NASHOBA REGIONAL SCHOOL DISTRICT

MANAGEMENT LETTER

JUNE 30, 2014

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To the Honorable School Committee
Nashoba Regional School District
Bolton, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nashoba Regional School District, as of and for year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Nashoba Regional School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan, LLC

October 27, 2014

NASHOBA REGIONAL SCHOOL DISTRICT

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Inventory of Capital Assets

Prior Year Comment

We noted that the District is diligent in its efforts to identify and account for expenditures for capital assets. Consistent with these efforts we believe it is good business practice to periodically conduct an inventory of capital assets (such as every two to three years) to ensure that only active, in-service capital assets are included in the financial statements and/or are available for use as a District resource.

We recommended that the District consider inventorying its capital assets every two to three years.

Current Status

The District hired a consulting firm in 2014 to inventory the District's capital assets.

Student Activity Funds Reimbursements

Prior Year Comment

Our review of student activity policies and procedures indicated a strong system of internal controls over the expenditure and deposit of student activity funds. However, we noted one area in which we believed a procedure should be modified to better conform to best practices. When a reimbursement request was sent to the business office, the District Treasurer would immediately transfer the requested reimbursement from the student activity agency account to the student activity checking account. The reimbursements would subsequently be included on a vendor warrant to be reviewed and approved by the School Committee.

We indicated that that the warrant should be approved by the School Committee prior to the transfer taking place because the reimbursement should be processed through the District's warrant process in the same manner as other expenditure transactions for which a warrant is prepared, reviewed and authorized.

We recommended that the Treasurer transfer the student activity reimbursement after the warrant has been formally approved by the School Committee.

Current Status

A procedure was implemented requiring the Senior Accountant to review and approve the reimbursement request prior to the District Treasurer completing the bank transfer.

Informational Comment - Future Government Accounting Standards Board (GASB) Statements for Pension and OPEB

Comment

The GASB has issued new pronouncements that will significantly affect the accounting and reporting requirements for Pensions and Other Postemployment Benefits (OPEB). These new standards will start to phase in during 2014 and will substantially impact the District's financial statements and will also affect the requirements for accumulating the necessary data to meet the reporting requirements.

The new standards that have been issued and their effective dates are as follows:

- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in 2015.

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in 2015.

The GASB is expected to issue additional standards following #67 & #68 for Pensions, which will similarly affect accounting and financial reporting for OPEB Plans. The GASB is encouraging earlier application of these standards. See below for a brief summary of these new standards:

- GASB #67 and #68 will substantially change the reporting for pension liabilities and expenses. Changes in pension liability will be immediately recognized as pension expense or reported as deferred outflows/inflows of resources depending on the nature of the changes. Substantial changes to methods and assumptions used to determine actuarial information for GAAP reporting purposes will be required. Current actuarial methods may continue to be used to determine funding amounts. Employers will report in their financial statements a *net pension liability (asset)* determined annually as of the year end. *Net pension liability (asset)* equals the total pension liability for the plan net of the plan net position. Pension liability is the actuarial present value of projected benefits attributed to past service, and plan net position is the accumulated plan assets net of any financial statement liabilities of the plan.

The District should expect to record significant pension and OPEB liabilities in the future. While the most significant changes from these GASB's do not go into effect until 2015, we wanted to make the District aware of the magnitude these changes will have on financial statement reporting and disclosures.