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October 14, 2020

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

Dear Members of the School Board:

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of 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.

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 where 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

PLODZIK & SANDERSON
Professional Association

# TIMBERLANE REGIONAL SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT

## AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

*TIMBERLANE REGIONAL SCHOOL DISTRICT*

*ANNUAL FINANCIAL REPORT*

*AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019*

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*TIMBERLANE REGIONAL SCHOOL DISTRICT*

*ANNUAL FINANCIAL REPORT*

*AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019*

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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380


## *INDEPENDENT AUDITOR'S REPORT*

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Timberlane Regional School District as of and for the year ended June 30, 2019, 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; 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019, the respective changes in financial position, and the respective budgetary comparisons for the general fund, food service fund, and grants fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the following be presented to supplement 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

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 October 7, 2020 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, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Timberlane Regional School District's 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.



October 7, 2020

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, 2019

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 14-17 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 23-40 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 the Schedule of the School District's Proportionate Share of Net Pension Liability and Schedule of School District Contributions – Pensions, and Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefit Liability and Schedule of School District Contributions – Other Postemployment Benefits.

Required supplementary information and related notes can be found on pages 41-48 of this report. Additional supplementary information relating to the General Fund and Fiduciary Funds can be found at pages 49-52. Schedule of Expenditures of Federal Awards and accompanying notes can be found at pages 59-60.

## Financial Highlights

- Total Governmental Funds Expenditures decreased by $999,533, or -1.4% from $69,013,946 in 2017-18 to $68,014,413 in 2018-19 largely due to a high volume of retirements in FY2018 and positions that were either vacant or replaced by lower ranked incoming employees.

- Federal revenues decreased by $436,132 in the 2018-19 fiscal year compared to 2017-18 due in large part to a reduction in Medicaid revenue received.

- 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-G and Note 5 to the Financial Statements.

- The School District's existing bond, which was issued in 2000, will be paid in full in the 2019-20 fiscal year. Further information can be found under Note 8 - Long Term Liabilities.

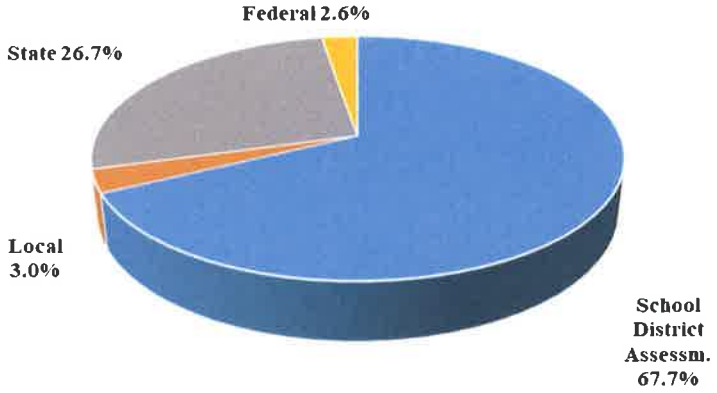
## Financial Analysis of the District as a Whole
## Two-Year Comparison of Net Position
## Governmental Activities

| | June 30, 2019 | June 30, 2018 | Increase (Decrease) |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 3,946,813 | $ 2,776,172 | $ 1,170,641 |
| Accounts receivable, net | 119,044 | 66,438 | 52,606 |
| Intergovernmental receivable | 2,299,507 | 2,300,900 | (1,393) |
| Inventory | 39,860 | 36,302 | 3,558 |
| Capital assets, not being Depreciated | 515,901 | 515,901 | - |
| Capita Assets, net of accumulated depreciation | 19,078,334 | 20,709,598 | (1,631,264) |
| **Total Assets** | **25,999,459** | **26,405,311** | **(405,852)** |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Amounts related to pensions | 11,435,529 | 11,026,565 | 408,964 |
| Amounts related to other postemployment benefits | 1,591,728 | 814,305 | 777,423 |
| **Total deferred outflows of resources** | **13,027,257** | **11,840,870** | **1,186,387** |
| **LIABILITIES** | | | |
| Accounts payable | 317,473 | 486,538 | (169,065) |
| Accrued salaries and benefits | | 33,593 | (33,593) |
| Intergovernmental payable | 93,426 | 118,085 | (24,659) |
| Unearned Revenue | | 8,737 | |
| Accrued interest payable | 31,326 | 62,652 | (31,326) |
| Noncurrent obligations: | | | - |
| Due within one year | 1,922,676 | 1,600,000 | |
| Due in more than one year | 69,666,402 | 70,371,401 | |
| **Total Liabilities** | **72,031,303** | **72,681,006** | **(649,703)** |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Unavailable revenue - grants and donations | 36,999 | 19,825 | 17,174 |
| Amounts related to pensions | 2,310,731 | 2,273,945 | 36,786 |
| Amounts related to other postemployment benefits | 2,986,397 | 2,675,306 | 311,091 |
| **Total deferred inflows of resources** | **5,334,127** | **4,969,076** | **365,051** |
| **NET POSITION** | | | |
| Net investment in capital assets | 17,994,235 | 18,025,499 | (31,264) |
| Unrestricted | (56,332,949) | (57,429,400) | 1,096,451 |
| **Total net position** | **$ (38,338,714)** | **$ (39,403,901)** | **$ 1,065,187** |

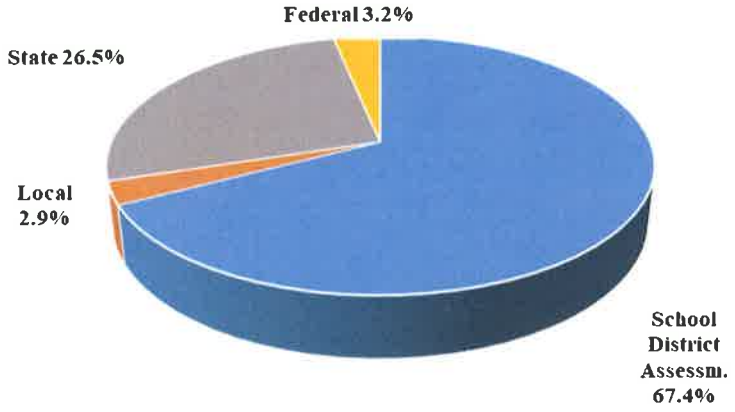
## Financial Analysis of the District as a Whole
## Two-Year Comparison
## Revenue Analysis
## Total Governmental Funds

| | *Fiscal Year Ended June 30, 2019* | *Fiscal Year Ended June 30, 2018* | *Increase (Decrease)* |
|---|---|---|---|
| School district assessment | $ 47,047,034 | $ 46,631,515 | $ 415,519 |
| Local | 2,115,048 | 1,991,170 | 123,878 |
| State | 18,521,984 | 18,305,700 | 216,284 |
| Federal | 1,774,639 | 2,237,771 | (463,132) |
| | **$ 69,458,705** | **$ 69,166,156** | **$ 292,549** |

***Fiscal Year Ended June 30, 2019***



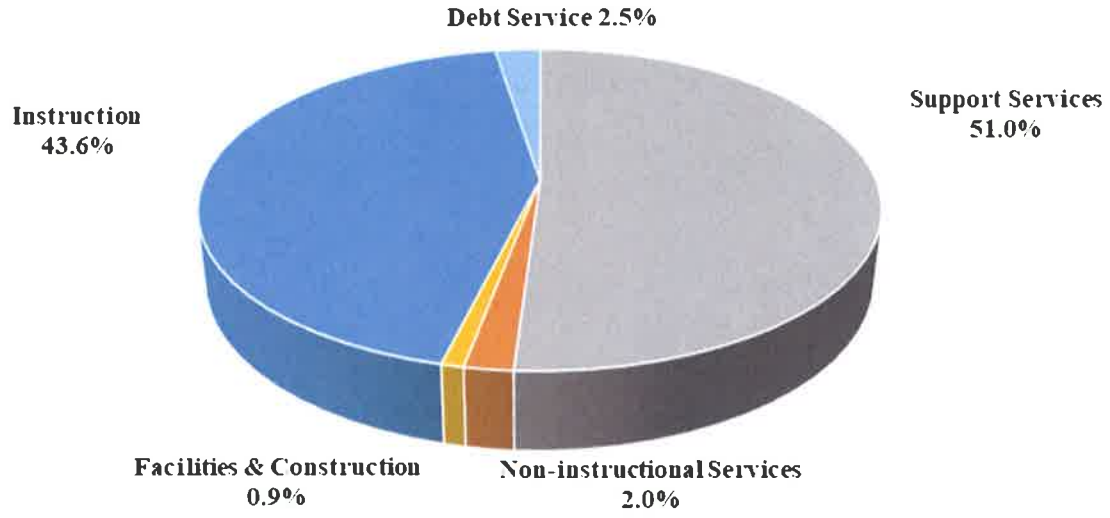

***Fiscal Year Ended June 30, 2018***



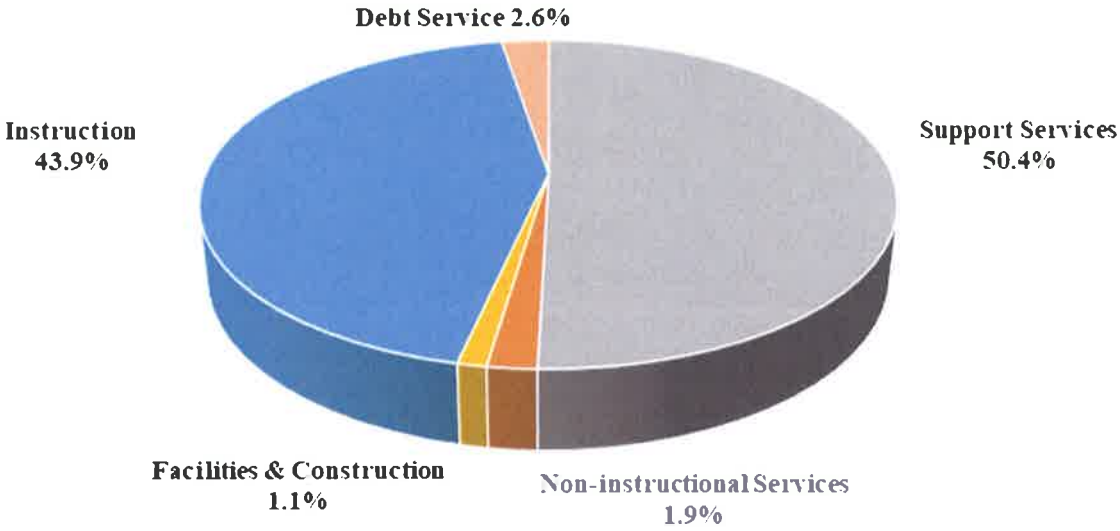
## Financial Analysis of the District as a Whole
## Two-Year Comparison
## Statement of Expenditures – Total Governmental Funds

| | Fiscal Year Ended | | | | Increase |
|---|---|---|---|---|---|
| | June 30, 2019 | | June 30, 2018 | | (Decrease) |
| Instruction | | 29,642,466 | | 30,287,429 | (644,963) |
| Support Services: | | | | | |
| Students | 3,525,821 | | 3,420,402 | | 105,419 |
| Instructional Staff | 1,237,839 | | 1,212,774 | | 25,065 |
| General Administration | 226,171 | | 183,263 | | 42,908 |
| Executive Administration | 2,078,362 | | 2,094,152 | | (15,790) |
| School Administration | 3,249,140 | | 3,477,254 | | (228,114) |
| Business | 4,943 | | 52,641 | | |
| Operation & Plant Maint. | 3,675,687 | | 4,005,187 | | (329,500) |
| Student Transportation | 3,297,941 | | 3,069,994 | | 227,947 |
| Other | 17,399,284 | | 17,270,996 | | 128,288 |
| | | 34,695,188 | | 34,786,663 | (91,475) |
| Non-instructional Services | | 1,340,293 | | 1,344,362 | (4,069) |
| Debt Service: | | | | | |
| Principal | 1,600,000 | | 1,600,000 | | - |
| Interest | 126,000 | | 210,000 | | (84,000) |
| | | 1,726,000 | | 1,810,000 | (84,000) |
| Facilities & Construction | | 610,466 | | 785,492 | (175,026) |
| | | **68,014,413** | | **69,013,946** | **(999,533)** |

## Total Governmental Fund Expenditures
## As of June 30, 2019




## Total Governmental Fund Expenditures
## As of June 30, 2018



## 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 2019, the amount used from the beginning general fund unassigned fund balance for this purpose was $3,284,921.

## Long Term Debt

The District has long-term debt as of June 30, 2019, as follows:

**Timberlane Regional School District**
**Comparative Statement of Long Term Debt**

| | 2019 | 2018 | Increase (Decrease) |
|---|---|---|---|
| Bonds | 1,600,000 | 3,200,000 | (1,600,000) |
| Compensated absences | 3,012,095 | 3,215,636 | (203,541) |
| Net pension liability | 55,445,923 | 53,801,657 | 1,644,266 |
| Other postemployment benefits | 11,531,060 | 11,754,108 | (223,048) |
| Total Long-Term Debt | **71,589,078** | **71,971,401** | **(382,323)** |

## 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-G. 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, 2018 | Changes | Ending Balance June 30, 2019 |
|---|---|---|---|
| NoDepreciable Assets: | | | |
| Land | 515,901 | - | 515,901 |
| Depreciable Assets: | | | |
| Land Improvements | 3,145,412 | - | 3,145,412 |
| Buildings and Building Improvements | 60,151,334 | 34,009 | 60,185,343 |
| Machinery, Equipment, and Vehicles | 3,870,096 | - | 3,870,096 |
| Total Capital Assets | 67,682,743 | 34,009 | 67,716,752 |
| Less Accumulated Depreciation | (46,457,244) | (1,665,273) | (48,122,517) |
| **Net Value, All Capital Assets** | **21,225,499** | **(1,631,264)** | **19,594,235** |

**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**
30 Greenough Road
Plaistow, NH 03865
603-382-6119 Ext.2226
Geoffrey.Dowd@SAU55.net

*BASIC FINANCIAL STATEMENTS*

*EXHIBIT A*
*TIMBERLANE REGIONAL SCHOOL DISTRICT*
*Statement of Net Position*
*June 30, 2019*

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 3,946,813 |
| Other receivables | 119,044 |
| Intergovernmental receivable | 2,299,507 |
| Inventory | 39,860 |
| Capital assets, not being depreciated | 515,901 |
| Capital assets, net of accumulated depreciation | 19,078,334 |
| Total assets | 25,999,459 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Amounts related to pensions | 11,435,529 |
| Amounts related to other postemployment benefits | 1,591,728 |
| Total deferred outflows of resources | 13,027,257 |
| **LIABILITIES** | |
| Accounts payable | 317,473 |
| Intergovernmental payable | 93,426 |
| Accrued interest payable | 31,326 |
| Noncurrent obligations: | |
| Due within one year | 1,922,676 |
| Due in more than one year | 69,666,402 |
| Total liabilities | 72,031,303 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Unavailable revenue - grants and donations | 36,999 |
| Amounts related to pensions | 2,310,731 |
| Amounts related to other postemployment benefits | 2,986,397 |
| Total deferred inflows of resources | 5,334,127 |
| **NET POSITION** | |
| Net investment in capital assets | 17,994,235 |
| Unrestricted | (56,332,949) |
| Total net position | $(38,338,714) |

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, 2019*

| | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Change in Net Position |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Instruction | $30,055,924 | $ 672,190 | $ 1,257,446 | $ - | $(28,126,288) |
| Support services: | | | | | |
| Student | 3,312,359 | - | 88,721 | - | (3,223,638) |
| Instructional staff | 1,253,184 | - | 57,538 | - | (1,195,646) |
| General administration | 226,171 | - | - | - | (226,171) |
| Executive administration | 2,083,855 | - | - | - | (2,083,855) |
| School administration | 3,239,375 | - | - | - | (3,239,375) |
| Business | 4,943 | - | - | - | (4,943) |
| Operation and maintenance of plant | 5,884,568 | - | - | - | (5,884,568) |
| Student transportation | 3,297,941 | - | 41,376 | - | (3,256,565) |
| Other | 17,584,161 | - | - | - | (17,584,161) |
| Noninstructional services | 1,356,363 | 951,802 | 387,465 | - | (17,096) |
| Interest on long-term debt | 94,674 | - | - | 1,110,592 | 1,015,918 |
| Total governmental activities | $68,393,518 | $ 1,623,992 | $ 1,832,546 | $ 1,110,592 | (63,826,388) |
| General revenues: | | | | | |
| School district assessment | | | | | 47,047,034 |
| Grants and contributions not restricted to specific programs | | | | | 17,359,546 |
| Interest | | | | | 44,778 |
| Miscellaneous | | | | | 440,217 |
| Total general revenues | | | | | 64,891,575 |
| Change in net position | | | | | 1,065,187 |
| Net position, beginning | | | | | (39,403,901) |
| Net position, ending | | | | | $(38,338,714) |

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, 2019*

| | General | Food Service | Grants | Other Governmental Fund (Performing Arts Center) | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $3,615,756 | $320,201 | $ - | $ 10,856 | $ 3,946,813 |
| Receivables: | | | | | |
| Accounts | 66,438 | 52,606 | - | - | 119,044 |
| Intergovernmental | 2,022,368 | 46,111 | 231,028 | - | 2,299,507 |
| Interfund receivables | 625,183 | - | - | - | 625,183 |
| Inventory | - | 39,860 | - | - | 39,860 |
| Total assets | $6,329,745 | $458,778 | $231,028 | $ 10,856 | $ 7,030,407 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 283,871 | $ 33,602 | $ - | $ - | $ 317,473 |
| Intergovernmental payable | 93,426 | - | - | - | 93,426 |
| Interfund payable | - | 425,176 | 194,029 | 5,978 | 625,183 |
| Total liabilities | 377,297 | 458,778 | 194,029 | 5,978 | 1,036,082 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable revenue - grants and donations | - | - | 36,999 | - | 36,999 |
| **FUND BALANCES (DEFICIT)** | | | | | |
| Nonspendable | - | 39,860 | - | - | 39,860 |
| Restricted | 49,664 | - | - | - | 49,664 |
| Committed | 1,443,523 | - | - | 4,878 | 1,448,401 |
| Assigned | 565,900 | - | - | - | 565,900 |
| Unassigned (deficit) | 3,893,361 | (39,860) | - | - | 3,853,501 |
| Total fund balances | 5,952,448 | - | - | 4,878 | 5,957,326 |
| Total liabilities, deferred inflows of resources, and fund balances | $6,329,745 | $458,778 | $231,028 | $ 10,856 | $ 7,030,407 |

The Notes to the Basic Financial Statements are an integral part of this statement.

*EXHIBIT C-2*
*TIMBERLANE REGIONAL SCHOOL DISTRICT*
*Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position*
*June 30, 2019*

| | | |
|---|---|---|
| Total fund balances of governmental funds (Exhibit C-1) | | $ 5,957,326 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds. | | |
| Cost | $ 67,716,752 | |
| Less accumulated depreciation | (48,122,517) | |
| | | 19,594,235 |
| Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows: | | |
| Deferred outflows of resources related to pensions | $ 11,435,529 | |
| Deferred inflows of resources related to pensions | (2,310,731) | |
| Deferred outflows of resources related to OPEB | 1,591,728 | |
| Deferred inflows of resources related to OPEB | (2,986,397) | |
| | | 7,730,129 |
| Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position. | | |
| Receivables | $ (625,183) | |
| Payables | 625,183 | |
| | | - |
| Interest on long-term debt is not accrued in governmental funds. | | |
| Accrued interest payable | | (31,326) |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds. | | |
| Bonds | $ 1,600,000 | |
| Compensated absences | 3,012,095 | |
| Net pension liability | 55,445,923 | |
| Other postemployment benefits | 11,531,060 | |
| | | (71,589,078) |
| Net position of governmental activities (Exhibit A) | | $ (38,338,714) |

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, 2019*

| | General | Food Service | Grants | Other Governmental Fund (Performing Arts Center) | Total Governmental Funds |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| School district assessment | $47,047,034 | $ - | $ - | $ - | $47,047,034 |
| Other local | 1,098,986 | 951,802 | 6,061 | 58,199 | 2,115,048 |
| State | 18,415,722 | 17,636 | 88,626 | - | 18,521,984 |
| Federal | 303,515 | 369,829 | 1,101,295 | - | 1,774,639 |
| Total revenues | 66,865,257 | 1,339,267 | 1,195,982 | 58,199 | 69,458,705 |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| Instruction | 28,538,605 | - | 1,043,349 | 60,512 | 29,642,466 |
| Support services: | | | | | |
| Student | 3,437,100 | - | 88,721 | - | 3,525,821 |
| Instructional staff | 1,180,301 | - | 57,538 | - | 1,237,839 |
| General administration | 226,171 | - | - | - | 226,171 |
| Executive administration | 2,078,362 | - | - | - | 2,078,362 |
| School administration | 3,249,140 | - | - | - | 3,249,140 |
| Business | 4,943 | - | - | - | 4,943 |
| Operation and maintenance of plant | 3,675,687 | - | - | - | 3,675,687 |
| Student transportation | 3,291,567 | - | 6,374 | - | 3,297,941 |
| Other | 17,399,284 | - | - | - | 17,399,284 |
| Noninstructional services | - | 1,340,293 | - | - | 1,340,293 |
| Debt service: | | | | | |
| Principal | 1,600,000 | - | - | - | 1,600,000 |
| Interest | 126,000 | - | - | - | 126,000 |
| Facilities acquisition and construction | 610,466 | - | - | - | 610,466 |
| Total expenditures | 65,417,626 | 1,340,293 | 1,195,982 | 60,512 | 68,014,413 |
| Excess (deficiency) of revenues over (under) expenditures | 1,447,631 | (1,026) | - | (2,313) | 1,444,292 |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers in | - | 1,026 | - | 4,598 | 5,624 |
| Transfers out | (5,624) | - | - | - | (5,624) |
| Total other financing sources (uses) | (5,624) | 1,026 | - | 4,598 | - |
| Net change in fund balances | 1,442,007 | - | - | 2,285 | 1,444,292 |
| Fund balances, beginning | 4,510,441 | - | - | 2,593 | 4,513,034 |
| Fund balances, ending | $ 5,952,448 | $ - | $ - | $ 4,878 | $ 5,957,326 |

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 - Governmental Funds to the Statement of Activities*
*For the Fiscal Year Ended June 30, 2019*

| | | |
|---|---|---|
| Net change in fund balances of total governmental funds (Exhibit C-3) | | $ 1,444,292 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense expenditures exceeded capital outlay in the current year, as follows: | | |
| Capitalized capital outlay | $ 34,009 | |
| Depreciation expense | (1,665,273) | |
| | | (1,631,264) |
| Transfers in and out between governmental funds are eliminated on the Statement of Activities. | | |
| Transfers in | $ (5,624) | |
| Transfers out | 5,624 | |
| | | - |
| 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 | $ 31,326 | |
| Decrease in compensated absences payable | 203,541 | |
| Net change in net pension liability and deferred outflows and inflows of resources related to pensions | (1,272,088) | |
| Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits | 689,380 | |
| | | (347,841) |
| Change in net position of governmental activities (Exhibit B) | | $ 1,065,187 |

The Notes to the Basic Financial Statements are an integral part of this statement.

*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, 2019*

| | Budgeted Amounts | | | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| School district assessment | $47,047,034 | $47,047,034 | $47,047,034 | $ - |
| Other local | 705,000 | 705,000 | 1,047,636 | 342,636 |
| State | 18,561,584 | 18,561,584 | 18,415,722 | (145,862) |
| Federal | 525,000 | 525,000 | 303,515 | (221,485) |
| Total revenues | 66,838,618 | 66,838,618 | 66,813,907 | (24,711) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction | 30,766,338 | 30,114,909 | 28,535,414 | 1,579,495 |
| Support services: | | | | |
| Student | 3,566,972 | 3,649,792 | 3,435,379 | 214,413 |
| Instructional staff | 1,287,140 | 1,314,043 | 1,175,486 | 138,557 |
| General administration | 228,221 | 296,821 | 226,171 | 70,650 |
| Executive administration | 2,151,908 | 2,175,528 | 2,063,786 | 111,742 |
| School administration | 3,293,402 | 3,398,877 | 3,238,857 | 160,020 |
| Business | 55,000 | 55,000 | 4,943 | 50,057 |
| Operation and maintenance of plant | 4,043,461 | 4,114,261 | 3,704,379 | 409,882 |
| Student transportation | 3,116,758 | 3,696,793 | 3,291,567 | 405,226 |
| Other | 18,615,404 | 18,182,238 | 17,386,972 | 795,266 |
| Debt service: | | | | |
| Principal | 1,600,000 | 1,600,000 | 1,600,000 | - |
| Interest | 126,000 | 126,000 | 126,000 | - |
| Facilities acquisition and construction | 500,002 | 426,344 | 876,036 | (449,692) |
| Total expenditures | 69,350,606 | 69,150,606 | 65,664,990 | 3,485,616 |
| Excess (deficiency) of revenues over (under) expenditures | (2,511,988) | (2,311,988) | 1,148,917 | 3,460,905 |
| **OTHER FINANCING USES** | | | | |
| Transfers out | (19,761) | (219,761) | (25,384) | 194,377 |
| Net change in fund balance | $ (2,531,749) | $ (2,531,749) | 1,123,533 | $ 3,655,282 |
| Decrease in committed fund balance | | | 28,165 | |
| Unassigned fund balance, beginning | | | 2,741,663 | |
| Unassigned fund balance, ending | | | $ 3,893,361 | |

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, 2019*

| | Budgeted Amounts | | | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Local: | | | | |
| Sales | $ 908,000 | $ 908,000 | $ 951,802 | $ 43,802 |
| State: | | | | |
| Lunch reimbursement | 17,000 | 17,636 | 17,636 | - |
| Federal: | | | | |
| Lunch reimbursement | 256,000 | 272,333 | 272,333 | - |
| USDA commodities | 94,000 | 97,496 | 97,496 | - |
| Total revenues | 1,275,000 | 1,295,465 | 1,339,267 | 43,802 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Noninstructional services | 1,275,000 | 1,295,465 | 1,340,293 | (44,828) |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (1,026) | (1,026) |
| **OTHER FINANCING SOURCES** | | | | |
| Transfers in | - | - | 1,026 | 1,026 |
| 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 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, 2019*

| | Budgeted Amounts | | | Variance Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Other local | $ - | $ 6,061 | $ 6,061 | $ - |
| State | - | 88,626 | 88,626 | - |
| Federal | 1,150,000 | 1,101,295 | 1,101,295 | - |
| Total revenues | 1,150,000 | 1,195,982 | 1,195,982 | - |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Instruction | 1,150,000 | 1,043,349 | 1,043,349 | - |
| Support services: | | | | |
| Student | - | 88,721 | 88,721 | - |
| Instructional staff | - | 57,538 | 57,538 | - |
| Student transportation | - | 6,374 | 6,374 | - |
| Total expenditures | 1,150,000 | 1,195,982 | 1,195,982 | - |
| 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, 2019*

| | Private Purpose Trust | Agency |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ - | $340,439 |
| Intergovernmental receivable | 279,567 | - |
| Total assets | 279,567 | $340,439 |
| **LIABILITIES** | | |
| Due to student groups | - | $340,439 |
| **NET POSITION** | | |
| Held in trust for specific purposes | $279,567 | $ - |

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, 2019*

| | Private Purpose Trust |
|---|---|
| Additions: | |
| New funds | $ 1,501 |
| Interest | 4,889 |
| Total revenue | 6,390 |
| Deductions: | |
| Scholarships | 14,200 |
| Change in net position | (7,810) |
| Net position, beginning | 287,377 |
| Net position, ending | $279,567 |

The Notes to the Basic Financial Statements are an integral part of this statement.

*TIMBERLANE REGIONAL SCHOOL DISRICT*

*NOTES TO THE BASIC FINANCIAL STATEMENTS*

*AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019*


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## *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 U.S. Generally Accepted Accounting Principles (GAAP) 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. Generally, 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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds, and are presented in the other governmental column of 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 the 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.

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, *Fund Balance Reporting and Governmental Fund Type Definitions* guidance, the gate receipts fund and expendable trust funds are consolidated in the general fund.

**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.

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

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

***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.

### *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*

Inventories 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. Inventorial items are recorded as expenditures when consumed at the schools (the consumption method). The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balance that is nonspendable.

### *1-G Capital Assets*

Capital assets are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The School District has established a threshold of $10,000 or more per individual item for all asset classes except infrastructure, which is capitalized over $100,000 per item, and an estimated useful life in excess of one year for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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 government-wide Statement of Net Position.

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 using the straight-line method over the following estimated useful lives:

| **Capital Asset Class:** | Years |
|---|---|
| Land improvements | 20 - 30 |
| Buildings and building improvements | 5 - 30 |
| Machinery, equipment, and vehicles | 5 - 10 |

### *1-H 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 are 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-I 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, 2019.

### *1-J Deferred Outflows/Inflows of Resources*

*Deferred outflows of resources,* a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense/expenditure) until then.

*Deferred inflows of resources,* a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

### *1-K Long-term Obligations*

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

### *1-L Compensated Absences*

The School District's policy allows certain employees to earn varying amounts of vacation, sick pay, and retirement incentives based on the employee's length of employment and rate of pay. Upon retirement or termination of employment, employees are paid in full for any accrued leave earned as set forth by personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

### *1-M 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 prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

### *1-N Postemployment Benefits Other Than Pensions (OPEB)*

The School District maintains two separate other postemployment benefit plans, as follows:

***New Hampshire Retirement System Plan*** – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

***Single Employer Plan*** – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the School District's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

### *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** – Consists of 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** – Consists of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

**Nonspendable** – 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** – 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** – 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. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – 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** – 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-bII, *Contingency Fund*, the School District voted to retain general fund unassigned fund balance of $500,000 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/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable, recoverability of inventory, and the useful lives of capital assets, among others. 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 2019, $2,511,989 of the beginning general fund unassigned fund balance was applied for this purpose. Additionally, $19,760 was appropriated to fund the School District's capital reserve funds.

### *2-B Budgetary Reconciliation to GAAP Basis*

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented for each major governmental fund which had a budget. There are no differences between the budgetary basis and GAAP basis of accounting for the food service and grants funds. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

| | |
|---|---|
| Revenues: | |
| Per Exhibit D-1 (budgetary basis) | $ 66,813,907 |
| Adjustments: | |
| Basis difference: | |
| GASB Statement No. 54: | |
| Interest earnings related to the blended expendable trust funds | 32,918 |
| Miscellaneous revenue of blended funds | 18,432 |
| Per Exhibit C-3 (GAAP Basis) | $ 66,865,257 |
| | |
| Expenditures and other financing uses: | |
| Per Exhibit D-1 (budgetary basis) | $ 65,690,374 |
| Adjustments: | |
| Basis difference: | |
| Encumbrances, beginning | 318,536 |
| Encumbrances, ending | (565,900) |
| GASB Statement No. 54: | |
| To remove transfer from the general fund to the blended expendable trust fund | (19,760) |
| Per Exhibit C-3 (GAAP basis) | $ 65,423,250 |

## *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 $4,287,252 and the bank balances totaled $6,689,741. Petty cash totaled $3,811.

Cash and cash equivalents reconciliation:

| | |
|---|---|
| Cash per Statement of Net Position (Exhibit A) | $ 3,946,813 |
| Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1) | 340,439 |
| Total cash and cash equivalents | $ 4,287,252 |

### *NOTE 4 – RECEIVABLES*

Receivables at June 30, 2019, consisted of accounts and intergovernmental amounts arising from grants, the school lunch program, expendable trust funds held by the Town of Danville Trustees of Trust Funds, and other miscellaneous amounts. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

## *NOTE 5 – CAPITAL ASSETS*

Capital asset activity for the year ended June 30, 2018 consisted of the following:

| | Balance, beginning | Additions | Balance, ending |
|---|---|---|---|
| At cost: | | | |
| Not being depreciated: | | | |
| Land | $ 515,901 | $ - | $ 515,901 |
| Being depreciated: | | | |
| Land improvements | 3,145,412 | - | 3,145,412 |
| Buildings and building improvements | 60,151,334 | 34,009 | 60,185,343 |
| Machinery, equipment, and vehicles | 3,870,096 | - | 3,870,096 |
| Total capital assets being depreciated | 67,166,842 | 34,009 | 67,200,851 |
| Total capital assets | 67,682,743 | 34,009 | 67,716,752 |
| Less accumulated depreciation: | | | |
| Land improvements | (2,223,291) | (103,934) | (2,327,225) |
| Buildings and building improvements | (40,758,892) | (1,532,345) | (42,291,237) |
| Machinery, equipment, and vehicles | (3,475,061) | (28,994) | (3,504,055) |
| Total accumulated depreciation | (46,457,244) | (1,665,273) | (48,122,517) |
| Net book value, capital assets being depreciated | 20,709,598 | (1,631,264) | 19,078,334 |
| Net book value, all capital assets | $21,225,499 | $(1,631,264) | $19,594,235 |

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 | $ 7,185 |
| Support services: | |
| School administration | 15,861 |
| Operation and maintenance of plant | 1,642,227 |
| Total depreciation expense | $ 1,665,273 |

## *NOTE 6 – INTERFUND BALANCES AND TRANSFERS*

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2019 are as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General | Food service | $425,176 |
| | Grants | 194,029 |
| | Nonmajor | 5,978 |
| | | $625,183 |

Interfund transfers during the year ended June 30, 2019 are as follows:

| | Transfers In: | | |
|---|---|---|---|
| | Food Service | Other Governmental Fund (Performing Arts Center) | Total |
| Transfers out: | | | |
| General fund | $1,026 | $ 4,598 | $5,624 |

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, 2019 consisted of the following:

| | Governmental Activities |
|---|---|
| Amounts related to pensions, see Note 9 | $11,435,529 |
| Amounts related to OPEB, see Note 10 | 1,591,728 |
| Total deferred inflows of resources | $13,027,257 |

Deferred inflows of resources at June 30, 2019 consisted of the following:

| | Governmental Activities | General Fund |
|---|---|---|
| Local grants received in advance of eligible expenditures being made | $ 36,999 | $ 36,999 |
| Amounts related to pensions, see Note 9 | 2,310,731 | - |
| Amounts related to OPEB, see Note 10 | 2,986,397 | - |
| Total deferred inflows of resources | $ 5,334,127 | $ 36,999 |

## *NOTE 8 – LONG-TERM LIABILITIES*

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2019:

| | Balance July 1, 2018 | Additions | Reductions | Balance June 30, 2019 | Due Within One Year |
|---|---|---|---|---|---|
| General obligation bond payable | $ 3,200,000 | $ - | $(1,600,000) | $ 1,600,000 | $ 1,600,000 |
| Compensated absences | 3,215,636 | 142,212 | (345,753) | 3,012,095 | 322,676 |
| Pension related liability | 53,801,657 | 1,644,266 | - | 55,445,923 | - |
| Net other postemployment benefits | 11,754,108 | - | (223,048) | 11,531,060 | - |
| Total long-term liabilities | $71,971,401 | $ 1,786,478 | $(2,168,801) | $71,589,078 | $ 1,922,676 |

The long-term bond is comprised of the following:

| | Original Amount | Issue Date | Maturity Date | Interest Rate | Outstanding at June 30, 2019 |
|---|---|---|---|---|---|
| General obligation bond payable: | | | | | |
| School renovations | $32,000,000 | 2000 | 2020 | 4.50 - 5.25% | $ 1,600,000 |

The final payment on the bond payable is due in August 2019 and consists of $1,600,000 principal and $42,000 interest, for a total of $1,642,000.

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 within 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 officers 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) quality 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 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 ¼ 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 2019, the School District contributed 15.70% for teachers and 11.08% for other employees. The contribution requirement for the fiscal year 2019 was $4,765,786, which was paid in full.

***Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*** – At June 30, 2019, the School District reported a liability of $55,445,923 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the School District's proportion was 1.15%, which was an increase of 0.06% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of $6,031,259. At June 30, 2019, 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 | $ 2,390,053 | $ 578,717 |
| Net difference between projected and actual investment earnings on pension plan investments | - | 1,283,067 |
| Changes in assumptions | 3,837,132 | - |
| Differences between expected and actual experience | 442,558 | 448,947 |
| Contributions subsequent to the measurement date | 4,765,786 | - |
| Total | $ 11,435,529 | $ 2,310,731 |

The $4,765,786 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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, | |
|---|---|
| 2019 | $2,679,149 |
| 2020 | 2,111,724 |
| 2021 | (640,166) |
| 2022 | 208,305 |
| Totals | $4,359,012 |

***Actuarial Assumptions*** – The collective total pension liability was determined by an actuarial performed as of June 30, 2017, rolled forward to June 30, 2018, using the following assumptions:

| | |
|---|---|
| Inflation: | 2.5% per year |
| Wage inflation | 3.25% per year |
| 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, 2018 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 2018:

| Asset Class | Target Allocation | Weighted average long-term expected real rate of return 2018 |
|---|---|---|
| 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% | 4.50% |
| Emerging Int'l Equities | 7.00% | 6.00% |
| Total international equity | 20.00% | |
| Core Bonds | 4.50% | 0.50% |
| Short Duration | 2.50% | (0.25%) |
| Global Multi-Sector Fixed Income | 11.00% | 1.80% |
| Absolute Return Fixed Income | 7.00% | 1.14% |
| Total fixed income | 25.00% | |
| Private equity | 5.00% | 6.25% |
| Private debt | 5.00% | 4.25% |
| Opportunistic | 5.00% | 2.15% |
| Total alternative investments | 15.00% | |
| Real estate | 10.00% | 3.25% |
| Total | 100.00% | |

***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, 2018 | $73,771,255 | $ 55,445,923 | $40,088,735 |

***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 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)*

### *10-A New Hampshire Retirement System (NHRS)*

***Plan Description*** – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2018 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

***Benefits Provided*** – Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age, and retirement date. Group II benefits are based on hire date, age, and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal years 2017 and 2016 were as follows:

For qualified retirees not eligible for Medicare, the amounts were $375.56 for a single-person plan and $751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were $236.84 for a single-person plan and $473.68 for a two-person plan.

***Contributions*** – The OPEB Plan is funded by allocating to the 401(h) subtrust the lessor of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2019, the School District contributed 1.66% for teachers and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was $444,675, which was paid in full.

***OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB*** – At June 30, 2019, the School District reported a liability of $4,705,888 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on a projection of the School District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the School District's proportion was 1.03%, which was a decrease of 0.29% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized OPEB expense of $649,403. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in proportion | $ - | $ 287,371 |
| Net difference between projected and actual investment earnings on OPEB plan investments | - | 14,952 |
| Differences between expected and actual experience | 27,623 | - |
| Contributions subsequent to the measurement date | 444,675 | - |
| Total | $ 472,298 | $ 302,323 |

The $444,675 reported as deferred outflows of resources related to OPEB results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending June 30, | |
|---|---|
| 2019 | $(264,413) |
| 2020 | (4,665) |
| 2021 | (4,665) |
| 2022 | (957) |
| Totals | $(274,700) |

***Actuarial Assumptions*** – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2017 and a measurement date of June 30, 2018. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Price inflation: | 2.5% per year |
| Wage inflation: | 3.25% per year |
| Salary increases: | 5.6% average, including inflation |
| Investment rate of return: | 7.25% net of OPEB plan investment expense, including inflation |
| Health care trend rate: | Not applicable, given that the benefits are fixed stipends |

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

The actuarial assumptions used in the June 30, 2018 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 OPEB 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 2018:

| Asset Class | Target Allocation | Weighted average long-term expected real rate of return 2018 |
|---|---|---|
| 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% | 4.50% |
| Emerging Int'l Equities | 7.00% | 6.00% |
| Total international equity | 20.00% | |
| Core Bonds | 4.50% | 0.50% |
| Short Duration | 2.50% | (0.25%) |
| Global Multi-Sector Fixed Income | 11.00% | 1.80% |
| Absolute Return Fixed Income | 7.00% | 1.14% |
| Total fixed income | 25.00% | |
| Private equity | 5.00% | 6.25% |
| Private debt | 5.00% | 4.75% |
| Opportunistic | 5.00% | 2.15% |
| Total alternative investments | 15.00% | |
| Real estate | 10.00% | 3.25% |
| Total | 100.00% | |

***Discount Rate*** – The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

***Sensitivity of the School District's Proportionate Share of the OPEB Liability to Changes in the Discount Rate*** – The following table presents the School District's proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the School District's proportionate share of the OPEB 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, 2018 | $4,897,909 | $ 4,705,888 | $4,168,004 |

***Sensitivity of the School District's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rate*** – GASB No. 75 requires the sensitivity of the Net OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are a fixed stipend, there is no sensitivity to the change in the healthcare cost trend assumption.

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

### *10-B Retiree Health Benefit Program*

***Plan Description*** – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

***Benefits Provided*** – The School District provides medical benefits to its eligible retirees. The benefits are provided through fully insured plans that are sponsored by a state-wide health insurance consortium. Retirees are required to continue to pay 100% of the cost of the premium for coverage elected.

***Employees Covered by Benefit Terms*** – At July 1, 2018, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 12 |
| Active employees | 575 |
| Total participants covered by OPEB plan | 587 |

***Total OPEB Liability*** – The School District's total OPEB liability of $6,825,172 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

***Actuarial Assumptions and Other Inputs*** – The total OPEB liability of $6,825,172 in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Discount Rate: | 3.50% |
| Healthcare Cost Trend Rates: | |
| Current Year Trend | 5.50% |
| Decrement | 0.50% |
| Ultimate Trend | 5.00% |
| Year Ultimate Trend is Reached | 2029 |
| Salary Increases: | 4.00% |

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of June 30, 2019.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Year 2006).

***Changes in the Total OPEB Liability***

| | June 30, | |
|---|---|---|
| | 2018 | 2019 |
| Total OPEB liability, beginning of year | $ 5,560,623 | $ 5,704,295 |
| Changes for the year: | | |
| Service cost | 443,305 | 461,978 |
| Interest | 155,638 | 200,710 |
| Assumption changes | - | 1,540,202 |
| Difference between actual and expected experience | (255,988) | (942,546) |
| Benefit payments | (199,283) | (139,467) |
| Total OPEB liability, end of year | $ 5,704,295 | $ 6,825,172 |

***Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate*** – The following presents the total OPEB Liability, calculated using the discount rate of 3.50% as well as what the total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | Discount Rate | | |
|---|---|---|---|
| | 1% Decrease | Baseline 3.50% | 1% Increase |
| Total OPEB Liability | $7,202,305 | $ 6,825,172 | $6,423,766 |

***Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates*** – The following presents the total OPEB Liability, calculated using the trend rate of 5.50%, as well as what the total OPEB Liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

| | Healthcare Cost Trend Rates | | |
|---|---|---|---|
| | 1% Decrease | Baseline 5.50% | 1% Increase |
| Total OPEB Liability | $5,505,313 | $ 6,825,172 | $7,098,248 |

***OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB*** – For the year ended June 30, 2019, the School District recognized OPEB expense of $198,212. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in assumptions | $1,119,430 | $ - |
| Differences between expected and actual experience | - | 2,684,074 |
| Total | $1,119,430 | $2,684,074 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending June 30, | |
|---|---|
| 2020 | $ (616,501) |
| 2021 | (616,501) |
| 2022 | (361,587) |
| 2023 | 17,513 |
| 2024 | 12,432 |
| Thereafter | - |
| Totals | $(1,564,644) |

## *NOTE 11 – ENCUMBRANCES*

Encumbrances outstanding at June 30, 2019 are as follows:

| | |
|---|---|
| Current: | |
| Instruction: | |
| Regular programs | $ 10,238 |
| Special programs | 6,000 |
| Other programs | 12,775 |
| Total instruction | 29,013 |
| Support services: | |
| Instructional staff | 13,506 |
| Executive administration | 5,424 |
| Operation and maintenance of plant | 57,210 |
| Total support services | 76,140 |
| Facilities acquisition and construction | 460,747 |
| Total encumbrances | $ 565,900 |

## *NOTE 12 – GOVERNMENTAL ACTIVITIES NET POSITION*

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2019 includes the following:

| | |
|---|---|
| Net investment in capital assets: | |
| Net book value of all capital assets | $ 19,594,235 |
| Less: | |
| General obligation bond payable | (1,600,000) |
| Total net investment in capital assets | 17,994,235 |
| Unrestricted | (56,332,949) |
| Total net position | $(38,338,714) |

None of the net position is restricted by enabling legislation.

## *NOTE 13 – GOVERNMENTAL FUND BALANCES*

Governmental fund balances at June 30, 2019 consist of the following:

| | General | Food Service | Other Governmental Fund | Total Governmental Funds |
|---|---|---|---|---|
| **Nonspendable:** | | | | |
| Inventory | $ - | $ 39,860 | $ - | $ 39,860 |
| **Restricted:** | | | | |
| Gate receipts | 49,664 | - | - | 49,664 |
| **Committed:** | | | | |
| Expendable trust | 1,443,523 | - | - | 1,443,523 |
| Performing Arts Center | - | - | 4,878 | 4,878 |
| Total committed fund balance | 1,443,523 | - | 4,878 | 1,448,401 |
| **Assigned:** | | | | |
| Encumbrances | 565,900 | - | - | 565,900 |
| **Unassigned:** | | | | |
| Unassigned - retained (RSA 198:4-bII) | 500,000 | - | - | 500,000 |
| Unassigned | 3,393,361 | - | - | 3,393,361 |
| Deficit | - | (39,860) | - | (39,860) |
| Total unassigned | 3,893,361 | (39,860) | - | 3,853,501 |
| Total governmental fund balances | $ 5,952,448 | $ - | $ 4,878 | $ 5,957,326 |

## *NOTE 14 – 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 2019, the School District was a member of the New Hampshire Public Risk Management Exchange (Primex$^3$) Workers' Compensation and Property/Liability programs.

The New Hampshire Public Risk Management Exchange (Primex$^3$) Workers' Compensation and Property/Liability programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2018 to June 30, 2019 by Primex$^3$, which retained $2,000,000 of each workers' compensation loss, $500,000 of each liability loss, and $200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The Workers' Compensation section of the self-insurance membership agreement permits Primex$^3$ 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. In fiscal year 2018-19 the School District paid $193,272 and $189,688, respectively, to Primex$^3$ for Workers' Compensation and Property/Liability. At this time, Primex$^3$ foresees no likelihood of any additional assessment for this or any prior year.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## *NOTE 15 – 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 16 – 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 October 7, 2020, the date the June 30, 2019 financial statements were available to be issued, and the following event occurred that requires recognition or disclosure:

- On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. In response to the pandemic, the State of New Hampshire's Governor issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the School District, though such potential impact is unknown at this time.

*REQUIRED SUPPLEMENTARY INFORMATION*

*EXHIBIT F*

*TIMBERLANE REGIONAL SCHOOL DISTRICT*

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

*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*

*For the Fiscal Year Ended June 30, 2019*

| | June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| School District's: | | | | | | |
| Proportion of the net pension liability | 1.10% | 1.12% | 1.09% | 1.10% | 1.09% | 1.15% |
| Proportionate share of the net pension liability | $ 47,167,174 | $ 42,125,600 | $43,214,222 | $ 58,648,858 | $ 53,801,657 | $55,445,923 |
| Covered payroll | $ 30,663,543 | $ 31,246,536 | $31,329,364 | $ 31,982,983 | $ 32,472,286 | $33,077,538 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 153.82% | 134.82% | 137.94% | 183.38% | 165.68% | 167.62% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.32% | 59.81% | 65.47% | 58.30% | 62.66% | 64.73% |

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

*EXHIBIT G*
*TIMBERLANE REGIONAL SCHOOL DISTRICT*
*Schedule of School District Contributions - Pensions*
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*
*For the Fiscal Year Ended June 30, 2019*

| | June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Contractually required contribution | $ 2,725,111 | $ 3,640,924 | $ 3,659,664 | $ 3,949,328 | $ 4,007,708 | $ 4,866,804 |
| Contributions in relation to the contractually required contributions | (2,725,111) | (3,640,924) | (3,659,664) | (3,949,328) | (4,007,708) | (4,866,804) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| School District's covered payroll | $30,663,543 | $31,246,536 | $31,329,364 | $31,982,983 | $32,472,286 | $33,077,538 |
| Contributions as a percentage of covered payroll | 8.89% | 11.65% | 11.68% | 12.35% | 12.34% | 14.71% |

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

# *TIMBERLANE REGIONAL SCHOOL DISTRICT*

## *NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY*

## *FOR THE FISCAL YEAR ENDED JUNE 30, 2019*

### *Schedule of the School District's Proportionate Share of Net Pension Liability and Schedule of School District Contributions – Pensions*

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the School District's pension plan at June 30, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2018:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage-of-Payroll, Closed |
| Remaining Amortization Period | 22 years beginning July 1, 2018 (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 | 3.62% 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 | The roll-forward of total pension liability from June 30, 2017 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments. |

*EXHIBIT H*

*TIMBERLANE REGIONAL SCHOOL DISTRICT*

*Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability*

*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*

*For the Fiscal Year Ended June 30, 2019*

| | June 30, | | |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| School District's proportion of the net OPEB liability | 1.33% | 1.32% | 1.03% |
| School District's proportionate share of the net OPEB liability (asset) | $ 6,457,701 | $ 6,049,813 | $ 4,705,888 |
| School District's covered payroll | $31,982,983 | $32,472,286 | $33,077,538 |
| School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 20.19% | 18.63% | 14.23% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 5.21% | 7.91% | 7.53% |

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

*EXHIBIT I*

*TIMBERLANE REGIONAL SCHOOL DISTRICT*

*Schedule of School District Contributions - Other Postemployment Benefits*

*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*

*For the Fiscal Year Ended June 30, 2019*

| | June 30, | | |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| Contractually required contribution | $ 775,104 | $ 784,222 | $ 454,641 |
| Contributions in relation to the contractually required contribution | (775,104) | (784,222) | (454,641) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| School District's covered payroll | $ 31,982,983 | $ 32,472,286 | $ 33,077,538 |
| Contributions as a percentage of covered payroll | 2.42% | 2.42% | 1.37% |

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

*EXHIBIT J*

*TIMBERLANE REGIONAL SCHOOL DISTRICT*

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

*For the Fiscal Year Ended June 30, 2019*

| | June 30, | | |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| OPEB liability, beginning of year | $ 5,363,426 | $ 5,560,623 | $ 5,704,295 |
| Changes for the year: | | | |
| Service cost | 426,255 | 443,305 | 461,978 |
| Interest | 150,205 | 155,638 | 200,710 |
| Assumption changes | - | - | 1,540,202 |
| Difference between actual and expected experience | (193,124) | (255,988) | (942,546) |
| Benefit payments | (186,139) | (199,283) | (139,467) |
| OPEB liability, end of year | $ 5,560,623 | $ 5,704,295 | $ 6,825,172 |
| Covered payroll | $ 26,767,235 | $ 27,837,924 | $ 27,396,864 |
| Total OPEB liability as a percentage of covered payroll | 20.77% | 20.49% | 24.91% |

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

# *TIMBERLANE REGIONAL SCHOOL DISTRICT*

## *NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS LIABILITY*

## *FOR THE FISCAL YEAR ENDED JUNE 30, 2019*

### *Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of School District Contributions – Other Postemployment Benefits*

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

**Methods and Assumptions:**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage-of-Payroll, Closed |
| Remaining Amortization Period | Not applicable under statutory funding |
| Asset Valuation Method | 5-year smooth market: 20% corridor |
| Price Inflation | 2.5% per year |
| Wage Inflation | 3.25% per year |
| Salary Increases | 5.6% Average, including inflation |
| Municipal Bond Rate | 3.62% per year |
| Investment Rate of Return | 7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions |
| 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 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study. |

### *Schedule of Changes in School District's Total Other Postemployment Benefits Liability and Related Ratios*

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the School District's other postemployment benefits at June 30, 2019. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

*Assumptions and Methodology*

**Economic Assumptions:**

1. DISCOUNT RATE: An interest rate of 3.50% was used to calculate the net OPEB expense for the fiscal years ending June 30, 2019 and a rate of 2.21% was used for the year ending June 30, 2020.
2. PAYROLL GROWTH: 4.00% per year.

3. TREND: It was assumed that health care costs would increase in accordance with the trend rates in the following table:

| Year | Medical |
|---|---|
| 2018 | 5.50% |
| 2019 | -4.10% |
| 2020 | 9.00% |
| 2021 | 8.50% |
| 2022 | 8.00% |
| 2023 | 7.50% |
| 2024 | 7.00% |
| 2025 | 6.50% |
| 2026 | 6.00% |
| 2027 | 5.50% |
| 2028 | 5.00% |

**Demographic Assumptions:**

4. CENSUS COLLECTION DATE: The census used in this report represents the eligible population as of July 1, 2018. The valuation date is July 1, 2018 and the measurement dates are June 30, 2019 and June 30, 2020.
5. MORTALITY: SOA RP-2014 Total Dataset Mortality with Scale MP-2018 (Base Year 2006).
6. RETIREMENT RATES: The following are representative assumed retirement rates for eligible employees:

| Age | Male | Female |
|---|---|---|
| 50 | 0.03010 | 0.03000 |
| 55 | 0.12500 | 0.13000 |
| 60 | 0.24000 | 0.16000 |
| 65 | 1.00000 | 1.00000 |
| >=70 | 1.00000 | 1.00000 |

7. TERMINATION RATES: These rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement:

| Age | Male | Female |
|---|---|---|
| 35 | 0.05500 | 0.06000 |
| 40 | 0.04500 | 0.05000 |
| 45 | 0.04000 | 0.04000 |
| 50 | 0.03500 | 0.03500 |

**Benefit Assumptions:**

8. PARTICIPATION RATE: It was assumed that 60% of future retirees eligible for coverage will elect coverage under the HMO Blue New England $20 plan.
9. PERCENT MARRIED: It was assumed that 80% of future retirees will be married with spouses who will also elect coverage under the HMO Blue New England $20 plan, with male spouses assumed to be 3 years older than female spouses. For current retirees, actual census information was used.
10. PER CAPITA COSTS: The following rates were used in the development of per capita costs:

| | 2018-2019 | |
|---|---|---|
| Plan | Single | Two Person |
| HMO Blue New England $20 | $ 10,418.28 | $ 20,836.36 |

*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, 2019*

| | Estimated | Actual | Variance Positive (Negative) |
|---|---|---|---|
| School district assessment: | | | |
| Current appropriation | $47,047,034 | $47,047,034 | $ - |
| Other local sources: | | | |
| Tuition | 425,000 | 555,098 | 130,098 |
| Investment earnings | - | 44,778 | 44,778 |
| Miscellaneous | 280,000 | 447,760 | 167,760 |
| Total from other local sources | 705,000 | 1,047,636 | 342,636 |
| State sources: | | | |
| Adequacy aid (grant) | 9,988,478 | 9,995,751 | 7,273 |
| Adequacy aid (tax) | 6,543,230 | 6,543,230 | - |
| School building aid | 1,110,592 | 1,110,592 | - |
| Kindergarten aid | 121,727 | 121,727 | - |
| Catastrophic aid | 500,000 | 609,420 | 109,420 |
| Vocational aid | 31,000 | 35,002 | 4,002 |
| Other state aid | 266,557 | - | (266,557) |
| Total from state sources | 18,561,584 | 18,415,722 | (145,862) |
| Federal sources: | | | |
| Medicaid | 525,000 | 211,145 | (313,855) |
| Other | - | 92,370 | 92,370 |
| Total from federal sources | 525,000 | 303,515 | (221,485) |
| Total revenues | 66,838,618 | $66,813,907 | $ (24,711) |
| Use of fund balance to reduce school district assessment | 2,511,989 | | |
| Use of fund balance - appropriated | 19,760 | | |
| Total revenues and use of fund balance | $69,370,367 | | |

*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, 2019*

| | Encumbered from Prior Year | Appropriations | Expenditures | Encumbered to Subsequent Year | Variance Positive (Negative) |
|---|---|---|---|---|---|
| Current: | | | | | |
| Instruction: | | | | | |
| Regular programs | $ 16,349 | $ 19,052,070 | $ 18,269,554 | $ 10,238 | $ 788,627 |
| Special programs | 3,597 | 9,851,732 | 9,188,520 | 6,000 | 660,809 |
| Vocational programs | - | 72,002 | 91,069 | - | (19,067) |
| Adult and continuing education programs | - | 189,598 | 141,870 | - | 47,728 |
| Other programs | 12,258 | 949,507 | 847,592 | 12,775 | 101,398 |
| Total instruction | 32,204 | 30,114,909 | 28,538,605 | 29,013 | 1,579,495 |
| Support services: | | | | | |
| Student | 1,721 | 3,649,792 | 3,437,100 | - | 214,413 |
| Instructional staff | 18,321 | 1,314,043 | 1,180,301 | 13,506 | 138,557 |
| General administration | - | 296,821 | 226,171 | - | 70,650 |
| Executive administration | 20,000 | 2,175,528 | 2,078,362 | 5,424 | 111,742 |
| School administration | 10,283 | 3,398,877 | 3,249,140 | - | 160,020 |
| Business | - | 55,000 | 4,943 | - | 50,057 |
| Operation and maintenance of plant | 28,518 | 4,114,261 | 3,675,687 | 57,210 | 409,882 |
| Student transportation | - | 3,696,793 | 3,291,567 | - | 405,226 |
| Other | 12,312 | 18,182,238 | 17,399,284 | - | 795,266 |
| Total support services | 91,155 | 36,883,353 | 34,542,555 | 76,140 | 2,355,813 |
| Debt service: | | | | | |
| Principal of long-term debt | - | 1,600,000 | 1,600,000 | - | - |
| Interest on long-term debt | - | 126,000 | 126,000 | - | - |
| Total debt service | - | 1,726,000 | 1,726,000 | - | - |
| Facilities acquisition and construction | 195,177 | 426,344 | 610,466 | 460,747 | (449,692) |
| Other financing uses: | | | | | |
| Transfers out | - | 219,761 | 25,384 | - | 194,377 |
| Total appropriations, expenditures, other financing uses, and encumbrances | $ 318,536 | $ 69,370,367 | $ 65,443,010 | $ 565,900 | $ 3,679,993 |

*SCHEDULE 3*
*TIMBERLANE REGIONAL SCHOOL DISTRICT*
*Major General Fund*
*Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)*
*For the Fiscal Year Ended June 30, 2019*

| | | |
|---|---|---|
| Unassigned fund balance, beginning | | $ 2,741,663 |
| Changes: | | |
| Unassigned fund balance used to reduce school district assessment | | (2,511,989) |
| Unassigned fund balance appropriated for use in 2018-2019 | | (19,760) |
| 2018-2019 Budget summary: | | |
| Revenue shortfall (Schedule 1) | $ (24,711) | |
| Unexpended balance of appropriations (Schedule 2) | 3,679,993 | |
| 2018-2019 Budget surplus | | 3,655,282 |
| Decrease in committed fund balance | | 28,165 |
| Unassigned fund balance, ending | | $ 3,893,361 |

*SCHEDULE 4*
*TIMBERLANE REGIONAL SCHOOL DISTRICT*
*Student Activities Funds*
*Combining Schedule of Changes in Student Activities Funds*
*For the Fiscal Year Ended June 30, 2019*

| | Balance, beginning | Additions | Deductions | Balance, ending |
|---|---|---|---|---|
| Schools: | | | | |
| Timberlane Regional High School | $165,418 | $ 408,192 | $(361,870) | $ 211,740 |
| Timberlane Regional Middle School | 33,061 | 192,049 | (187,725) | 37,385 |
| Atkinson Academy | 15,281 | 19,249 | (15,677) | 18,853 |
| Danville Elementary School | 41,680 | 15,790 | (11,513) | 45,957 |
| Sandown Central School | 2,006 | 7,326 | (5,741) | 3,591 |
| Pollard School | 23,977 | 34,568 | (40,180) | 18,365 |
| Sandown North School | 6,788 | 24,882 | (27,122) | 4,548 |
| Totals | $288,211 | $ 702,056 | $(649,828) | $ 340,439 |

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

# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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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, 2019, 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 October 7, 2020.

### *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.

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 or 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### *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***

## *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.

October 7, 2020

PLODZIK &SANDERSON
Professional Association

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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, 2020. 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, 2019.

### *Report on Internal Control Over Compliance*

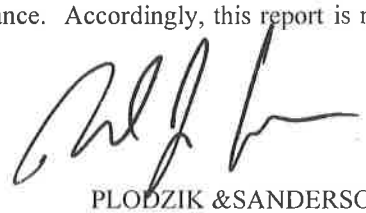
Management of the Timberlane Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Timberlane Regional School 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 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.



October 7, 2020

PLODZIK &SANDERSON
Professional Association

*SCHEDULE I*
*TIMBERLANE REGIONAL SCHOOL DISTRICT*
*Summary Schedule of Prior Audit Findings*
*For the Year Ended June 30, 2019*

| Auditor Reference Number | |
|---|---|
| **MATERIAL WEAKNESS** | |
| **2018-001** | **Interim and Annual Account Reconciliation and Reporting** |
| | **Status:** Corrective action has been taken. |
| **SIGNIFICANT DEFICIENCY** | |
| **2018-002** | **Adjusting Journal Entry Review** |
| | **Status:** Corrective action has been taken. |

*SCHEDULE II*
*TIMBERLANE REGIONAL SCHOOL DISTRICT*
*Schedule of Findings and Questioned Costs*
*For the Year Ended June 30, 2019*

## SECTION I - SUMMARY OF AUDITOR'S RESULTS

***Financial Statements***

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

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified? _____ yes __X__ 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:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 84.027 and 84.173 | Special Education Cluster |

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

Auditee qualified as low-risk auditee? _____ yes __X__ no

## SECTION II - FINANCIAL STATEMENT FINDINGS

**NONE**

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**NONE**

*SCHEDULE III*
*Timberlane Regional School District*
*Schedule of Expenditures of Federal Awards*
*For the Year Ended June 30, 2019*

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Provided to Subrecipients | Total 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 | $ - | $ 32,754 |
| National School Lunch Program *(note 4)* | 10.555 | N/A | - | 337,075 |
| *CLUSTER TOTAL* | | | - | 369,829 |
| **U.S. DEPARTMENT OF EDUCATION** | | | | |
| Passed Through the State of New Hampshire Department of Education | | | | |
| Title I Grants to Local Educational Agencies: | | | | |
| Title I FY 2018 | 84.010 | 80142 | - | 20,339 |
| Title I - Reallocation FY 2018 | 84.010 | 20181662 | - | 6,709 |
| Title I FY 2019 | 84.010 | 20190111 | - | 150,815 |
| *PROGRAM TOTAL* | | | - | 177,863 |
| SPECIAL EDUCATION CLUSTER | | | | |
| Special Education - Grants to States: | | | | |
| IDEA FY 2017 | 84.027 | 72504 | - | 10,560 |
| IDEA FY 2018 | 84.027 | 82542 | - | 52,080 |
| IDEA FY 2019 | 84.027 | 92523 | - | 690,006 |
| Special Education - Preschool Grants: | | | | |
| FY 2019 Preschool | 84.173 | 92523 | - | 26,441 |
| iSocial Resource Grant | 84.173 | 92524 | - | 5,127 |
| *CLUSTER TOTAL* | | | - | 784,214 |
| Special Education - State Personnel Development | 84.323 | 92524 | - | 34,248 |
| Supporting Effective Instruction State Grant: | | | | |
| Title IIA FY 2017 | 84.367 | 74945 | - | 898 |
| Title IIA FY 2018 | 84.367 | 84945 | - | 54,782 |
| *PROGRAM TOTAL* | | | - | 55,680 |
| Student Support and Academic Enrichment Program: | | | | |
| Title IVA - Robotics | 84.424 | 20189122 | - | 2,731 |
| Title IVA - Personalized Learning | 84.424 | 20189148 | - | 46,372 |
| Title IVA | 84.424 | 20190450 | - | 187 |
| *PROGRAM TOTAL* | | | - | 49,290 |
| **U.S. DEPARTMENT OF HOMELAND SECURITY** | | | | |
| Passed Through the State of New Hampshire Department of Safety | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA-4371-DR-NH | - | 13,279 |
| ***Total Expenditures of Federal Awards*** | | | $ - | $ 1,484,403 |

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, 2019*

### *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, 2019. 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 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, 2019 the value of food donations received was $97,496.