



Edward T. Perry, CPA

March 7, 2017

James A. Sojka, CPA

Sheryl A. Pratt, CPA

Michael J. Campo, CPA, MACCY

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

Tyler A. Paine, CPA

Kyle G. Gingras, CPA

Susan E. Gauthier, 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, 2016. 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 August 1, 2016. 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 2016. 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 estimate affecting the governmental activities' financial statements was:

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

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 March 2, 2017.

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 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.

Stale Checks

During our review of the School District's bank reconciliations, we noted numerous stale dated checks for both accounts payable and payroll. Outstanding checks that are more than six months old should be canceled as a part of tight control over cash disbursements. These outstanding checks should be investigated, adjusted for separately, and payment stopped at the bank, as necessary.

Capital Asset Policy

We noted the School District's capital asset policy does not provide the proper guidance necessary to track and record the School District's capital assets. The policy does not provide descriptions or examples of the various asset classes used to classify assets. The policy does not provide any description of useful lives of capital assets. Lastly, the policy does not provide adequate guidance to ensure that asset additions and deletions are properly identified and recorded. We recommend reviewing and revising the capital asset policy to include these necessary items.

Student Activity Funds

Timberlane Regional High School – Our audit testing in the area of cash receipts revealed that the Timberlane Regional High School is not making daily deposits of cash to the bank. This practice opens the Timberlane Regional High School to the threat of a loss or theft of cash while it is on the premises. To strengthen internal controls in this area, we suggest that during



times of heavy cash inflow, deposits to the bank be made on a daily basis. During periods of less cash inflow, we recommend that cash be deposited at the bank no less than once a week. This practice will firmly strengthen the Timberlane Regional High School's internal control process over cash receipts and greatly lessen the likelihood that cash could be lost or stolen before it is deposited in the bank.

Timberlane Regional High School – While reviewing disbursements, we identified two payments that lacked proper supporting documentation. The identified payments related to awards or donations made from various student accounts. In instances where a receipt or invoice is not available, supporting documentation should include documentation of approval by the student group and a signed receipt from the party receiving the award or donation.

Timberlane Regional Middle School – We identified two activity accounts at the Timberlane Regional Middle School that had negative balances at year-end. Activity accounts should be prohibited from incurring deficit balances. As part of the disbursement approval process, the activity account balance should be reviewed to verify that adequate funds are available prior to authorizing any disbursement. We recommend these negative balances be brought into the positive and ensuring that no accounts are allowed to overwithdraw in the future.

Atkinson Academy – Our review of deposits identified a receipt from the State of New Hampshire that represented reimbursement for a federal grant that was run through the student activity fund. Grants are activity of the School District and do not belong in the fiduciary funds. By doing so, the grant is not being properly accounted for and bypasses the School District's main control procedures. In addition, federal grants may be subject to additional testing and reporting requirements, including a single audit. We recommend that student activity funds be limited to use strictly by student groups.

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. 74, *Financial Reporting for Postemployment Benefit Plan Other than Pension Plans*, issued in June 2015, will be effective for the School District beginning with its fiscal year ending June 30, 2017. This Statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB).

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. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued in August 2015, will be effective for the School District beginning with its fiscal year ending June 30, 2017. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55.

GASB Statement No. 77, *Tax Abatement Disclosures*, issued in August 2015, will be effective for the School District beginning with its fiscal year ending June 30, 2017. This Statement requires disclosures of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and reduce the reporting government's tax revenue.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, issued in December 2015, will be effective for the School District beginning with its fiscal year ending June 30, 2017. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-



employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan).

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued in December 2015, will be effective for the School District beginning with its fiscal year ending June 30, 2017. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, issued in January 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 financial reporting by clarifying the financial statement presentation requirements for certain component units.

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, 2017. 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.

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of the School District's Proportionate Share of Net Pension Liability, and Schedule of School District Contributions of Net Pension Liability 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 individual fund schedules, combining schedule of changes in student activity funds, schedules of changes in student activity funds, 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 Timberlane Regional School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Plodzick & Sanderson

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