be required for all receipts that are turned over for deposit, and both the individual receiving and turning over receipts be required to sign. In addition, the forms should include an area for both cash and checks. As part of the District's internal monitoring process, all pre-numbered receipts should be accounted for in the accounting records and reviewed by someone that is independent of the receipts process.
- Specific procedures and standardized forms for accounting for receipts related to the following should be implemented:
 - Ticketed events – accounting for all pre-numbered tickets using a standardized form.
 - Cash events – two individuals present at all times and required to sign off on amounts collected using a standardized form.
 - Attendance logs – reconciling the logs to the amount collected and turned over for deposit.
 - Field trips – standardized field trip cost calculation form should be required to be prepared and approved. A statement of financial accountability should be required at the conclusion of the trip showing the costs incurred, amounts charged, and calculation of over/under for the trip.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond

the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information (if applicable) and considered whether such information, or the manner of its presentation, was materially inconsistent with the presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Melanson Heath

March 13, 2019

Client: **WRSD - Wachusett Regional School District**
 Engagement: **FY18 - WRSD**
 Period Ending: **6/30/2018**
 Trial Balance: **TB-GF**
 Workpaper: **GF-020 - GF Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 5				
Per client entry to record audit invoice.				
001 -91-303-590-1410-3-565908-	CONT SVC		3,000.00	
001 -00-000-000-0000-0-201000-	- GF WARRANTS PAYABLE			3,000.00
Total			3,000.00	3,000.00
Adjusting Journal Entries JE # 6				
To reconcile beginning fund balance to prior year audited balances.				
001 -00-000-000-0000-0-359000-	- GF UNDESIGNATED FUND BAL		120,761.00	
001 -00-000-000-0000-0-401462-	- GF REVENUE - MISCELLANEOUS			120,761.00
Total			120,761.00	120,761.00
Adjusting Journal Entries JE # 8				
To record reserve for encumbrances.				
001 -00-000-000-0000-0-359000-	- GF UNDESIGNATED FUND BAL		196,033.93	
001 -00-000-000-0000-0-321100-	- GF BUD FUND BALANCE-RES4ENC			196,033.93
Total			196,033.93	196,033.93
	Total Adjusting Journal Entries		319,794.93	319,794.93
	Total All Journal Entries		319,794.93	319,794.93

Client: **WRSD - Wachusett Regional School District**
 Engagement: **FY18 - WRSD**
 Period Ending: **6/30/2018**
 Trial Balance: **TB-SRF**
 Workpaper: **SRF-020 - SRF Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
		X-030		
To record current year effect of prior year entry to record accounts receivable for the grants.				
021 -00-000-000-0000-0-421021-14017-	FG PROJECT REVENUE		15,020.00	
021 -00-000-000-0000-0-421021-18A17-	FEDERAL GRANT- TITLE III		3,197.00	
021 -00-000-000-0000-0-421021-24017-	FG PROJECT REVENUE		547,571.00	
021 -00-000-000-0000-0-421021-26217-	FG PROJECT REVENUE		31,738.50	
021 -00-000-000-0000-0-421021-27417-	FG PROJECT REVENUE		9,485.00	
021 -00-000-000-0000-0-421021-30517-	FG PROJECT REVENUE		100,565.00	
022 -11-000-000-0000-0-422022- -	FS WRH - USDA REIMBURSE REV		10,533.24	
022 -22-000-000-0000-0-422022- -	FS DAW - USDA REIMBURSE REV		3,815.85	
022 -24-000-000-0000-0-422022- -	FS MOU - USDA REIMBURSE REV		5,258.46	
022 -26-000-000-0000-0-422022- -	FS MAY - USDA REIMBURSE REV		3,562.52	
022 -27-000-000-0000-0-422022- -	FS DAV - USDA REIMBURSE REV		3,614.08	
022 -31-000-000-0000-0-422022- -	FS PAX - USDA REIMBURSE REV		3,616.58	
022 -41-000-000-0000-0-422022- -	FS PRI - USDA REIMBURSE REV		2,046.14	
022 -51-000-000-0000-0-422022- -	FS NAQ - USDA REIMBURSE REV		2,861.66	
022 -52-000-000-0000-0-422022- -	FS CEN - USDA REIMBURSE REV		3,060.24	
022 -53-000-000-0000-0-422022- -	FS GLE - USDA REIMBURSE REV		2,907.34	
022 -61-000-000-0000-0-422022- -	FS STE - USDA REIMBURSE REV		4,711.80	
021 -00-000-000-0000-0-359000-	FG UNDESIGNATED FUND BAL			707,576.50
022 -00-000-000-0000-0-359000-	FS UNDESIGNATED FUND BAL			45,987.91
Total			753,564.41	753,564.41
Adjusting Journal Entries JE # 2				
		X-030		
To record accounts receivable for FY18 amounts received after year end - CLIENT TO REVERSE ON 7/1/2018.				
021 -00-000-000-0000-0-190000- -	Grants receivable		595,981.00	
022 -00-000-000-0000-0-421021- -	School lunch AR		46,141.99	
028 -81-551-000-0000-0-190000- -	Circuit Breaker receivable		809,738.00	
021 -00-000-000-0000-0-421021-14017-	FG PROJECT REVENUE			19,699.00
021 -00-000-000-0000-0-421021-18018-	FEDERAL GRANT- TITLE III			1,346.00
021 -00-000-000-0000-0-421021-24018-	FG PROJECT REVENUE			386,279.00
021 -00-000-000-0000-0-421021-26218-	FG PROJECT REVENUE			24,658.00
021 -00-000-000-0000-0-421021-30518-	FG PROJECT REVENUE			163,999.00
022 -11-000-000-0000-0-422022- -	FS WRH - USDA REIMBURSE REV			46,141.99
028 -81-551-000-0000-0-428551- -	DR CIR BREAKER - REVENUE			809,738.00
Total			1,451,860.99	1,451,860.99
Total Adjusting Journal Entries			2,205,425.40	2,205,425.40
Total All Journal Entries			2,205,425.40	2,205,425.40