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October 13, 2021

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

Dear Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Timberlane Regional School District for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *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 March 18, 2021. 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. As described in Note 2-C to the financial statements, the Timberlane Regional School District changed accounting policies to change the way the School District reports its fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities* in fiscal year 2020. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in Note 14, Prior Period Adjustments.

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 Timberlane Regional School District's 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.

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

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 liability, 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.

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

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. 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 September 23, 2021.

*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 (repeat)**

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.

**Updating Policies**

Many of the School District's policies have not been reviewed and reaffirmed in a number of years. Best practice is for policies to be updated every three to five years. This allows the policies to accurately reflect current standards and ensures that all members of the School Board and management are aware of the policies. We recommend that the School Board review and approve all policies every three to five years.



#### **GASB Statement No. 84 Implementation**

While reviewing the student activity funds, it was noted that some of the funds held by the student activity funds relate to School District activities. We recommend that the School District only maintain direct student activities in the student activity funds. General fund type activity and balances noted in the student activity funds should be tracked in the general ledger, in either the general fund or separate student activity funds. We also recommend that there are separate bank accounts for general activities and direct student activities, this will help with the reconciliation process and ensure proper segregation of funds.

#### **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.
- The beginning balance of the summary of activity did not agree with the prior year ending balance. The reconciliation also did not agree to the current year summary of activity. This could cause the funds to be misstated. We recommend that the summary of activity tie directly to the prior year ending summary. The bank reconciliation should be compared to the summary of activity and any discrepancies should be investigated and fixed.

##### 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 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 Elementary School

- We noted deposit forms are only being signed by the School 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.

##### 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 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.
- Deposits are not being made in a timely manner. The longer funds are held onto for the more likely they are to be misappropriated. We recommend that all funds be deposited within one week of being received.

#### Pollard School

- A scholarship account is kept in the student activity fund. 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.

#### **Federal Compliance**

Through Federal compliance testing the following item was noted:

- *Program: IDEA Project Number 202631-* If a non-Federal entity contracts with a vendor for over \$25,000 or expected to be over \$25,000 and the vendor is paid with Federal funds, the non-Federal entity must verify the vendor's suspension and debarment status. The School District contracted with two vendors for over \$25,000; however, did not perform the verification on one of the vendors. We recommend that the School District perform the necessary suspension and debarment verification on any vendors paid with Federal funds with a contract over \$25,000 as required by Federal regulations.

#### Other Matters

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

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements.

**GASB Statement No. 87, *Leases***, issued in June 2017, will be effective for the School District with its fiscal year ending June 30, 2022. 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, 2022. 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. 91, *Conduit Debt Obligations***, issued May 2019, will be effective for the School District with its fiscal year ending June 30, 2023. This Statement will provide a single method of reporting conduit debt obligations and eliminate differences in practice.

**GASB Statement No. 92, *Omnibus 2020***, issued in January 2020, will be effective for the School District with its fiscal year ended June 30, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

**GASB Statement No. 93, *Replacement of Interbank Offered Rates***, issued in March 2020, will be effective for the School District with its fiscal year ended June 30, 2022. The objectives of this Statement are to address accounting and financial reporting implications that result from the replacement of an IBOR.

**GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***, issued in March 2020, will be effective for the School District with its fiscal year ended June 30, 2023. The objectives of this Statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

**GASB Statement No. 96, *Subscription-Based Information Technology Arrangements***, issued in May 2020, will be effective for the School District with its fiscal year ended June 30, 2023. This statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition.

**GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32***, issued in January 2020, will be effective for the School District with its fiscal year ended June 30, 2022. The objectives of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans and other employee benefit plans, while mitigating the costs associated with reporting those plans.

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.

Sincerely,

*Plodzik & Sanderson*

PLODZIK & SANDERSON  
Professional Association

