NASHOBA REGIONAL SCHOOL DISTRICT

MANAGEMENT LETTER

JUNE 30, 2013

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 the fiscal year ended June 30, 2013, 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.

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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 other matters.

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

November 18, 2013

NASHOBA REGIONAL SCHOOL DISTRICT

MANAGEMENT LETTER

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Inventory of Capital Assets

Comment

We noted that the District's 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.

Recommendation

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

Student Activity Funds Reimbursements

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 believe a procedure should be modified to better conform to best practices. Currently, when a reimbursement request is sent the business office the District Treasurer will immediately transfer from the agency account to the student activity checking account the amount requested. These reimbursements are then subsequently included on a vendor warrant and approved by the School Committee.

We believe that that the warrant should be approved by the School Committee prior to the transfer taking place as this disbursement is similar to all other expenditure transactions for which a warrant is prepared, reviewed and authorized.

Recommendation

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

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 fiscal year 2014 and will substantially impact your 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 #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.

- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- 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 fiscal year 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. To briefly summarize these new standards –

- GASB #65 will require reporting each of the financial position elements in a separate section in the statements of financial position. These elements are Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position; where assets + deferred inflows – liabilities – deferred inflows = net position. This new requirement will affect certain aspects of the financial statements currently and they will pave the way for the new reporting requirements of the new Pension and OPEB 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 fiscal 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.

Recommendation

We recommend that management be prepared to study and evaluate these changes for financial statement reporting and disclosure purposes, and to formulate plans to meet with your actuaries and financial advisers as more information becomes available. You may also want to consider how and when this information should be communicated to your member communities and other financial statement users.