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May 18, 2018

Members of the School Board
Timberlane Regional School District
30 Greenough Road
Plaistow, NH 03865

Dear Members of the Board:

Donna M. LaClair, CPA**

Ashley J. Miller, CPA, MSA

Tylei A. Paine, CPA

Kyle G. Gingras, CPA

Scott T. Eagen, CFE

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Timberlane 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 June 20, 2017. 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 Timberlane 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 Timberlane 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 governmental activities' financial statements were:

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.

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.

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.

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

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Difficulties Encountered in Performing the Audit

The completion of our audit was delayed due to incomplete and missing information. Our procedures identified that significant year-end activity had not been posted when we arrived for our initial audit fieldwork in August 2017. Despite repeated requests for information, we noted several required reconciliations that were not completed until March and May of 2018.

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 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 May 17, 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 Timberlane 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 Timberlane 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.

District Policies

Upon review of the School District's policies it was noted several policies, including but not limited to Purchasing, Bidding Requirements, Transfer of Appropriations, Fund Balances, and Fraud Prevention and Fiscal Management, have not recently been updated. Good accounting practice recommends that all policies be periodically reviewed to ensure that the policies that are in place 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 every three to five years so that they are up to date and are effective for the processes in place.

Deposit Supporting Documentation

During our review of deposit information for the months of June and July 2017, we noted that no deposit forms have been completed indicating the date the deposits were received. In order to document when deposits are received and ensure they are being deposited in a timely manner, a deposit form should be completed for each deposit. We recommend the School District complete a deposit form any time funds are collected to indicate the date, source, amount, account, and reason for the receipt.



Treasurer Duties

We noted that bank statements for the School District's various accounts were not reconciled to the general ledger by the School District Treasurer. We are aware the former Treasurer passed away during the fiscal year under audit, however it appears that the lack of bank statement reconciliations to the general ledger was an issue for all twelve months of the fiscal year audited, and continued to be an issue for the first nine months of the subsequent fiscal year. We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all suspicious reconciling items be promptly investigated and adjusted with adequate explanations. In addition, the School District should consider appointing a deputy treasurer that is capable of completing the Treasurer's duties in the event the Treasurer is unable.

Student Activity Funds

Timberlane Regional High School – We identified several payments out of the student activity account to students or colleges that represent scholarships to students for college. Scholarship accounts should be held and maintained by the Town Trustees of the Trust Funds and distributed at the request of the school. We recommend the scholarship funds be transferred to the Trustees of Trust Funds.

Timberlane Regional Middle School – In reviewing the bank reconciliation for the student activity account, we identified 10 stale dated checks that were older than six months. For stale dated payments, the school should follow up with the vendor to determine if the original check should be voided and a new check reissued. We recommend that a review of outstanding items be performed as part of the monthly bank reconciliation process.

Pollard School – During a review of the student activity fund, we identified two payments that lacked proper supporting documentation. All disbursements should be supported by appropriate documentation to substantiate the payment. We recommend that payments not be made unless this documentation is provided.

Sandown Central School – As part of our review of the student activity fund, it was noted that three of the sub-accounts held negative balances at year-end. The payment approval and authorization process for disbursements should include a review of the sub-accounts to ensure they have sufficient funds available before the payment is made. By overspending the sub-account, it is "borrowing" funds from other sub-accounts, thus making funds unavailable to other groups. We recommend that student groups not be allowed to overexpend the balance available in their sub-account.

Federal Compliance

Through the federal compliance testing the following items were noted:

- *Program: IDEA Project Number: 72504* – Semi-annual certifications for salaried grant employees for the second half of the year were completed and signed by the employees mid-way through that time period and not at year end after they performed the work. It is noted that the Special Education Director did approve them properly at year end. In accordance with Uniform Guidance, 2 CFR 200.430(i), "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed." We recommend that the second half of the certifications be completed and signed by the employee at year end in order to certify they completed their work after the fact.
- *Program: IDEA Project Number: 72504* – If a non-Federal entity contracts with a vendor over \$25,000 or expected to be over \$25,000 and the vendor is paid with Federal funds the non-Federal entity must verify the vendor's suspension and debarment status. The School District contracted with two vendors who meet this criteria, one's status was properly verified (as the School District provided the contract with a suspension and debarment clause) and the other was not. The non-verified vendor provided its own contract that did not contain a suspension and debarment clause and no further action was taken by the School District. We recommend that the School District perform the necessary suspension and debarment verification on any vendors paid with Federal funds with a contract over \$25,000 as required by Federal regulations.

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 Management's Discussion and Analysis, 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 supplement 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.



Timberlane Regional School District

May 18, 2018

Page 5

Restriction on Use

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

Sincerely,

Plodzik & Sanderson

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