



Board of Trustees
Community College System of New Hampshire
(A Component Unit of the State of New Hampshire)

Dear Board Members:

We have audited the financial statements of the business-type activities and the discretely presented component unit of the Community College System of New Hampshire (a Component Unit of the State of New Hampshire) (CCSNH) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 7, 2018.

As stated in our engagement letter dated May 25, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We did not audit the financial statements of the discretely-presented component unit, Community Colleges of New Hampshire Foundation (the Foundation), as of and for the year ended June 30, 2018. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based on the report of the other auditor.

Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, *Government Auditing Standards* and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our communications dated May 25, 2018.

PART I – REQUIRED COMMUNICATIONS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CCSNH are described in Note 1 to the financial statements.

During the year ended June 30, 2018, CCSNH adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The changes made to the basic financial statements to comply with GASB 75 have been reported as an adjustment as of the beginning of the year ended June 30, 2018. Because management determined it was not practical for CCSNH to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to the other post-employment benefit (OPEB) plans as of June 30, 2017, the beginning balances of deferred

inflows of resources and deferred outflows of resources related to the OPEB plans have not been recorded. The impact of the adoption of GASB 75 as of the beginning of the year ended June 30, 2018 was as a net OPEB liability and cumulative effect of change in accounting principle of \$143,484,240.

No other new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by CCSNH 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 financial statements were:

- The estimates used in the calculation of the net OPEB liability, deferred inflows of resources and deferred outflows of resources related to the OPEB plans. The net OPEB liability and related deferred inflows of resources and deferred outflows of resources related to the OPEB plan administered by the State of New Hampshire (the State) are based on the December 31, 2016 actuarial valuation, updated to the measurement date of June 30, 2017, which was prepared by Segal Consulting, the actuary engaged by the State. The net OPEB liability and related deferred inflows of resources and deferred outflows of resources related to the OPEB plan administered by the New Hampshire Retirement System (NHRS) are based on actuarial information provided by the NHRS and audited by KPMG.
- The estimates used in the calculation of the net pension liability, deferred inflows of resources and deferred outflows of resources related to the pension plan, which are based on actuarial information provided by the New Hampshire Retirement System and audited by KPMG.
- The allowance for loan losses related to the note receivable on the Stratham Property.
- The estimated useful lives of capital assets used in the calculation of depreciation expense, which are based on the perceived life of the related capital assets.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of the allowance for loan losses related to the note receivable on the Stratham Property in Note 1.
- The disclosures of other OPEB required by GASB 75 in Notes 1, 2 and 8.
- The disclosure of the cost-sharing multiple-employer defined benefit pension plan required by the GASB Statement No. 68 in Note 7.

The financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted two adjustments that management determined were immaterial to the financial statements taken as a whole. The attached schedule summarizes these uncorrected adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 December 7, 2018.

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 CCSNH'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 CCSNH's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We applied certain limited procedures to the Management's Discussion and Analysis and the supplementary information related to CCSNH's pension and other postemployment benefits plans, which are required supplementary information (RSI) that supplements the basic financial statements. 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 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 U.S. generally accepted accounting principles or Uniform Guidance, 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. Our procedures included comparing and reconciling the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

PART II – INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of CCSNH as of and for the year ended June 30, 2018, in accordance with U.S. generally accepted auditing standards, we considered CCSNH's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCSNH's internal control. Accordingly, we do not express an opinion on the effectiveness CCSNH'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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

PART III – ADVISORY COMMENTS

Approval of Budget Transfers

We noted that the Business Office Managers at each campus and many Finance Office staff have the ability to post budget transfer journal entries. There are three different types of budget journal entries: initial budget set up, budget amendments, and line item transfers. It was noted that access to the initial budget set up and budget amendment entries is restricted to certain System Finance Office Staff. Through our testing we noted that there were several budget line item transfer entries recorded throughout the year that were not formally approved and did not appear to be supported by proper documentation.

We recommend that CCSNH develop a threshold for budget line item transfers to be approved by the campus President or another designated senior management team member. We understand that the System has a policy that requires approval by the Board of Trustees for any budget transfer in excess of \$300,000. We recommend the System update the policy to include a lower threshold for which a transfer entry would require the approval of appropriate System personnel. While we did note there are access

restrictions to individuals on the types of budget entries they can post, budget entries should be approved to maintain the integrity the budget as a control and an effective analytical tool.

Cash Clearing Account Reconciliations

During our audit procedures surrounding cash it was noted that CCSNH does not have a formal process in place to reconcile the various ACH and cash clearing accounts. These balances include transactions that have cleared in a subsequent periods in addition to old balances that will need to be investigated. We recommend that CCSNH reconcile the ACH and cash clearing accounts on a monthly basis to ensure that the balances are identifiable and moved to the appropriate cash accounts upon clearing.

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We appreciate the cooperation and assistance of the management of CCSNH during the course of our audit.

This letter is intended solely for the information and use of the Audit Committee, Board of Trustees, and management of CCSNH and is not intended to be, and should not be, used by anyone other than these specified parties.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
December 7, 2018

Community College System of New

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Year End: June 30, 2018

Passed Adjusting Journal Entries

Date: 7/1/2008 To 6/30/2018

Preparer RSS 10/3/2018	Reviewed by KEB 10/13/2018	Reviewed by
PIC	2P	

Number	Date	Name	Account No	Debit	Credit	Proposed Amount Chg
		Net Income (Loss)				6,277,027.19
PAJE1	6/30/2018	Student Accounts Receivable	1200 CCSNH	182,581.15		
PAJE1	6/30/2018	Tuition Revenue	5202 CCSNH		182,581.15	
		To adjusted accounts receivable and revenue for an overestimate of the deferred portion of the summer revenue which resulted in a credit balance in the student receivable account.		182,581.15	182,581.15	182,581.15
PAJE2	6/30/2018	Unrestricted Net Assets	4330 CCSNH	261,260.00		
PAJE2	6/30/2018	Retirement Permanent Exp (Obj 0604	6604 CCSNH		261,260.00	
		To correct accounts for booking the 2017 passed adjustment #2 as well as additional amounts from 2016 in 2018.		261,260.00	261,260.00	261,260.00
				443,841.15	443,841.15	443,841.15