

Attachment B
Auditor Communication Letter
Fitchburg State University

Fitchburg State University

**Communication with Those Charged
with Governance**

June 30, 2018

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

[Report Date]

To the Board of Trustees
Fitchburg State University

We have audited the financial statements of the business-type activities and discretely presented component unit of Fitchburg State University (the "University") (a department of the Commonwealth of Massachusetts) for the year ended June 30, 2018, which collectively comprise Fitchburg State University's basic financial statements, and have issued our report thereon dated [Report Date]. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as well as information related to the planned scope and timing of our audit, and certain other matters related to the audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance

As stated in our engagement letter dated May 31, 2018, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement, and to express opinions about whether the financial statements 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.

In planning and performing our audit, we considered Fitchburg State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Fitchburg State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about Fitchburg State University's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Fitchburg State University's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Fitchburg State University's compliance with those requirements.

Management's Discussion and Analysis, pension benefit schedules and postemployment benefits other than pensions (OPEB) schedules which are required supplementary information ("RSI") are presented to supplement the basic financial statements as required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our responsibility for Management's Discussion and Analysis, pension benefit schedules and postemployment benefits other than pensions (OPEB) schedules is to apply certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America. However, the RSI has not been audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the residence hall and residence hall damage fund activity and schedule of expenditures of federal awards ("supplementary information"), which accompany the financial statements but are not required supplementary information. Our responsibility with respect to this supplementary information, 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 are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We gave consideration to the nonaudit services provided to the University during the period of our engagement, which may reasonably be thought to bear on independence, in reaching the conclusion that our independence has not been impaired in accordance with professional standards.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on June 19, 2018.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its component unit and their environments, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity and its component unit or to acts by management or employees acting on behalf of the entity and its component unit.

This letter communicates any significant findings as a result of 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 Fitchburg State University are described in Note 1 to the financial statements.

During the fiscal year ended June 30, 2018, Fitchburg State University adopted the following new Governmental Accounting Standards ("GASB"):

- Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and
- Statement No. 85, *Omnibus 2017*.

Adoption by the University of GASB Statement Nos. 75 and 85 resulted in a prior period adjustment to record a net OPEB liability of \$25,788,376 and an adjustment to net position of \$25,788,376 as of June 30, 2016 as disclosed in Note 29 and additional disclosures as required by the new standards as disclosed in Note 22 and required supplementary information.

We noted no transactions entered into by the University 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 estimate affecting the financial statements is management's estimate of the allowance for doubtful collections of accounts receivable. Management's estimate of the allowance for doubtful collections of accounts receivable is principally based on its historical experience and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used by management to develop the allowance in determining that it is reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures related to the University's cash and cash equivalents, and investments found in Note 2 and the pension and OPEB disclosures found in Notes 21 and 22, respectively, to the financial statements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The schedule attached to the management representation letter summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 [Report Date].

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 consultation involves application of an accounting principle to the University'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 University's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, pension benefit schedules and OPEB benefit schedule 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 residence hall and residence hall damage fund activity 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 Board of Trustees and management of Fitchburg State University and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,