

# Holyoke Community College

October 12, 2017

# Required Communications

## *AUDITOR'S RESPONSIBILITY UNDER GAAS*

- We have a responsibility to conduct 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.
- In carrying out this responsibility, we planned and performed the audit to obtain reasonable – not absolute – assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud.
- An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion.
- We issued an unmodified opinion on the College's financial statements.
- No material weakness/significant deficiencies were noted within the Report of 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.

## Required Communications, continued

### *SIGNIFICANT ACCOUNTING POLICIES AND TRANSACTIONS*



#### **Initial Selection of or Changes in Policies**

- There were no changes in accounting policies. All accounting policies are discussed in Note 1 of the financial statements.

#### **Significant Transactions**

- Projects including the campus center renovations and the energy equipment design-build project resulted in \$10m in additions to fixed assets through construction in progress
- The College took on \$3m in debt from a Clean Energy Investment Program loan as part of the energy equipment design-build project
- A receivable from the Foundation for \$750,000 was recorded as part of the Foundation's contribution to the Center for Life Sciences

#### **Audit Adjustments and Uncorrected Misstatements**

- There were no significant audit differences recorded as a result of the audit that are required to be communicated to the Committee.
- There were no uncorrected misstatements to be communicated to the Committee.

## Required Communications, continued



### *MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES*

- Allowance for doubtful accounts
- Net asset classifications
- Fringe benefits
- Depreciable lives of capital assets
- Net pension liability

### *OTHER COMMUNICATIONS*

- Disagreements with management – None
- Consultation with other accountants/auditors
  - Consulted with Holyoke Community College Foundation's auditor
    - State Employee's Retirement System's auditor
    - Office of the Comptroller of the State of Massachusetts
- Major issues discussed with management prior to retention – None
- Difficulties encountered in performing the audit – None
- Significant written communications between the auditor and management:
  - Engagement letter
  - Representation letter

## Required Communications, continued



### *INDEPENDENCE*

- We are not aware of any relationships between O'Connor & Drew and the College that in our professional judgment may reasonably impact our independence.
- Related to our audit for 2017, we are independent with respect to the College within the meaning of the pronouncements of the Independence Standards Board, Government Auditing Standards, and under Rule 101 of the AICPA Code of Professional Conduct.

### *MANAGEMENT ADVISORY SERVICES/TAX SERVICES*

- No management advisory services were performed by O'Connor & Drew.
- O'Connor & Drew, P.C. will provide a compliance report on federal funds under the guidelines of OMB Circular A-133.

# Financial Statement Fraud Risks



## *PERVASIVE RISK*

- No pervasive financial statement fraud risks were identified.

## *SPECIFIC RISKS PRESUMED BY SAS NO. 99*

- Risk of misstatement relating to revenue recognition
- Risk of management override of controls
  - Journal entries and adjustments
  - Significant accounting estimates
  - Significant unusual transactions

## *COLLEGE'S SPECIFIC RISKS*

- General economic factors affecting all organizations

# New GASB Pronouncements

## ***GASB Statement 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***

- Effective for periods beginning after June 15, 2017
- Replaces Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*
- Objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (“OPEB”)
- Requires additional information by state and local governmental employers about financial support for OPEB that is provided by other entities
- Establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures
- Identifies the assumptions and methods that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service for defined benefit OPEB
- Will require restatement of balances in FY18

# New GASB Pronouncements - Continued

## **GASB Statement 87 – *Leases***

- Effective for periods beginning after December 15, 2019
- Requires lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources
- Provides for an election on leases with terms of less than twelve months to be excluded from this Standard



## Financial Highlights

- See financial statements

