

TIMBERLANE REGIONAL SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

TIMBERLANE REGIONAL SCHOOL DISTRICT
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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the School Board
Timberlane Regional School District
Plaistow, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Timberlane Regional School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Timberlane Regional School District, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the general, food service, and grants funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Timberlane Regional School District
Independent Auditor's Report***

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-11), the Schedule of Funding Progress for Other Postemployment Benefit Plan (page 40), the Schedule of School District's Proportionate Share of Net Pension Liability (page 41), and the Schedule of School District Contributions (page 42) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Timberlane Regional School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 combining and individual fund schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2018, on our consideration of the Timberlane Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Timberlane Regional School District's internal control over financial reporting and compliance.

May 17, 2018



PLODZIK & SANDERSON
Professional Association

TIMBERLANE REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
OF THE ANNUAL FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED
JUNE 30, 2017

Management's Discussion and Analysis is presented by the School District Administration of the Timberlane Regional School District (the "District") and is intended to serve as an introduction to District's basic financial statements. The District's basic financial statements are comprised of four major components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

School District Administration is responsible for establishing an accounting system and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the District are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP) and pronouncements from Governmental Accounting Standards Board (GASB). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on the District's assets, deferred outflow of resources and liabilities, and deferred inflow of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 12 - 13 of this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other governmental units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains several governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Food Service Fund, Grants Fund, and Other Governmental Fund, which encompasses the Timberlane Performing Arts Center.

The District adopts an annual appropriated budget for its funds. Budgetary comparison statements for the Major General Fund, Food Service Fund and Grants Fund have been provided to demonstrate compliance with the budget and can be found on pages 18 - 20 of this report.

The governmental fund financial statements can be found on pages 14 - 22 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for private enterprises. The basic fiduciary fund financial statements can be found on pages 21 - 22 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 39 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information consisting of 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.

Required supplementary information and related notes can be found on pages 40 - 43 of this report. Additional supplementary information relating to the General Fund and Fiduciary Funds can be found at pages 44 - 47. Schedule of Expenditures of Federal Awards and accompanying notes can be found at pages 55 - 56.

Financial Highlights

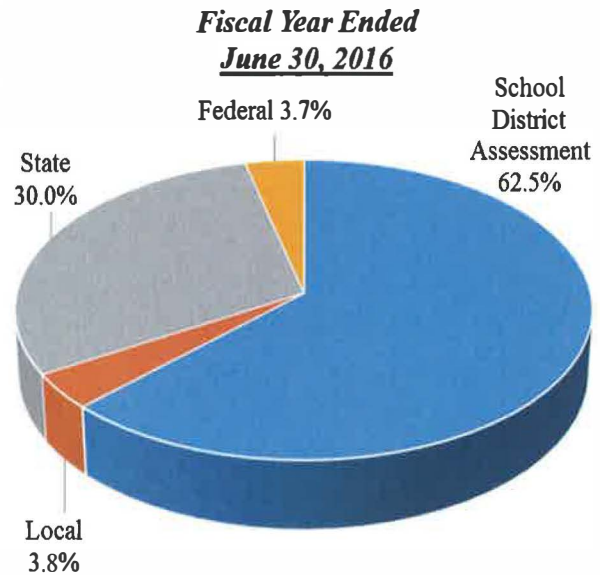
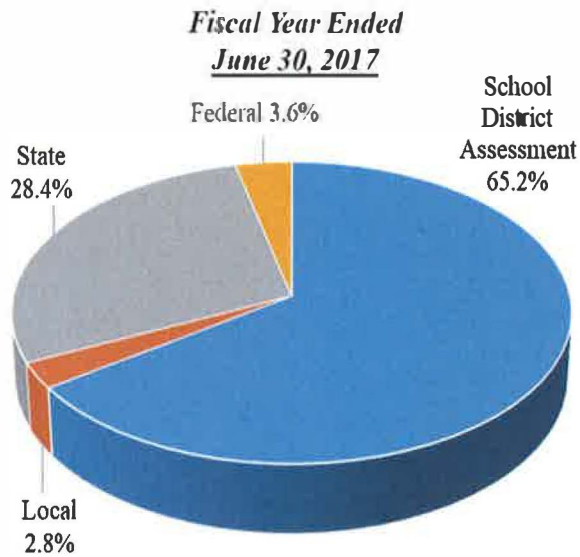
- Total Governmental Funds Expenditures increased by \$2,355,832, or 3.65% from \$64,568,761 in 2015-16 to \$66,924,593 in 2016-17 largely due to an increase in support services resulting from non-discretionary increases in teacher and non-teacher retirement and group insurance.
- Revenue recognized in fiscal year 2016-17 by the District's general fund amounted to \$108,800 less than was budgeted.
- Capital assets and related depreciation are included in the Government-wide Financials. More information can be found under "Capital Assets" under this Management Discussion & Analysis, and in Note 1-H and Note 5 to the Financial Statements.
- By District Ballot in March, 2017, voters approved a contribution of \$250,000 into the capital reserve fund from unassigned fund balance to be transferred in fiscal year 2017-18.
- The School Board authorized \$175,000 to be held as fund balance retention pursuant to RSA 198L4-bii in fiscal year 2016-17. The fiscal year 2015-16 fund balance retention was \$200,000.
- Fiscal year 2016-17 fund balance used to reduce taxes for the 2017-18 fiscal year was \$2,471,411.

Financial Analysis of the District as a Whole
Two-Year Comparison of Net Position
Governmental Activities

	<u>June 30, 2017</u>	<u>As Restated June 30, 2016</u>	<u>Increase (Decrease)</u>
ASSETS			
Cash and cash equivalents	\$ 2,787,218	\$ 2,614,106	\$ 173,112
Accounts receivable	61,818	88,924	(27,106)
Intergovernmental receivable	1,963,121	2,827,952	(864,831)
Inventory	33,877	25,812	8,065
Prepaid items	1,000	42,112	(41,112)
Capital assets, not being depreciated	515,901	515,901	-
Capital assets, net of accumulated depreciation	21,692,727	22,738,230	(1,045,503)
Total assets	<u>27,055,662</u>	<u>28,853,037</u>	<u>(1,797,375)</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts related to pensions	<u>15,987,983</u>	<u>4,678,556</u>	<u>11,309,427</u>
LIABILITIES			
Accounts payable	410,535	343,373	67,162
Accrued salaries and benefits	-	2,479	(2,479)
Intergovernmental payable	34,829	32,040	2,789
Unearned revenue	5,690	3,219	2,471
Accrued interest payable	93,978	125,538	(31,560)
Noncurrent obligations:			
Due within one year	2,109,741	1,600,000	509,741
Due in more than one year	67,965,421	54,245,668	13,719,753
Total liabilities	<u>70,620,194</u>	<u>56,352,317</u>	<u>14,267,877</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - State Aid	8,547	-	8,547
Unavailable revenue - grants and donations	26,609	5,008	21,601
Amounts related to pensions	1,577,864	3,187,205	(1,609,341)
Total deferred inflows of resources	<u>1,613,020</u>	<u>3,192,213</u>	<u>(1,587,740)</u>
NET POSITION			
Net investment in capital assets	17,408,628	16,854,131	554,497
Unrestricted	(46,598,197)	(42,867,068)	(3,731,129)
Total net position (deficit)	<u>\$ (29,189,569)</u>	<u>\$ (26,012,937)</u>	<u>\$(3,176,632)</u>

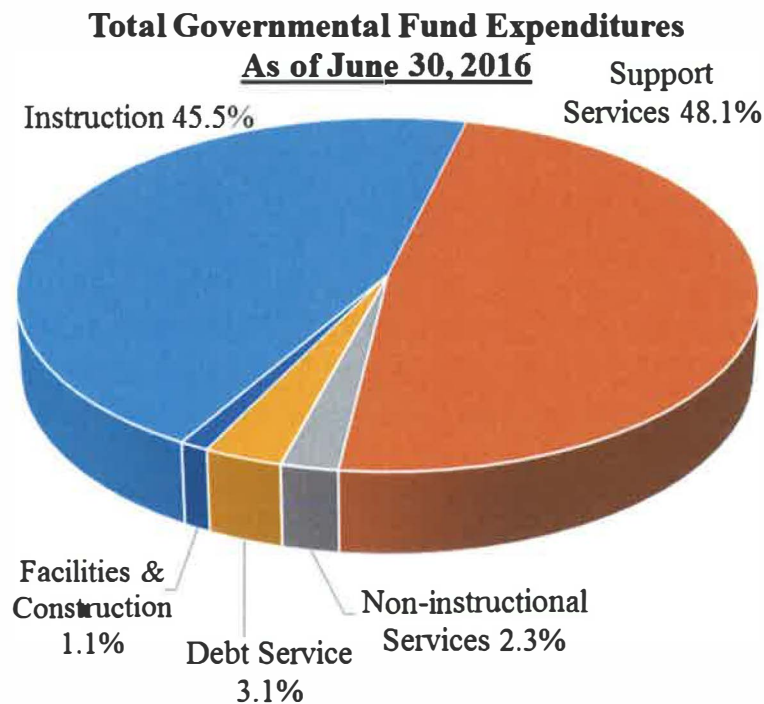
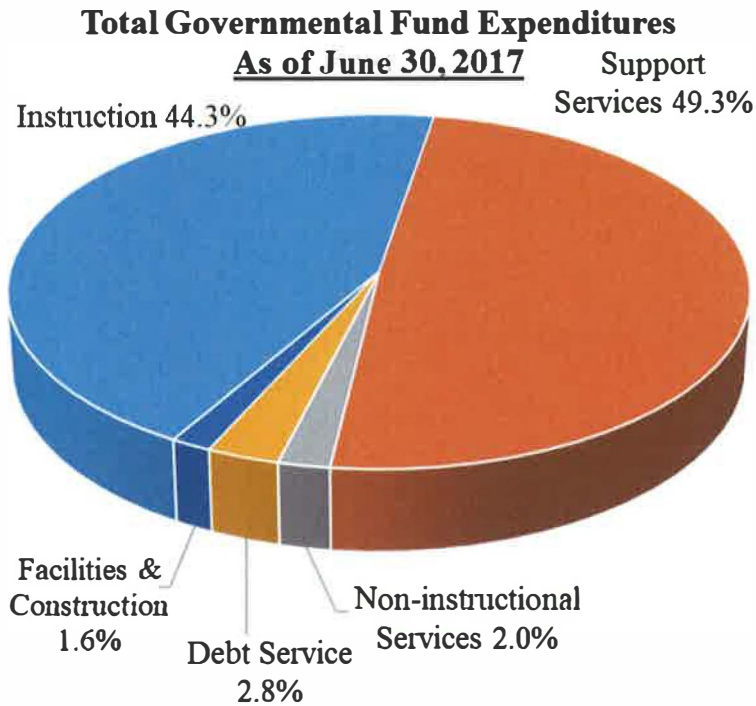
Financial Analysis of the District as a Whole
Two-Year Comparison
Revenue Analysis
Total Governmental Funds

	<i><u>Fiscal Year Ended</u></i> <i><u>June 30, 2017</u></i>	<i><u>Fiscal Year Ended</u></i> <i><u>June 30, 2016</u></i>	<i><u>Increase</u></i> <i><u>(Decrease)</u></i>
School District Assessment	\$ 43,062,750	\$ 40,398,399	\$ 2,664,351
Local	1,833,855	2,477,851	(643,996)
State	18,781,717	19,395,520	(613,803)
Federal	2,394,308	2,357,209	37,099
	<u>\$ 66,072,630</u>	<u>\$ 64,628,979</u>	<u>\$ 1,443,651</u>



Financial Analysis of the District as a Whole
Two-Year Comparison
Statement of Expenditures – Total Governmental Funds

	<i>Fiscal Year Ended</i>		<i>Increase (Decrease)</i>
	<i>June 30, 2017</i>	<i>June 30, 2016</i>	
Instruction	29,652,993	29,354,192	298,801
Support Services:			
Student	3,334,871	3,284,421	50,450
Instructional Staff	1,189,172	1,335,825	(146,653)
General Administration	291,930	201,229	90,701
Executive Administrative	2,052,401	1,823,701	228,700
School Administration	3,375,226	2,952,030	423,196
Business	52,188	61,332	(9,144)
Operation & Plant Main	3,629,781	3,595,609	34,172
Student Transportation	2,886,774	2,748,103	138,671
Other	16,139,586	15,047,893	1,091,693
Total Support Services:	32,951,929	31,050,143	1,901,786
Non-instructional Services	1,359,936	1,453,068	(93,132)
Debt Service:			
Principal	1,600,000	1,600,000	-
Interest	294,000	378,000	(84,000)
Total Debt Service:	1,894,000	1,978,000	(84,000)
Facilities and Construction	1,065,735	733,358	332,377
Total Expenditures:	66,924,593	64,568,761	2,355,832



Fund Balance

Surplus funds from operations within the general fund are used each year to reduce local property taxes or for emergency expenditures that were not budgeted for. In the fiscal year 2017, the amount used from the beginning general fund unassigned fund balance for this purpose was \$3,849,045.

Long Term Debt

The District has long term debt as of June 30, 2017, as follows:

Timberlane Regional School District Comparative Statement of Long-Term Debt

	<u>2017</u>	<u>2016</u> <u>(as restated)</u>	<u>Increase</u> <u>(Decrease)</u>
General Obligation Bond Payable	\$ 4,800,000	\$ 6,400,000	\$(1,600,000)
Compensated Absences	3,065,568	3,167,048	(101,480)
Net Pension Liability	58,648,858	43,214,222	15,434,636
Other Postemployment Benefits Net	<u>3,560,736</u>	<u>3,064,398</u>	<u>496,338</u>
Total Long-Term Debt	<u>\$70,075,162</u>	<u>\$55,845,668</u>	<u>\$14,229,494</u>

Capital Assets

The District began reporting capital assets in the 2015-2016 fiscal year. Capital assets are those assets which are acquired by the District having more than one year of useful life and which meet certain value thresholds, depending on the type of asset. Capital assets are depreciated over their useful life, pursuant to policy. Capital asset depreciation is charged to the respective function for which the use is attributable.

The value of capital assets, net of accumulated depreciation, is included in the Government-wide Statement of Net Position (see Exhibit A). Additional information on capital assets and guidelines is found in Financial Statement Note 1-H. Capital asset beginning and ending balances are shown below. Further information, including accumulated depreciation by asset category, is shown in Note 5 – Capital Assets.

**Timberlane Regional School District
Comparative Statement of Capital Assets**

	Beginning Balance July 1, 2016	Changes	Ending Balance June 30, 2017
Non-Depreciable Assets:			
Land	\$ 515,901	\$ -	\$ 515,901
Depreciable Assets:			
Land Improvements	2,601,355	344,449	2,945,804
Buildings and Building Improvements	59,394,448	399,743	59,794,191
Machinery, Equipment, and Vehicles	3,498,569	116,716	3,615,285
Total Capital Assets	66,010,273	860,908	66,871,181
Less Accumulated Depreciation	(42,756,142)	(1,906,411)	(44,662,553)
Net Value, All Capital Assets	\$ 23,254,131	\$ (1,045,503)	\$ 22,208,628

Contact Information

This report is designed to provide a general overview of the Timberlane Regional School District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Geoffrey Dowd

C.F.O. / Business Administrator

Timberlane Regional School District / SAU #55

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Plaistow, NH 03865

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BASIC FINANCIAL STATEMENTS

EXHIBIT A
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,787,218
Accounts receivable	61,818
Intergovernmental receivables	1,963,121
Inventory	33,877
Prepaid items	1,000
Capital assets, not being depreciated	515,901
Capital assets, net of accumulated depreciation	21,692,727
Total assets	<u>27,055,662</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	<u>15,987,983</u>
LIABILITIES	
Accounts payable	410,535
Intergovernmental payable	34,829
Unearned revenue	5,690
Accrued interest payable	93,978
Noncurrent obligations:	
Due within one year	2,109,741
Due in more than one year	67,965,421
Total liabilities	<u>70,620,194</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - State Aid	8,547
Unavailable revenue - grants and donations	26,609
Amounts related to pensions	1,577,864
Total deferred inflows of resources	<u>1,613,020</u>
NET POSITION	
Net investment in capital assets	17,408,628
Unrestricted	(46,598,197)
Total net position	<u>\$ (29,189,569)</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

		Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change In Net Position
Instruction	\$ 30,115,648	\$ 557,640	\$ 1,296,015	\$ -	\$(28,261,993)
Support services:					
Student	3,351,738	-	2,273	-	(3,349,465)
Instructional staff	1,185,045	-	149,222	-	(1,035,823)
General administration	291,930	-	-	-	(291,930)
Executive administration	2,017,214	-	-	-	(2,017,214)
School administration	3,290,802	-	-	-	(3,290,802)
Business	52,188	-	-	-	(52,188)
Operation and maintenance of plant	5,508,614	-	17,090	-	(5,491,524)
Student transportation	2,886,774	-	41,828	-	(2,844,946)
Other	18,651,512	-	-	-	(18,651,512)
Noninstructional services	1,373,867	951,701	394,647	-	(27,519)
Interest on long-term debt	262,440	-	-	1,103,811	841,371
Facilities acquisition and construction	261,490	-	6,008	-	(255,482)
Total governmental activities	<u>\$ 69,249,262</u>	<u>\$ 1,509,341</u>	<u>\$ 1,907,083</u>	<u>\$ 1,103,811</u>	<u>\$(64,729,027)</u>
General revenues:					
School district assessment					43,062,750
Grants and contributions not restricted to specific programs					18,207,412
Miscellaneous					282,233
Total general revenues					<u>61,552,395</u>
Change in net position					(3,176,632)
Net position, beginning, as restated (see Note 14)					(26,012,937)
Net position, ending					<u><u>\$(29,189,569)</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TIMBERLANE REGIONAL SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

	General	Food Service	Grants	Other Governmental Fund (Performing Arts Center)	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,441,471	\$ 317,101	\$ -	\$ 28,646	\$ 2,787,218
Receivables:					
Accounts	61,818	-	-	-	61,818
Intergovernmental	1,687,230	20,229	255,662	-	1,963,121
Interfund receivable	551,144	-	-	-	551,144
Inventory	-	33,877	-	-	33,877
Prepaid items	1,000	-	-	-	1,000
Total assets	<u>\$ 4,742,663</u>	<u>\$ 371,207</u>	<u>\$ 255,662</u>	<u>\$ 28,646</u>	<u>\$ 5,398,178</u>
LIABILITIES					
Accounts payable	\$ 338,463	\$ 72,072	\$ -	\$ -	\$ 410,535
Intergovernmental payable	34,829	-	-	-	34,829
Interfund payable	-	299,135	223,363	28,646	551,144
Unearned revenue	-	-	5,690	-	5,690
Total liabilities	<u>373,292</u>	<u>371,207</u>	<u>229,053</u>	<u>28,646</u>	<u>1,002,198</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - State Aid	8,547	-	-	-	8,547
Unavailable revenue - grants and donations	-	-	26,609	-	26,609
Total deferred inflows of resources	<u>8,547</u>	<u>-</u>	<u>26,609</u>	<u>-</u>	<u>35,156</u>
FUND BALANCES (DEFICIT)					
Nonspendable	1,000	33,877	-	-	34,877
Restricted	12,058	-	-	-	12,058
Committed	1,374,280	-	-	-	1,374,280
Assigned	327,075	-	-	-	327,075
Unassigned (deficit)	2,646,411	(33,877)	-	-	2,612,534
Total fund balances	<u>4,360,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,360,824</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,742,663</u>	<u>\$ 371,207</u>	<u>\$ 255,662</u>	<u>\$ 28,646</u>	<u>\$ 5,398,178</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances of governmental funds (Exhibit C-1)		\$ 4,360,824
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 66,871,181	
Less accumulated depreciation	<u>(44,662,553)</u>	
		22,208,628
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 15,987,983	
Deferred inflows of resources related to pensions	<u>(1,577,864)</u>	
		14,410,119
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (551,144)	
Payables	<u>551,144</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(93,978)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 4,800,000	
Compensated absences	3,065,568	
Other postemployment benefits	3,560,736	
Net pension liability	<u>58,648,858</u>	
		<u>(70,075,162)</u>
Net position of governmental activities (Exhibit A)		<u>\$ (29,189,569)</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TIMBERLANE REGIONAL SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	General	Food Service	Grants	Other Governmental Fund (Performing Arts Center)	Total Governmental Funds
REVENUES					
School district assessment	\$ 43,062,750	\$ -	\$ -	\$ -	\$ 43,062,750
Local	797,737	951,701	42,281	42,136	1,833,855
State	18,764,301	17,416	-	-	18,781,717
Federal	585,157	377,231	1,431,920	-	2,394,308
Total revenues	63,209,945	1,346,348	1,474,201	42,136	66,072,630
EXPENDITURES					
Current:					
Instruction	28,314,136	-	1,294,748	44,109	29,652,993
Support services:					
Student	3,332,598	-	2,273	-	3,334,871
Instructional staff	1,039,950	-	149,222	-	1,189,172
General administration	291,930	-	-	-	291,930
Executive administration	2,052,401	-	-	-	2,052,401
School administration	3,375,226	-	-	-	3,375,226
Business	52,188	-	-	-	52,188
Operation and maintenance of plant	3,612,691	-	17,090	-	3,629,781
Student transportation	2,881,914	-	4,860	-	2,886,774
Other	16,139,211	-	-	375	16,139,586
Noninstructional services	-	1,359,936	-	-	1,359,936
Debt service:					
Principal	1,600,000	-	-	-	1,600,000
Interest	294,000	-	-	-	294,000
Facilities acquisition and construction	1,059,727	-	6,008	-	1,065,735
Total expenditures	64,045,972	1,359,936	1,474,201	44,484	66,924,593
Deficiency of revenues under expenditures	(836,027)	(13,588)	-	(2,348)	(851,963)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	13,588	-	2,348	15,936
Transfers out	(15,936)	-	-	-	(15,936)
Total other financing sources (uses)	(15,936)	13,588	-	2,348	-
Net change in fund balances	(851,963)	-	-	-	(851,963)
Fund balances, beginning	5,212,787	-	-	-	5,212,787
Fund balances, ending	\$ 4,360,824	\$ -	\$ -	\$ -	\$ 4,360,824

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
TIMBERLANE REGIONAL SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Net change in fund balances of total governmental funds (Exhibit C-3)		\$ (851,963)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (15,936)	
Transfers out	<u>15,936</u>	
		-
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.		
Contributions subsequent to the measurement date	\$ 4,008,148	
Net pension expense	<u>(6,524,016)</u>	
		(2,515,868)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net position.		
Principal repayment of bond		1,600,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 31,560	
Decrease in compensated absences payable	<u>101,480</u>	
		(363,298)
Change in net position of governmental activities (Exhibit B)		<u><u>\$ (3,176,632)</u></u>

EXHIBIT D-1
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
School district assessment	\$ 43,062,750	\$ 43,062,750	\$ -
Other local	967,907	772,437	(195,470)
State	18,642,788	18,764,301	121,513
Federal	620,000	585,157	(34,843)
Total revenues	63,293,445	63,184,645	(108,800)
EXPENDITURES			
Current:			
Instruction	29,046,894	28,276,321	770,573
Support services:			
Student	3,474,013	3,331,828	142,185
Instructional staff	1,367,516	1,045,815	321,701
General administration	205,660	279,987	(74,327)
Executive administration	2,103,289	2,052,401	50,888
School administration	3,126,578	3,376,368	(249,790)
Business	55,000	52,188	2,812
Operation and maintenance of plant	4,142,615	3,694,020	448,595
Student transportation	2,984,148	2,882,172	101,976
Other	17,177,976	16,145,899	1,032,077
Debt service:			
Principal	1,600,000	1,600,000	-
Interest	294,000	294,000	-
Facilities acquisition and construction	1,314,800	1,081,455	233,345
Total expenditures	66,892,489	64,112,454	2,780,035
Excess (deficiency) of revenues over (under) expenditures	(3,599,044)	(927,809)	2,671,235
OTHER FINANCING USES			
Transfers out	(250,001)	(265,936)	(15,935)
Net change in fund balance	\$ (3,849,045)	(1,193,745)	\$ 2,655,300
Decrease in nonspendable fund balance		41,112	
Unassigned fund balance, beginning		3,799,044	
Unassigned fund balance, ending		\$ 2,646,411	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D-2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Food Service Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Local:				
Sales	\$ 1,257,000	\$ 1,257,000	\$ 951,701	\$ (305,299)
State:				
Lunch reimbursement	18,000	18,000	17,416	(584)
Federal:				
Breakfast reimbursement	-	-	35,724	35,724
Lunch reimbursement	350,000	350,000	239,729	(110,271)
USDA commodities	-	101,778	101,778	-
Total revenues	<u>1,625,000</u>	<u>1,726,778</u>	<u>1,346,348</u>	<u>(380,430)</u>
EXPENDITURES				
Current:				
Noninstructional services	<u>1,625,000</u>	<u>1,726,778</u>	<u>1,359,936</u>	<u>366,842</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>13,588</u>	<u>13,588</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u><u>\$ -</u></u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D-3
TIMBERLANE REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (GAAP Basis)
Grants Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES				
Local	\$ -	\$ 42,281	\$ 42,281	\$ -
Federal	1,350,000	1,431,920	1,431,920	-
Total revenues	1,350,000	1,474,201	1,474,201	-
EXPENDITURES				
Current:				
Instruction	1,350,000	1,294,748	1,294,748	-
Support services:				
Student	-	2,273	2,273	-
Instructional staff	-	149,222	149,222	-
Operation and maintenance of plant	-	17,090	17,090	-
Student transportation	-	4,860	4,860	-
Facilities acquisition and construction	-	6,008	6,008	-
Total expenditures	1,350,000	1,474,201	1,474,201	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
TIMBERLANE REGIONAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2017

	Private Purpose	
	Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 294,506
Intergovernmental receivable	296,561	-
Total assets	296,561	294,506
LIABILITIES		
Due to student groups	-	294,506
NET POSITION		
Held in trust for specific purposes	\$ 296,561	\$ -

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions:	
New funds	\$ 5,240
Interest	733
Total revenue	<u>5,973</u>
Deductions:	
Scholarships	<u>(11,800)</u>
Change in net position	(5,827)
Net position, beginning	302,388
Net position, ending	<u><u>\$ 296,561</u></u>

The notes to the basic financial statements are an integral part of this statement.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Timberlane Regional School District, in Plaistow, New Hampshire (the School District), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

1-A Reporting Entity

The Timberlane Regional School District is a municipal corporation governed by an elected nine-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

The following is a summary of the more significant accounting policies:

1-B Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through assessments and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the School District at year-end. This statement includes all of the School District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

Fund Financial Statements - Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current, debt service, or facilities acquisition and construction. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

Other Financing Sources (Uses) - These additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds. Transfers are reported when incurred as "transfers in" by the receiving fund and as "transfers out" by the disbursing fund.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement Focus and Basis of Accounting - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Financial Statement Presentation – A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The School District reports the following major governmental funds:

General Fund – is the School District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, debt service, and facilities acquisition and construction. Under GASB Statement No. 54 guidance the gate receipts fund and expendable trust funds are consolidated in the general fund.

Food Service Fund – accounts for the operation of the School District’s food service program.

Grants Fund – accounts for the resources received from various federal, state, and local agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

Fiduciary Fund Financial Statements – Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Net Position. These funds account for resources held by the School District for the benefit of other parties, and include the private purpose trust funds and agency funds. Fiduciary funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

Nonmajor Fund – The School District also reports one nonmajor governmental fund, the Performing Arts Center fund.

1-D Cash and Cash Equivalents

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

New Hampshire statutes require that the School District treasurer have custody of all money belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Receivables

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist primarily of accounts and intergovernmental receivables.

1-F Inventory

The inventories of the School District are valued at cost (first-in, first-out), which approximates market. The inventories of the School District’s food service fund consist of materials and supplies held for subsequent use. The cost of these inventories is expended when consumed rather than when purchased.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

1-G Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and governmental fund financial statements and expensed/expended as the items are used.

1-H Capital Assets

Capital assets are defined by the School District as assets with an initial individual cost of \$10,000 or more for all asset classes except infrastructure, which are capitalized over \$100,000 per item, and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, sidewalks, drainage, and similar items) and are reported in governmental activities.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the School District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position. When cost of general capital assets cannot be determined from available records, estimated historical cost is used.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Capital assets of the School District are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	30
Buildings and building improvements	5 - 30
Machinery, equipment, and vehicles	5

1-I Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds” (i.e. the current portion of interfund loans). Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2017.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position that applies to a future period and thus will not be recognized as an outflow of resources (expenses) until then.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

1-L Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

1-M Compensated Absences

The School District's policy allows certain employees to earn varying amounts of vacation and sick pay based on the employee's length of employment. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy. In addition, the School District also offers a retirement incentive which is based on an employee's number of years of service and final rate of pay, for varying employee classes.

An expense and a liability for vacation pay, sick pay, retirement incentive, and salary-related payments are accrued as the leave is earned in the government-wide financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

1-N Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

1-O Net Position/Fund Balances

Government-wide statements – Equity is classified as net position and displayed in two components:

Net Investment in Capital Assets – This classification includes the School District's capital assets, net of accumulated depreciation, reduced by the outstanding balance of the bond that is attributable to the acquisition, construction, or improvement of those assets.

Unrestricted Net Position – This classification typically includes unrestricted liquid assets.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (School District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Assigned – This classification includes amounts that are constrained by the School District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent or Business Administrator through the budgetary process.

Unassigned – This classification is the portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

When multiple net position/fund balance classifications are available for use, it is the School District’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

In accordance with RSA 198:4-b II, the School District voted to retain general fund unassigned fund balance of \$175,000 to be used for emergency expenditures, or to use as a revenue source to reduce the tax rate.

1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District’s operations. At its annual meeting, the School District adopts a budget for the current year for the general, food service, and grants funds, as well as the nonmajor Performing Arts Center fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2017, \$3,849,045 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The School District employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis presents the actual results to provide a comparison with the budget. A major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues:	
Per Exhibit D-1 (budgetary basis)	\$ 63,184,645
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Interest earnings related to the expendable trust funds	7,665
Miscellaneous revenue of blended funds	17,635
Per Exhibit C-3 (GAAP basis)	<u>\$ 63,209,945</u>
Expenditures and other financing uses:	
Per Exhibit D-1 (budgetary basis)	\$ 64,378,390
Adjustments:	
Basis difference:	
Encumbrances, beginning	224,398
Encumbrances, ending	(327,075)
GASB Statement No. 54:	
Expenditures of blending funds	36,195
Net effect of transfers between blended funds	(250,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 64,061,908</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$3,079,793 and the bank balances totaled \$5,124,136. Petty cash totaled \$100 and the School District held \$1,831 in undeposited funds.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$2,787,218
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	294,506
Total cash and cash equivalents	<u>\$3,081,724</u>

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NOTE 4 – RECEIVABLES

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist of accounts and intergovernmental receivables. Receivables at June 30, 2017, are comprised of the following:

Accounts:		
General:		
Lunch meal receivables		\$ 61,818
Intergovernmental:		
General:		
Town of Plaistow	\$ 93,000	
School Administrative Unit No. 55	171,973	
State of New Hampshire	5,953	
Expendable trust	1,416,304	
Total general fund intergovernmental		1,687,230
Food service:		
State of New Hampshire		20,229
Grants:		
State of New Hampshire		255,662
Fiduciary:		
Private purpose trust		296,561
Total receivables		<u>\$ 2,321,500</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 consisted of the following:

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 515,901	\$ -	\$ 515,901
Being depreciated:			
Land improvements	2,601,355	344,449	2,945,804
Buildings and building improvements	59,394,448	399,743	59,794,191
Machinery, equipment, and vehicles	3,498,569	116,716	3,615,285
Total capital assets being depreciated	65,494,372	860,908	66,355,280
Total capital assets	66,010,273	860,908	66,871,181
Less accumulated depreciation:			
Land improvements	(2,024,034)	(95,323)	(2,119,357)
Buildings and building improvements	(37,362,683)	(1,751,364)	(39,114,047)
Machinery, equipment, and vehicles	(3,369,425)	(59,724)	(3,429,149)
Total accumulated depreciation	(42,756,142)	(1,906,411)	(44,662,553)
Net book value, capital assets being depreciated	22,738,230	(1,045,503)	21,692,727
Net book value, all capital assets	<u>\$ 23,254,131</u>	<u>\$ (1,045,503)</u>	<u>\$ 22,208,628</u>

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Depreciation expense was charged to functions of the School District based on their usage of the related assets. The amounts allocated to each function are as follows:

Instruction	\$ 8,225
Support services:	
School administration	18,158
Operation and maintenance of plant	1,880,028
Total depreciation expense	<u>\$ 1,906,411</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2017 are as follows:

Receivable Fund	Payable Fund	Amount
General	Food service	\$ 299,135
	Grants	223,363
	Nonmajor	28,646
		<u>\$ 551,144</u>

Interfund transfers during the year ended June 30, 2017 are as follows:

	Transfers In:		
	Other		
	Governmental		
	Fund		
	Food	(Performing	
	Service	Arts Center)	Total
Transfers out:			
General fund	<u>\$ 13,588</u>	<u>\$ 2,348</u>	<u>\$ 15,936</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources at June 30, 2017 consisted of the following:

	Exhibit A	Exhibit C-1
Amounts related to pensions (see Note 9)	<u>\$ 15,987,983</u>	<u>\$ -</u>

Deferred inflows of resources at June 30, 2017 consisted of the following:

	Exhibit A	Exhibit C-1
State Aid received in advance	\$ 8,547	\$ 8,547
Local grants received in advance of eligible expenditures being made	26,609	26,609
Amounts related to pensions (see Note 9)	1,577,864	-
	<u>\$ 1,613,020</u>	<u>\$ 35,156</u>

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NOTE 8 – LONG-TERM LIABILITIES

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2017:

	Balance July 1, 2016 (as restated)	Additions	Reductions	Balance June 30, 2017	Due Within One Year
General obligation bond payable	\$ 6,400,000	\$ -	\$ (1,600,000)	\$ 4,800,000	\$ 1,600,000
Compensated absences	3,167,048	64,557	(166,037)	3,065,568	509,741
Net pension liability	43,214,222	15,434,636	-	58,648,858	-
Net other postemployment benefits	3,064,398	496,338	-	3,560,736	-
Total long-term liabilities	<u>\$ 55,845,668</u>	<u>\$ 15,995,531</u>	<u>\$ (1,766,037)</u>	<u>\$ 70,075,162</u>	<u>\$ 2,109,741</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2017
General obligation bond payable: School renovations	\$ 32,000,000	2000	2020	4.50 - 5.25%	<u>\$ 4,800,000</u>

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,600,000	\$ 210,000	\$ 1,810,000
2019	1,600,000	126,000	1,726,000
2020	1,600,000	42,000	1,642,000
Totals	<u>\$ 4,800,000</u>	<u>\$ 378,000</u>	<u>\$ 5,178,000</u>

All debt is general obligation debt of the School District, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

NOTE 9 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries.

Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by

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years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions: The System is financed by contributions from both the employees and the School District. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2017, the School District contributed 15.67% for teachers and 11.17% for other employees. The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$4,234,503, \$4,679,306, and \$4,792,456, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the School District reported a liability of \$58,648,858 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2016, the School District's proportion was 1.10292066% which was an increase of 0.01207307% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$6,524,016. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 929,666	\$ 837,275
Changes in assumption	7,217,810	-
Differences between expected and actual experience	162,985	740,589
Net difference between projected and actual investment earnings on pension plan investments	3,669,374	-
Contributions subsequent to the measurement date	4,008,148	-
Total	<u>\$ 15,987,983</u>	<u>\$ 1,577,864</u>

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The \$4,008,148 reported as deferred outflows of resources related to pensions results from the School District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2017	\$ 2,077,790
2018	2,077,790
2019	3,322,754
2020	2,780,382
2021	143,255
Totals	<u>\$ 10,401,971</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2016:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2016</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equities	30.00%	
Int'l Equities (unhedged)	13.00%	4.75%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.64%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.71%
Absolute Return Fixed Income	7.00%	1.08%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	3.68%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

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Discount Rate: The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2016	\$ 75,359,787	\$ 58,648,858	\$ 44,789,790

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in the preceding note, the School District provides postemployment benefit options for healthcare to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the School District's agreements, or collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The School District funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the School District subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

Annual OPEB Cost

The School District's June 30, 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years for active participants and 10 years for retirees. The School District's annual OPEB cost for the fiscal year ending June 30, 2017, including the amount actually contributed to the plan, and the change in the School District's net OPEB obligation on an actuarial valuation as of July 1, 2016, is as follows:

Annual required contribution/OPEB cost	\$ 738,997
Interest on net OPEB obligation	107,254
Adjustment to annual required contribution	(163,774)
Annual OPEB cost (expense)	682,477
Contributions made	(186,139)
Increase in net OPEB obligation	496,338
Net OPEB obligation - beginning of year	3,064,398
Net OPEB obligation - end of year	<u>\$ 3,560,736</u>

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The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending June 30, 2017 and the preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2017	\$ 682,447	\$ 186,139	27.28%	\$3,560,736
June 30, 2016	\$ 1,027,624	\$ 34,183	3.33%	\$3,064,398
June 30, 2015	\$ 1,037,342	\$ 45,529	4.39%	\$2,073,957
June 30, 2014	\$ 1,136,776	\$ 54,632	4.81%	\$1,082,144

Funding Policy - The School District provides benefits with an implicit subsidy. Some of the underlying OPEB obligation for the School District arises from an implied subsidy based on the fact that the benefits provided to the active and retired employees are identical. As a result, the active employees are subsidizing the cost of the benefits provided to the retired employees. The funding policy used by the School District is based on the pay-as-you-go methodology, with the exception that the funding for the cost of retiree benefits is recognized annually through the payment of the premiums for the active employees. This funding practice results in no net OPEB obligation being carried to the balance sheet for the retirees.

Funded Status and Funding Progress - As of July 1, 2016, the most recent valuation date, the plan was 0% funded. The accrued liability for benefits was \$7,304,680 and the value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,304,680. The covered payroll (annual payroll of active employees covered by the plan) was \$26,767,235, and the ratio of the UAAL to the covered payroll was 27.29%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - In July 1, 2016 the valuation, the projected unit credit cost method was used. The assumptions included a 3.50% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The projected annual health care cost trend is 2.80% in the first year, increased to 9.50% for the second year and then reduced by annual decrements of ½% to an ultimate rate of 5.00%. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2017 is 29 years for active participants and 9 years for retirees.

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The annual healthcare cost trend rates below were applied:

Fiscal Year Ending	Pre 65 Medical
June 30,	
2017	2.80%
2018	9.50%
2019	9.00%
2020	8.50%
2021	8.00%
2022	7.50%
2023	7.00%
2024	6.50%
2025	6.00%
2026	5.50%
2027	5.00%

NOTE 11 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2017 are as follows:

Current:	
Instruction:	
Regular programs	\$ 20,059
Special programs	11,673
Vocational programs	17,060
Other	8,634
Total instruction	<u>57,426</u>
Support services:	
Student	475
Instructional staff	19,983
General administration	4
School administration	2,188
Operation and maintenance of plant	139,630
Student transportation	11,258
Other	7,188
Total support services	<u>180,726</u>
Facilities acquisition and construction	<u>88,923</u>
Total encumbrances	<u><u>\$327,075</u></u>

NOTE 12 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2017 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 22,208,628
Less:	
General obligation bond payable	<u>(4,800,000)</u>
Total net investment in capital assets	17,408,628
Unrestricted	<u>(46,598,197)</u>
Total net position	<u><u>\$ (29,189,569)</u></u>

None of the net position is restricted by enabling legislation.

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NOTE 13 – GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2017 consist of the following:

Nonspendable:			
Major funds:			
General:			
Prepaid items	\$	1,000	
Food service:			
Inventory		<u>33,877</u>	
Total nonspendable fund balance			\$ 34,877
Restricted:			
Major fund:			
General:			
Gate receipts			12,058
Committed:			
Major fund:			
General:			
Expendable trust	\$	1,124,280	
Voted appropriation - March 2017		<u>250,000</u>	
Total committed fund balance			1,374,280
Assigned:			
Major fund:			
General:			
Encumbrances			327,075
Unassigned:			
Major funds:			
General:			
Fund balance used to reduce school district assessment	\$	2,471,411	
Fund balance retention (RSA 198:4-b II)		<u>175,000</u>	
			2,646,411
Food service (deficit)			<u>(33,877)</u>
Total unassigned fund balance			<u>2,612,534</u>
Total governmental fund balances			<u><u>\$ 4,360,824</u></u>

NOTE 14 – PRIOR PERIOD ADJUSTMENT

Net position at July 1, 2016 was restated to give retroactive effect for the following adjustment:

	Government-wide
	Statements
To recognize previously undisclosed sick leave liability	\$ (325,267)
To recognize previously undisclosed retirement incentive liability	(1,944,411)
Net position, as previously reported	(23,743,259)
Net position, as restated	<u><u>\$ (26,012,937)</u></u>

NOTE 15 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2017, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2016 to June 30, 2017 by

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Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the School District billed and paid for the year ended June 30, 2017 was \$180,852 for workers' compensation and \$190,718 for property/liability. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

NOTE 16 – RELATED PARTY TRANSACTIONS

The Superintendent of the School District is a member of the Board of Directors for the Southeastern Regional Education Service Center (SERESC) which offers various professional and student services. Total payments to SERESC for the year were \$283,421. There were no amounts due to or from the organization at June 30, 2017.

A member of the School Board is an owner of Ward Fabrication which created batting cages, installed handrails, and provided other miscellaneous services for the School District. Total payments to Ward Fabrication for the year were \$24,433. There were no amounts due to or from the business at June 30, 2017.

NOTE 17 – CONTINGENT LIABILITIES

There are various claims and suits pending against the School District which arose in the normal course of the School District's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the School District.

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through May 17, 2018, the date the June 30, 2017 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2016	\$ -	\$ 7,304,680	\$ 7,304,680	0.00%	\$ 26,767,235	27.29%
July 1, 2015	\$ -	\$ 9,947,881	\$ 9,947,881	0.00%	\$ 32,489,398	30.62%
July 1, 2014	\$ -	\$ 9,373,010	\$ 9,373,010	0.00%	\$ 32,269,017	29.05%
July 1, 2013	\$ -	\$ 9,580,289	\$ 9,580,289	0.00%	\$ 31,629,637	30.29%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT G
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of School District's Proportionate Share of Net Pension Liability
For the Fiscal Year Ended June 30, 2017

Fiscal Year	Valuation Date	District's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	District Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	July 1, 2016	1.10292066%	\$ 58,648,858	\$ 31,982,983	183.38%	58.30%
June 30, 2016	July 1, 2015	1.09084759%	\$ 43,214,222	\$ 31,329,364	137.94%	65.47%
June 30, 2015	July 1, 2014	1.12227624%	\$ 42,125,600	\$ 31,246,536	134.82%	59.81%
June 30, 2014	July 1, 2013	1.09594648%	\$ 47,167,174	\$ 30,663,543	153.82%	66.32%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT H
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of School District Contributions of Net Pension Liability
For the Fiscal Year Ended June 30, 2017

Fiscal Year	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	July 1, 2016	\$ 3,949,328	\$ 3,949,328	\$ -	\$ 31,982,983	12.35%
June 30, 2016	July 1, 2015	\$ 3,659,664	\$ 3,659,664	\$ -	\$ 31,329,364	11.68%
June 30, 2015	July 1, 2014	\$ 3,640,924	\$ 3,640,924	\$ -	\$ 31,246,536	11.65%
June 30, 2014	July 1, 2013	\$ 2,725,111	\$ 2,725,111	\$ -	\$ 30,663,543	8.89%

The notes to the required supplementary information is an integral part of this schedule.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, as amended in December 2009 by GASB Statement No. 57, Exhibit F represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2017, and the three preceding years.

Schedule of the School District's Proportionate Share of Net Pension Liability & Schedule of School District Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the School District's pension plan at June 30, 2017.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for Fiscal Year 2016 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TIMBERLANE REGIONAL SCHOOL DISTRICT
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Estimated	Actual	Variance Positive (Negative)
School district assessment:			
Current appropriation	\$ 43,062,750	\$ 43,062,750	\$ -
Other local sources:			
Tuition	510,000	449,397	(60,603)
Impact fees	-	140,000	140,000
Miscellaneous	457,907	183,040	(274,867)
Total from other local sources	967,907	772,437	(195,470)
State sources:			
Adequacy aid (grant)	10,719,848	10,722,348	2,500
Adequacy aid (tax)	6,299,129	6,299,129	-
School building aid	1,103,811	1,103,811	-
Catastrophic aid	485,000	552,345	67,345
Vocational aid	35,000	36,968	1,968
Other state aid	-	49,700	49,700
Total from state sources	18,642,788	18,764,301	121,513
Federal sources:			
Medicaid	600,000	583,890	(16,110)
Other	20,000	1,267	(18,733)
Total from federal sources	620,000	585,157	(34,843)
Total revenues	63,293,445	\$ 63,184,645	\$ (108,800)
Fund balance used to reduce school district assessment	3,849,045		
Total revenues and use of fund balance	\$ 67,142,490		

SCHEDULE 2
TIMBERLANE REGIONAL SCHOOL DISTRICT
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2017

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
Instruction:					
Regular programs	\$ 45,583	\$ 19,002,643	\$ 18,863,790	\$ 20,059	\$ 164,377
Special programs	2,995	8,852,458	8,417,934	11,673	425,846
Vocational programs	-	72,000	41,020	17,060	13,920
Adult and community programs	-	218,107	141,707	-	76,400
Other	10,468	901,686	813,490	8,634	90,030
Total instruction	59,046	29,046,894	28,277,941	57,426	770,573
Support services:					
Student	1,245	3,474,013	3,332,598	475	142,185
Instructional staff	14,118	1,367,516	1,039,950	19,983	321,701
General administration	11,947	205,660	291,930	4	(74,327)
Executive administration	-	2,103,289	2,052,401	-	50,888
School administration	1,046	3,126,578	3,375,226	2,188	(249,790)
Business	-	55,000	52,188	-	2,812
Operation and maintenance of plant	58,301	4,142,615	3,612,691	139,630	448,595
Student transportation	11,000	2,984,148	2,881,914	11,258	101,976
Other	500	17,177,976	16,139,211	7,188	1,032,077
Total support services	98,157	34,636,795	32,778,109	180,726	1,776,117
Debt service:					
Principal of long-term debt	-	1,600,000	1,600,000	-	-
Interest on long-term debt	-	294,000	294,000	-	-
Total debt service	-	1,894,000	1,894,000	-	-
Facilities acquisition and construction	67,195	1,314,800	1,059,727	88,923	233,345
Other financing uses:					
Transfers out	-	250,001	265,936	-	(15,935)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 224,398	\$ 67,142,490	\$ 64,275,713	\$ 327,075	\$ 2,764,100

SCHEDULE 3
TIMBERLANE REGIONAL SCHOOL DISTRICT
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2017

Unassigned fund balance, beginning (Non-GAAP budgetary basis)		\$ 3,799,044
Changes:		
Fund balance used to reduce school district assessment		(3,849,045)
2016-2017 Budget summary:		
Revenue deficit (Schedule 1)	\$(108,800)	
Unexpended balance of appropriations (Schedule 2)	<u>2,764,100</u>	
2016-2017 Budget surplus		2,655,300
Decrease in nonspendable fund balance		<u>41,112</u>
Total unassigned fund balance, ending (Non-GAAP budgetary basis) (Exhibit D-1)		2,646,411
<i>Adjustment to reconcile to unassigned fund balance returned to reduce School District assessment</i>		
Portion of unassigned fund balance retained per RSA 198:4-b II		<u>(175,000)</u>
Unassigned fund balance, ending		<u><u>\$ 2,471,411</u></u>

SCHEDULE 4
TIMBERLANE REGIONAL SCHOOL DISTRICT
Student Activities Funds
Combining Schedule of Changes in Student Activities Funds
For the Fiscal Year Ended June 30, 2017

	Balance, beginning	Additions	Deductions	Balance, ending
Schools:				
Timberlane Regional High School	\$188,099	\$ 421,877	\$ 435,936	\$ 174,040
Timberlane Regional Middle School	24,575	154,098	148,776	29,897
Atkinson Academy	20,224	15,996	19,215	17,005
Danville Elementary School	37,514	22,903	19,361	41,056
Sandown Central School	1,630	2,187	2,503	1,314
Pollard School	32,562	33,387	42,682	23,267
Sandown North School	13,013	43,977	49,063	7,927
Totals	<u>\$317,617</u>	<u>\$ 694,425</u>	<u>\$ 717,536</u>	<u>\$ 294,506</u>

***SINGLE AUDIT ACT SCHEDULES
AND INDEPENDENT AUDITOR'S REPORTS***



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S 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

To the Members of the School Board
Timberlane Regional School District
Plaistow, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 Timberlane Regional School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Timberlane Regional School District's basic financial statements, and have issued our report thereon dated May 17, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Timberlane Regional 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 Timberlane Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Timberlane Regional School District's internal control.

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 material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 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 consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness as item 2017-001.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency as item 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Timberlane Regional School District's financial statements are free of 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*.

***Timberlane Regional School District
Independent Auditor's 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***

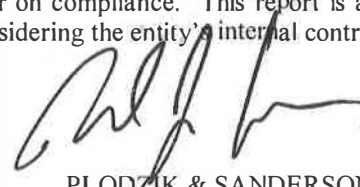
Timberlane Regional School District's Responses to Findings

The Timberlane Regional School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Timberlane Regional School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

May 17, 2018



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the School Board
Timberlane Regional School District
Plaistow, New Hampshire

Report on Compliance for Each Major Federal Program

We have audited the Timberlane Regional 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 the Timberlane Regional School District's major federal program for the year ended June 30, 2017. The Timberlane Regional School District's major federal program is identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Timberlane Regional School District's major federal program 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 Timberlane Regional 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 the major federal program. However, our audit does not provide a legal determination of the Timberlane Regional School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Timberlane Regional 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 its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Timberlane Regional 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 Timberlane Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances.

***Timberlane Regional School District
Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control
over Compliance Required by the Uniform Guidance***

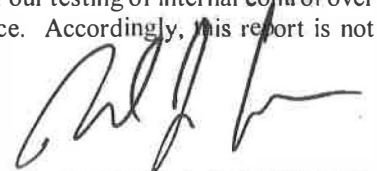
for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Timberlane Regional 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 a combination of deficiencies, in internal control over compliance, such that there is a 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 first paragraph of this section 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.

May 17, 2018



PLODZIK & SANDERSON
Professional Association

SCHEDULE I
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issues on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027 and 84.173</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

SCHEDULE I (continued)
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

**Auditor
Reference
Number**

MATERIAL WEAKNESS

2017-001 Interim and Annual Account Reconciliation and Reporting

Criteria: Accounting tasks, such as monthly reconciliations, play a key role in proving the accuracy of accounting data and information included in interim and annual financial statements.

Condition: Numerous instances were identified where reconciliations were not being performed in a timely manner, if at all. In the food service fund, multiple journal entries were identified in August 2017, after audit fieldwork had begun, to post the entire year's worth of revenue, deferred revenue, and to adjust cash, for the year ended June 30, 2017. In the grants fund, an \$18,879 journal entry was identified in March 2018 to remove a receivable that was never requested. For all funds, no bank reconciliations were available for cash accounts until March 2018, and review of subsequent period activity as of March 22, 2018 indicated that no revenue had been posted for the subsequent year to date and no bank reconciliations had been completed. Due to the conditions listed above, no financial statements are available that can be provided to management for review for the 2017-18 fiscal year.

Cause: Unknown.

Effect: All of the above conditions caused significant delays in audit fieldwork as much of the information was not initially available. The \$18,879 journal entry to the grants fund required a reciprocal adjustment in the general fund to cover the expenditures. None of the cash balances for any of the governmental funds had been reconciled as of March 22, 2018 for the subsequent fiscal year.

As a result of the conditions listed above, no financial reports are being reviewed by management. It is extremely difficult, if not impossible, for management to make informed financial decisions regarding the School District without financial information available.

Recommendation: We recommend that all activity (revenues and expenditures) for all funds be posted to the general ledger immediately, when it occurs. All balance sheet accounts for all funds should be reconciled on a monthly basis. Upon completing these reconciliations, budget to actual reports for both revenues and expenditures should be provided to the School Board on a monthly basis. Balance sheet reconciliations should also be available at School Board meetings for review upon request.

Management's Response: Revenue is, and has been, entered contemporaneously with receipts and deposits and is subject to review and approval prior to posting. Revenue entries are now being reviewed and approved for posting on a timelier basis. Monthly budget to actual revenue and expenditure reports are now being posted to the District website on a monthly basis and include year-to-date figures, encumbrances, and budget balances. The reports have also been circulated and discussed at recent School Board meetings. Should the School Board desire to include the same on a monthly basis in their meeting agenda, the Business Office can oblige. Bank reconciliation responsibilities have been distributed to members of the finance team to ensure multiple team members are involved in reviewing and generating monthly reports. All other balance sheet accounts are typically reviewed and reconciled on an interim or periodic basis. In order to have these reconciliations occur on a monthly basis, duties will be distributed to finance team members to ensure monthly review and reconciliation. We anticipate these corrective actions to be in place not later than June 30, 2018.

SCHEDULE I (continued)
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SIGNIFICANT DEFICIENCY

2017-002 Adjusting Journal Entry Review

Criteria: Adjusting journal entries pose an increased risk for misstatement to the financial statements as they allow a single user to bypass regular procedures and manipulate the general ledger directly. In order to mitigate this risk, additional controls should be put in place requiring a second individual to review the adjusting journal entry once posted.

Condition: During our review of adjusting journal entries, we noted there is no review process for adjusting journal entries once they are posted to the general ledger.

Cause: Unknown.

Effect: The internal controls are not properly designed. They create an opportunity for misstatements to occur without being detected in a timely manner.

Recommendation: We recommend that all adjusting journal entries be printed out once posted and attached to supporting documentation. This information should then be provided to a second individual in the finance office to review and approve the entry. All approved journal entries should then be retained in a separate binder.

Management's Response: Management has implemented two separate processes to address the deficiency. First, for staff generated adjusting journal entries (these are journal entries to the general ledger which are not generated from another ledger within the financial system), a workflow-based journal entry approval process has been instituted. A proposed adjusting entry is entered by staff and backup documentation to support the entry is provided to the Business Administrator. Such journal entries appear in the workflow and are reviewed by the Business Administrator for posting. Should the entry require revision, it is sent back to the originator for correction and resubmitted for approval. Once approved, the entry is posted and the journal entry is printed and included with backup into the appropriate binder. A second process has also been implemented whereby journal entries originating with, and posted by the Business Administrator, are printed. The journal entry and backup is then reviewed by finance department staff and initialed before filing.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SCHEDULE II
TIMBERLANE REGIONAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State of New Hampshire Department of Education			
CHILD NUTRITION CLUSTER			
School Breakfast Program	10.553	N/A	\$ 35,724
National School Lunch Program <i>(note 4)</i>	10.555	N/A	341,507
<i>CLUSTER TOTAL</i>			<u>377,231</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through the State of New Hampshire Department of Education			
Title I Grants to Local Educational Agencies:			
Title I - Part A	84.010	60142	22,359
Title I Summer Summit	84.010	61545	6,750
Title I - Part A	84.010	70142	350,892
<i>PROGRAM TOTAL</i>			<u>380,001</u>
SPECIAL EDUCATION CLUSTER			
Special Education - Grants to States:			
IDEA	84.027	72504	848,221
NH UDL Academy	84.027	72537	11,204
Special Education - Preschool Grants:			
Preschool	84.173	72504	25,210
SSIP 2017	84.173	72599	21,778
<i>CLUSTER TOTAL</i>			<u>906,413</u>
Special Education - State Personnel Development	84.323	62628	1,780
English Language Acquisition State Grants	84.365	60814	1,576
Supporting Effective Instruction State Grants:			
Title IIA	84.367	54945	24,344
Title IIA	84.367	64945	94,708
<i>PROGRAM TOTAL</i>			<u>119,052</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the State of New Hampshire Department of Safety			
Emergency Management Performance Grants	97.042	N/A	23,098
Total Expenditures of Federal Awards			<u><u>\$ 1,809,151</u></u>

The accompanying notes are an integral part of this schedule.

TIMBERLANE REGIONAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Timberlane Regional School District under programs of the federal government for the year ended June 30, 2017. 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 Timberlane Regional School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Timberlane Regional School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Timberlane Regional School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities on the date received. For the fiscal year ended June 30, 2017 the value of food donations received was \$101,778.