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**Independent Auditors' Report on 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***

To the Fiscal Committee of the General Court  
State of New Hampshire:

We have audited, in accordance with the 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, the financial statements of the New Hampshire Turnpike System, which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the New Hampshire Turnpike System's basic financial statements, and have issued our report thereon dated December 20, 2022, which included an emphasis of matter paragraph regarding the New Hampshire Turnpike System's adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the New Hampshire Turnpike System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the New Hampshire Turnpike System's internal control. Accordingly, we do not express an opinion on the effectiveness of the New Hampshire Turnpike System'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 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001, that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the New Hampshire Turnpike System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not



an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **The New Hampshire Turnpike System's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the New Hampshire Turnpike System's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The New Hampshire Turnpike System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the New Hampshire Turnpike System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Hampshire Turnpike System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Boston, Massachusetts  
December 20, 2022

## **NEW HAMPSHIRE TURNPIKE SYSTEM**

### **Schedule of Findings and Responses**

June 30, 2022

#### **Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards***

##### **Finding 2022-001 – Financial Reporting**

###### *Condition and Context*

We noted that the initial draft of the basic financial statements did not properly reflect the impact of the adoption of GASB Statement No. 87, *Leases* (GASB 87). It was noted that this was the result of the New Hampshire Turnpike System incorrectly evaluating the applicability and impact of GASB 87 as it relates to an existing ground lease that was in scope for GASB 87.

###### *Cause*

We noted the New Hampshire Turnpike System experienced turnover in key financial reporting personnel during the year-end financial reporting process, which contributed to the incorrect evaluation of the ground lease in accordance with the provisions of GASB 87. It was noted that this turnover and insufficient staffing during the financial reporting process was a partial contributor to the New Hampshire Turnpike System incorrectly evaluating the impact of GASB Statement No. 87: *Leases* (GASB 87) on this existing ground lease.

###### *Recommendation*

We recommend that the New Hampshire Turnpike System work to develop policies and procedures to ensure transition of knowledge and responsibilities when there is turnover in key personnel within the financial reporting process, and that sufficient resources with technical GASB accounting knowledge with respect to adopting new GASB pronouncements are available.

###### *Views of Responsible Officials*

We concur that the ground lease contract with Granite State Hospitality was incorrectly evaluated against the GASB 87 standard. Repeated turnover and vacancy in the Administrator position responsible for audit management as well as turnover of the Turnpike System financial analyst contributed to this error. Staff training and the development of mitigating controls will minimize future risks.