



October 14, 2020

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

Dear Members of the School Board:

Scott T. Eagen, CPA, CFE  
Karen M. Lascelle, CPA, CVA, CFE  
Ashley Miller Klem, CPA, MSA  
Tyler A. Paine, CPA\*\*\*  
Kyle G. Gingras, CPA  
Thomas C. Giffen, CPA  
Ryan T. Gibbons, CPA, CFE  
Brian P. McDermott, CPA\*\*  
Justin Larsh, CPA  
Sylvia Y. Petro, MSA, CFE

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Timberlane Regional School District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 21, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Timberlane Regional School District are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2018-2019. We noted no transactions entered into by the Timberlane Regional School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental activities financial statements were:

Management's estimates of the capital asset useful lives are based on historical information and industry guidance. We evaluated the key factors and assumptions used to develop the capital asset useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimates of the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense are based on assumptions of future events, such as employment, mortality and estimates of value of reported amounts. We evaluated the key factors and assumptions used to develop the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimates of the other postemployment benefit (OPEB) liabilities, deferred outflows and inflows of resources related to OPEB, and OPEB expense are based on the assumptions of future events, such as employment, mortality, and the healthcare cost trend, as well as estimates of the value of reported amounts. We evaluated key factors and assumptions used to develop the OPEB liabilities, deferred outflows and inflows of resources related to OPEB, and OPEB expense in determining that they are reasonable in relation to the financial statements taken as a whole.

**PLODZIK & SANDERSON, P.A.**  
*Certified Public Accountants*

\* Also licensed in Maine  
\*\* Also licensed in Massachusetts  
\*\*\* Also licensed in Vermont

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

*Difficulties Encountered in Performing the Audit*

The completion of our audit is dependent upon management's ability to have financial information and records prepared and available for audit in a timely manner. As the result of various issues, the audit was substantially delayed, including but not limited to the COVID-19 pandemic. During our initial fieldwork in November 2019, it was determined that management was not able to conduct the full financial audit. Numerous requests for information and to reschedule fieldwork were unsuccessful until June 2020, again it should be noted the impact of the COVID-19 pandemic contributed to the delay in completing the audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Adjustments proposed and approved were primarily of a routine nature.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 7, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Timberlane Regional School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Timberlane Regional School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Trust Fund Reimbursement**

The School District continues to carry a receivable from the expendable trust funds in the amount of \$292,024 that relates to kitchen renovations performed in 2013 to the Danville Elementary School kitchen. To date, management has not requested reimbursement for these expenditures. This could cause the general fund unassigned fund balance to be overstated if the reimbursement is never requested or the request is denied by the Trustees of Trust Funds. Trust fund reimbursements should be requested periodically (monthly or quarterly) as amounts are identified. We recommend the School District request reimbursement for the eligible expenditures or remove the receivable from the balance sheet if reimbursement is not going to be requested.

**Negative Student Meal Balances**

During our review of the negative student meal balances, we noted several students with balances exceeding \$100, and a few that even exceeded \$1,000. Negative student meal balances is a concern, we recommend the School District continue to monitor this as well as review and adopt procedures appropriate for the School District with an understanding that this area presents a sensitive area due to the nature of the receivable due to the School District. Further it is recommended that the individuals whom are on the negative student meal balance report be reviewed on a case to case basis to ensure the School District has offered a Free and Reduced application, or in the event of change in circumstances, that the family is made aware of re-application options through the National School Lunch Program..



## **Student Activity Funds**

### Timberlane Regional High School

- We identified several payments out of the student activity account to students or colleges that represent scholarships to students for college. Scholarship accounts should be held and maintained by the Town Trustees of the Trust Funds and distributed at the request of the school. We recommend the scholarship funds be transferred to the Trustees of Trust Funds.
- We noted the purchase of gift cards made during the year that lacked proper supporting documentation. Gift cards are purchases that are highly susceptible to fraud or theft. Additionally, gift cards that are distributed to employees of the School District should be considered as additional compensation for tax purposes. If gift cards are to continue to be purchased out of the student activity account, a form should be completed and signed by the recipient of the gift card acknowledging receipt.

### Timberlane Regional Middle School

- It was noted that deposit forms are not being prepared by student activity advisors for deposits. Deposit forms should be completed by an advisor for all deposits and should indicate the date, student group, purpose, and amount of the deposit. The form should also be initialed by both the activity advisor and the school secretary/administrative assistant, verifying they are both in agreement with the deposit amount.
- We identified two student groups that ended the year with negative balances. Student groups should not be allowed to overspend their available balance. We recommend these groups be brought out of their respective negative balances and in the future, the school should not allow groups to overspend their available balance.

### Atkinson Academy

- We noted deposit forms are only being signed by the secretary/administrative assistant. Deposit forms should also be signed by the student activity advisor when the deposit is prepared. Dual signatures serve as a verification that deposits are being made intact and in a timely manner. We recommend all deposit forms be signed by both the student activity advisor and the secretary/administrative assistant.
- We identified one deposit that was not made in a timely manner. Deposits not made in a timely manner pose a higher risk for theft or fraud. We recommend that deposits be made at least weekly, or more frequently for large deposits.
- We noted the purchase of gift cards made during the year that lacked proper supporting documentation. Gift cards are purchases that are highly susceptible to fraud or theft. Additionally, gift cards that are distributed to employees of the School District should be considered as additional compensation for tax purposes. If gift cards are to continue to be purchased out of the student activity account, a form should be completed and signed by the recipient of the gift card acknowledging receipt.
- One of the subaccounts reported a negative balance in the prior year and recorded no revenues or transfers, resulting in a negative balance at the end of the current year. Student group accounts should not be allowed to record negative balances, and any accounts with negative balances should be remedied. We recommend the school record appropriate revenue or make the necessary transfers to eliminate the negative balance.

Pollard School – During a review of the student activity fund, we identified one deposit that lacked proper supporting documentation. All deposits should be supported by appropriate documentation to substantiate the receipt. We recommend that deposit slips, bank receipts, and all other supporting documentation for deposits be properly retained and filed.

### Sandown Central School

- Upon review of the summary of activity, there does not appear to be any sub-accounting for various student groups within the student activity account. Instead, all funds are comingled as part of a single student activity account. This includes funds raised for various sources such as assemblies, field trips, and yearbooks. We recommend separate sub-accounting be performed for each of these activities.



- No deposit forms were prepared for deposits. Deposit forms should be completed by a student activity advisor for all deposits and should indicate the date, student group, purpose, and amount of the deposit. The form should also be initialed by both the activity advisor and the school secretary/administrative assistant, verifying they are both in agreement with the deposit amount.
- We noted that requests for payment were not prepared for any of the disbursements reviewed. Requests for disbursement should be completed for all purchases. They should indicate the date, the student group, the vendor, the amount, and should be approved by the principal prior to any purchases occurring. We recommend the school implement a request for purchase form, which is then completed prior to each purchase.
- Numerous purchases were made throughout the year from the bank account with the use of a debit card. There are very few purchases required during the year from a student activity that do not allow for the use of a check. Debit cards pose a much higher risk for theft or fraud and can also be used to bypass the purchasing process (which, as noted above, is also not being followed). We recommend the use of debit cards be limited only to instances where a check is not accepted.

Sandown North School – We noted that all funds are held in a single account with no sub-accounting for various student groups or activities. Sub-accounting is necessary to ensure sufficient funds are available for each group or activity and that funds are being used for their designated purpose. We recommend the school identify the necessary sub-accounts and allocate the balance among these groups appropriately.

### **Federal Compliance**

*Through Federal compliance testing the following item was noted:*

*All Federal grant programs* - In accordance with Federal regulations, the School District needs to have written policies and procedures over procurement for Federal grants that follow the requirements as outlined in the Code of Federal regulations (CFR), 2 CFR 200.317 through 200.326. In addition, a conflict of interest policy is required per 2 CFR 200.318(c)(1). These policies should have been adopted by the School District as of July 1, 2018. Through inquiry of the School District and review of their policies they were not adopted until May 2019. We recommend if a similar situation were to occur again that any required policies be adopted within the appropriate timeframe per Federal regulations.

### Other Matters

#### **Implementation of New GASB Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements.

**GASB Statement No. 84, *Fiduciary Activities***, issued in January 2017, will be effective for the School District beginning with its fiscal year ending June 30, 2020. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

**GASB Statement No. 87, *Leases***, issued in June 2017, will be effective for the School District with its fiscal year ending June 30, 2021. This Statement will improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.

**GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period***, issued June 2018, will be effective for the School District with its fiscal year ending June 30, 2021. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.



**GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61***, issued August 2018, will be effective for the School District with its fiscal year ending June 30, 2020. This Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

**GASB Statement No. 91, *Conduit Debt Obligations***, issued May 2019, will be effective for the School District with its fiscal year ending June 30, 2022. This Statement will provide a single method of reporting conduit debt obligations and eliminate differences in practice.

We applied certain limited procedures to the following, which are required supplementary information (RSI) that supplements the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the School District's Proportionate Share of Net Pension Liability,
- Schedule of School District Contributions – Pensions,
- Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of School District Contributions – Other Postemployment Benefits,
- Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund schedules, and Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Respectfully,



PLODZIK & SANDERSON  
Professional Association

