

BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT

Independent Auditors' Reports Pursuant
to Governmental Auditing Standards
and Uniform Guidance

For the Year Ended June 30, 2016

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Independent Auditors' Report

To the School Committee
Berkshire Hills Regional School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melanson Heath

January 9, 2017

Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY THE UNIFORM GUIDANCE

Independent Auditors' Report

School Committee
Berkshire Hills Regional School District

Report on Compliance for Each Major Federal Program

We have audited the School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government*

Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Basis for Qualified Opinion on Title I program

As described in Finding 2016-001 in the accompanying schedule of findings and questioned costs, the School District did not comply with requirements regarding the following:

<i>Finding #</i>	<i>CFDA #</i>	<i>Program Name</i>	<i>Compliance Requirement</i>
2016-001	84.010	Title I	Eligibility

Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

Qualified Opinion on Title I program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title I program for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that

testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated January 9, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson Heath

January 9, 2017

BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<u>Federal Agency</u>			
Cluster			
Pass-through Agency	Federal	Pass Through	
Program Title	<u>CFDA</u>	<u>Identifying</u>	<u>Federal</u>
	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
Passed Through Massachusetts Department of Elementary and Secondary Education			
School Breakfast Program	10.553	02-113-1	\$ 32,629
National School Lunch Program - Cash Assistance	10.555	02-113-1	180,591
National School Lunch Program - Non-Cash Assistance	10.555	02-113-1	<u>30,922</u>
Total Child Nutrition Cluster			<u>244,142</u>
Total U.S. Department of Agriculture			244,142
<u>U.S. Department of Education</u>			
Special Education Cluster			
Passed Through Massachusetts Department of Elementary and Secondary Education			
Special Education Grants to States	84.027	240-136-6-0618	426,775
Passed Through Massachusetts Department of Early Education and Care			
Special Education Preschool Grants	84.173	298-824-6-0618-Q	<u>16,347</u>
Total Special Education Cluster			443,122
Passed Through Massachusetts Department of Elementary and Secondary Education			
Title I Grants to Local Educational Agencies - GY16	84.010	305-048083-2015-0618	148,380
Title I Grants to Local Educational Agencies - GY15	84.010	305-074196-2016-0618	202,108
Career and Technical Education - Basic Grants to States	84.048	400-076-6-0618-Q	4,538
Twenty-First Century Community Learning Centers - Enhanced FY16	84.287	245-048-6-0618-Q	9,440
Twenty-First Century Community Learning Centers - FY16	84.287	647-160-6-0618-Q	53,341
Twenty-First Century Community Learning Centers - Summer FY16	84.287	647-053-6-0618-Q	78,075
Twenty-First Century Community Learning Centers - Jan-June 2016	84.287	647-183-6-0618-Q	98,667
Improving Teacher Quality State Grants FY16	84.367	140-077395-2016-0618	2,440
Improving Teacher Quality State Grants FY15	84.367	140-060137-2015-0618	<u>31,012</u>
Total U.S. Department of Education			<u>1,071,123</u>
Total Federal Expenditures			<u>\$ 1,315,265</u>

The accompanying notes are an integral part of this schedule.

BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The amounts reported for the School Breakfast Program and the National School Lunch Program – Cash Assistance represent federal reimbursements provided during the year. The amounts reported for the National School Lunch Program – Non-Cash Assistance represent the fair value of commodities provided by the Commonwealth.

Note 3. Subrecipients

The School District provided no federal awards to subrecipients in fiscal year 2016.

BERKSHIRE HILLS REGIONAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified opinion on Special Education Cluster (84.027 / 84.173) and modified opinion on Title I grants, for eligibility.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027 / 84.173
84.010

Special Education Cluster
Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Cost</u>
2016-001	Title I 84.010	<u>IMPROVE PROCEDURES OVER TITLE I ELIGIBILITY RECORDS (COMPLIANCE FINDING)</u> <u>Criteria:</u> The Federal Title I program is intended to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families. The program can be run on either a school-wide or targeted assistance basis; in the school-wide program, all students attending a Title I funded school are eligible to receive services; in the targeted assistance program, only those students that meet certain criteria are eligible to receive services. <u>Condition:</u> In fiscal year 2016 the District's elementary school ran a school-wide program and the middle school ran a targeted assistance program. In our testing of student eligibility at the middle school, we noted the following issues: <ul style="list-style-type: none">• While a list of Title I eligible students was provided, it was not ranked by student need (typically done through a composite scoring methodology) to ensure that the students with the highest need are served first. Based on our inquiries, a rank order list was not considered necessary because the District was able to serve all of the students whose evaluation indicated some level of need; however, without a rank order listing it is difficult to verify whether all students served qualified for assistance.	N/A

- Of the 12 students selected for testing (from the list of 116 students identified as Title I eligible), one was found to score in the “advanced” category in both reading and math. Per the District’s criteria, a student would need to score at the “warning” or “needs improvement” level in order to qualify for Title I services. Although we were later informed that the student in question did not in fact receive Title I services, we were unable to verify that through supporting documentation.

Cause and effect:

The lack of a rank order list that contained only those students receiving Title I services may be due to the District’s belief that such a list was not required because the District was able to serve all students needing services.

Although we were unable to verify whether the one ineligible student listed was in fact served, had the student actually received Title I services, the per pupil allocation of grant funds, extrapolated to the entire population of students, would not have had a material dollar impact. Consequently, there are no questioned costs resulting from this finding.

Recommendation:

We recommend procedures be put in place to ensure that a comprehensive list of Title I eligible students, including each student’s ranking or composite scores, be maintained. We further recommend the District ensure that all students on the list / identified as receiving Title I services meet the established eligibility criteria.

School District’s Response:

The way in which our Title I funds are used at the Middle School gives us a tremendous amount of flexibility in meeting student needs. We use our funds to have two interventionists on hand to provide both direct instruction and additional support to struggling students. We are able to structure their time in a wide variety of ways. For that reason, rather than creating a set number that they can serve (say, 70 students), we determine that they will

serve any and all students who have academic need and adjust our scheduling, class sizes, and organization accordingly.

Having said that, we will make changes to our documentation procedures. In the past, a master list was generated at the Administrative level which could easily have been converted into a “rank ordered list”. However, over the past few years, as our teaching teams have become much more adept at looking at and responding to data, that information has shifted so that it is tracked at the grade-level and classroom level.

This has a major benefit in that it allows us to be more responsive to student needs. We are able to be nimble, and respond to shifts in student need as necessary. However, although we have utmost confidence in our systems and the fact that the right students are getting the right services, we recognize that we need to have a system that makes it easier to communicate that fact to the outside world. With that in mind, we will shift to recentralize that data in the future so that our procedure for assigning students is clear.

We respect and will follow the recommendation that we create a list that will generate a composite score of student need. That extra step will help us communicate the work that we are doing.

As to the student who scored in the “advanced” category, that was a reporting error. That student received no Title I services, but was misreported to the State. With the composite score list discussed above, we will be able to double check our student lists more easily and better avoid such errors in the future.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Current Year Resolution</u>
2015-001	N/A	Preparation of Financial Statements Based on Generally Accepted Accounting Principles	Satisfactorily Resolved
2015-002	21 st Century Learning 84.287	Offer Program Participation to Private Schools	Private school participation was tested as part of the Title I program without exception