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January 7, 2019

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

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 Timberlane Regional School District for the year ended June 30, 2018. 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 July 10, 2018. 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. The School District changed accounting policies related to the way in which it calculates and reports the costs associated with postemployment benefits other than pensions by adopting Governmental Accounting Standards (GASB) Statement No. 75, *Accounting, and Financial Reporting for Postemployment Benefits Other than Pensions* in fiscal year 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported Note 2-C, Accounting Change/Restatement.

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 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 of resources, deferred inflows of resources, 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 of resources, deferred inflows of resources, and pension expense in determining that they are reasonable in relation to the financial statements taken as a whole.

PLODZIK & SANDERSON, P.A.
Certified Public Accountants

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** Also licensed in Massachusetts

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Management's estimates of the other postemployment benefit liability, deferred outflows of resources, deferred inflows of resources, and other postemployment benefit 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 other postemployment benefits liability, deferred outflows of resources, deferred inflows of resources, and other postemployment benefit expense 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.

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 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 December 31, 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.

Treasurer Duties (repeat comment)

We noted that bank reconciliations for the School District's various accounts were not being reviewed and approved by the School District Treasurer. In addition, numerous immaterial reconciling discrepancies are noted on each month's reconciliation for all funds which are not being further investigated and resolved. 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.



Transfer of Surplus to Trust Funds

At its March 2017 District Meeting, the School District voted to transfer up to \$250,000 of its June 30, 2017 unassigned fund balance to the School Building Construction, Reconstruction, Capital Improvement and Land Purchase Capital Reserve Fund. The check for this transfer was not delivered until 6/27/18. In accordance with NH RSAs 35:11 and 35:13, the School District should transfer the voted amount within 10 days of the determination of surplus following the close of the fiscal year. We recommend the School District promptly cut a check to the Trustees of Trust Funds in accordance with State statute once the determination of surplus has been made.

Timeliness of Posting Cash Receipts

During a review of receipts, we noted multiple instances where deposits received by the School District are not being posted to the general ledger in a timely manner. It is important for deposits to be posted, so that accurate figures are reported for revenue and reconciliations can be completed for cash accounts. We recommend that all deposits of the School District be posted to the general ledger on a more timely basis.

General Ledger Budgets

At the District Meeting, the School District adopts budgets for all funds, including the food service fund; however, we noted the annual budget for the food service fund is not entered into the general ledger (for either revenues or expenditures). Budget to actual comparisons are key analytical reports used by management to evaluate the overall performance of a fund relative to expectations. If the budgetary information is not input, no such evaluation can be performed. We recommend the adopted budgets for all funds be entered into the general ledger once approved.

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.
- We noted two separate purchases of gift cards made during the year that lacked proper supporting documentation. Gift cards are purchases that are highly susceptible to fraud or theft. Additionally, gift cards that are distributed to employees of the School District should be considered as additional compensation for tax purposes. If gift cards are to continue to be purchased out of the student activity account, a form should be completed and signed by the recipient of the gift card acknowledging receipt.

Timberlane Regional Middle School

- In reviewing the bank reconciliation for the student activity account, we identified four 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.
- It was noted that deposit forms are not being prepared by student activity advisors for deposits. Deposit forms should be completed by an advisor for all deposits and should indicate the date, student group, purpose, and amount of the deposit. The form should also be initialed by both the activity advisor and the school secretary/administrative assistant, verifying they are both in agreement with the deposit amount.

Atkinson Academy – We noted deposit forms are only being signed by the secretary/administrative assistant. Deposit forms should also be signed by the student activity advisor when the deposit is prepared. Dual signatures serves as a verification that deposits are being made intact and in a timely manner. We recommend all deposit forms be signed by both the student activity advisor and the secretary/administrative assistant.

Danville Elementary School – We noted two separate purchases of gift cards made during the year that lacked proper supporting documentation. Gift cards are purchases that are highly susceptible to fraud or theft. Additionally, gift cards that are distributed to employees of the School District should be considered as additional



compensation for tax purposes. If gift cards are to continue to be purchased out of the student activity account, a form should be completed and signed by the recipient of the gift card acknowledging receipt.

Pollard School – During a review of the student activity fund, we identified one payment 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

- The June 2018 bank reconciliation has a significant number of unusual uncleared transactions on its monthly bank reconciliation, including 22 outstanding checks and payments totaling \$3,762 dating as far back as 6/30/17 and 8 deposits in transit totaling \$4,153 dating as far back as 7/1/17. These outstanding items are irregular and should be investigated by management and cleared as appropriate.
- Upon review of the summary of activity, there does not appear to be any sub-accounting for various student groups within the student activity account. Instead, all funds are comingled as part of a single student activity account. This includes funds raised for various sources such as assemblies, field trips, and yearbooks. We recommend separate sub-accounting be performed for each of these activities.
- No deposit forms were prepared for deposits. Deposit forms should be completed by a student activity advisor for all deposits and should indicate the date, student group, purpose, and amount of the deposit. The form should also be initialed by both the activity advisor and the school secretary/administrative assistant, verifying they are both in agreement with the deposit amount.
- We noted that requests for payment were not prepared for any of the disbursements reviewed. Requests for disbursement should be completed for all purchases. They should indicate the date, the student group, the vendor, the amount, and should be approved by the principal prior to any purchases occurring. We recommend the school implement a request for purchase form, which is then completed prior to each purchase.
- Two purchases we reviewed did not contain any supporting documentation. In both cases, the purchases were made with a debit card and lacked either a request for payment or receipt/invoice. All purchases should be supported by appropriate documentation, which includes both a properly completed request for payment as well as an appropriate receipt or invoice to substantiate the purchase.
- Numerous purchases were made throughout the year from the bank account with the use of a debit card. There are very few purchases required during the year from a student activity that do not allow for the use of a check. Debit cards pose a much higher risk for theft or fraud, and can also be used to bypass the purchasing process (which, as noted above, is also not being followed). We recommend the use of debit cards be limited only to instances where a check is not accepted.

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. 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. 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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, issued April 2018, will be effective for the School District with its fiscal year ending June 30, 2019. This Statement will improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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.

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,
- Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios, 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, 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.



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Restriction on Use

This information is intended solely for the information and use of the members 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

PLODZIK & SANDERSON
Professional Association

