



**(A Component Unit of the State of New Hampshire)**

**FINANCIAL STATEMENTS**

and

**FEDERAL REPORTS IN ACCORDANCE WITH OMB CIRCULAR A-133**

**June 30, 2015 and 2014**

**With Independent Auditor's Report**



**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Reports on Audits of Financial Statements and Supplemental Information**

**June 30, 2015 and 2014**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on Financial Statements

We have audited the accompanying 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 June 30, 2015 and 2014, and for the years then ended, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that the financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of CCSNH as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 9 and the required supplementary information on pages 33 and 34 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Change in Accounting Principle***

As disclosed in Note 2 to the basic financial statements, in 2015 CCSNH adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015 on our consideration of CCSNH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCSNH's internal control over financial reporting and compliance.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
December 17, 2015

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2015 and 2014**

**INTRODUCTION**

The following Management's Discussion and Analysis (MD&A) includes an analysis of the financial position and operations of the Community College System of New Hampshire (CCSNH) for the fiscal years ended June 30, 2015, 2014 and 2013. This discussion is provided by the management of CCSNH and should be read in conjunction with the financial statements and notes.

The New Hampshire State Legislature, through the passage of Chapter 361, Laws of 2007, established CCSNH as a body politic and corporate for the purpose of providing a well-coordinated system of public community college education. Governance of CCSNH was placed with a single Board of Trustees which serves as its policy making and operating authority.

CCSNH is a statewide system of seven independently accredited institutions including White Mountains Community College, Lakes Region Community College, River Valley Community College, NHTI – Concord's Community College, Manchester Community College, Nashua Community College, and Great Bay Community College, as well as four academic centers in Keene, Littleton, Rochester and Lebanon.

It includes the Community Colleges of New Hampshire Foundation as a discretely presented non-major component unit.

CCSNH offers associate degrees, certificates, workforce training, and transfer pathways to over 27,000 students.

The Community Colleges of New Hampshire Foundation (the Foundation) is a separate legal entity established as a 501(c)(3) corporation. The Foundation's mission is to provide greater access to educational opportunities through financial assistance for student scholarships, program development, and enhancements to college facilities. These assets and all activity of the Foundation are included in the financial statements of CCSNH as a discretely presented component unit. The MD&A includes information only for CCSNH, not its component unit. Complete financial statements of the Foundation can be obtained from CCSNH's system office.

**FINANCIAL STATEMENTS**

CCSNH reports its activity as a business-type activity using the full accrual basis of accounting. The accrual basis of accounting ensures that all amounts owed to CCSNH and all pending obligations are accounted for in the appropriate period.

**CHANGE IN ACCOUNTING PRINCIPLE**

As disclosed in Note 2 to the basic financial statements, in 2015 CCSNH adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68 (the new accounting standards).

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2015 and 2014**

The changes made to the basic financial statements to comply with the new accounting standards have been reported as an adjustment as of the beginning of the year ended June 30, 2015. Because it was not practical for CCSNH to determine the amounts of all deferred inflows of resources and outflows of resources related to the pension plan as of June 30, 2014, the beginning balances of deferred inflows of resources and deferred outflows of resources related to pensions have not been reported. The impact of the adoption of the new accounting standards as of the beginning of the year ended June 30, 2015 was an increase in long-term liabilities related to the net pension liability amounting to \$63,843,950, an increase in the deferred outflows of resources of \$5,035,405 and a decrease in unrestricted net position of \$58,808,545.

**STATEMENTS OF NET POSITION**

The statements of net position show the financial position of CCSNH at the end of each fiscal year and includes all assets and liabilities. The total net position is the difference between the assets, liabilities, and deferred inflows and outflows. Over time, an increase in net position is one indicator of an institution's financial health. Factors contributing to the financial health reported on the statement of net position include the value of depreciated buildings, equipment, and cash and cash equivalents; and current balances of related debt obligations and accrued liabilities. The condensed statements of net position for the past three years are shown below.

	<b>June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>			
Current	<b>\$ 20,440,581</b>	\$ 26,231,520	\$ 27,694,887
Net capital	<b>119,985,543</b>	117,615,080	112,010,861
Other noncurrent assets	<b><u>3,010,043</u></b>	<u>3,040,821</u>	<u>6,865,038</u>
Total assets	<b><u>143,436,167</u></b>	<u>146,887,421</u>	<u>146,570,786</u>
Deferred outflows of resources	<b><u>7,648,806</u></b>	-	-
<b>Liabilities</b>			
Current	<b>13,094,321</b>	12,230,824	9,948,157
Noncurrent	<b><u>83,532,285</u></b>	<u>24,865,007</u>	<u>27,860,049</u>
Total liabilities	<b><u>96,626,606</u></b>	<u>37,095,831</u>	<u>37,808,206</u>
Deferred inflows of resources	<b><u>7,966,777</u></b>	-	-
<b>Net position</b>			
Invested in capital assets, net of related debt	<b>99,906,311</b>	95,118,753	91,022,904
Restricted nonexpendable	<b>453,155</b>	305,184	150,856
Restricted expendable	<b>2,370,532</b>	3,784,814	2,737,447
Unrestricted	<b><u>(56,238,408)</u></b>	<u>10,582,839</u>	<u>14,851,373</u>
Total net position	<b><u>\$ 46,491,590</u></b>	<u>\$109,791,590</u>	<u>\$108,762,580</u>

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2015 and 2014**

The major components of assets are cash and cash equivalents, operating investments and net property and equipment. In 2015, overall assets decreased by \$3,451,254 due to a decline in cash and cash equivalents.

In 2014, overall assets increased by \$316,635 driven by an increase in net property and equipment. CCSNH's largest liability in 2014 was long-term debt. Overall, liabilities decreased by \$712,375 in 2014 driven by a decrease in noncurrent accounts payable and accrued liabilities. In total, CCSNH's net position increased by \$1,029,010 in 2014.

The increase in deferred outflows of resources related to the pension plan and the deferred inflows of resources is due to the adoption of the new accounting standards during the year ended June 30, 2015.

Total liabilities increased by \$59,530,775 from June 30, 2014 to June 30, 2015 primarily due to the net pension liability of \$58,259,797 recorded in connection with the adoption of the new accounting standards during the year ended June 30, 2015. Other significant changes in liabilities are due to cash advances on an anticipated State of New Hampshire bond issue related to a student center at Great Bay Community College (GBCC) and the other obligations due to the State of New Hampshire in connection with the sale of the Stratham property for GBCC net of principal paydown on the long-term debt and early refunding of certain bonds during the fiscal year.

Net position decreased by \$63,300,000 in 2015. The implementation of the new accounting standards had a significant impact on CCSNH's net position. As a result of the adoption of the new accounting standards, the net position as of the beginning of the year decreased by \$58,808,545. In addition, the statement of revenues, expenses and changes in net position for the year ended shows a decrease in net position of \$4,491,455. The majority of these changes affected the unrestricted net position, which decreased by \$66,821,247 during the year ended June 30, 2015 and is at a net deficit balance of \$56,238,408 at June 30, 2015.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2015 and 2014**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

This statement reports total operating revenues, operating expenses, nonoperating revenue and expenses, and the increase in net position for the fiscal years ended June 30, 2015, 2014 and 2013.

	<b>Years Ended June 30,</b>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues			
Tuition and fees	\$ <b>68,128,857</b>	\$ 69,482,905	\$ 70,368,968
Other revenue	<u>16,166,843</u>	<u>13,582,669</u>	<u>12,377,514</u>
Total operating revenue	<u>84,295,700</u>	<u>83,065,574</u>	<u>82,746,482</u>
Operating expenses			
Employee compensation and benefits	<b>96,949,756</b>	94,191,293	81,317,456
Other operating expenses	<u>34,236,792</u>	<u>36,644,244</u>	<u>30,804,643</u>
Total operating expenses	<u>131,186,548</u>	<u>130,835,537</u>	<u>112,122,099</u>
Operating loss	<u>(46,890,848)</u>	<u>(47,769,963)</u>	<u>(29,375,617)</u>
Nonoperating revenues (expenses) and other changes			
State appropriations - operating	<b>42,155,000</b>	40,000,000	31,544,352
State appropriations - capital	<b>3,086,781</b>	7,022,709	9,106,223
Capital grants and contracts	<b>209,164</b>	2,771,500	2,840,670
Loss on sale of capital assets	<b>(2,174,382)</b>	-	-
Investment income	<b>62,412</b>	-	-
Other nonoperating expenses	<u>(939,582)</u>	<u>(995,236)</u>	<u>(805,955)</u>
Nonoperating revenues and other changes, net	<u>42,399,393</u>	<u>48,798,973</u>	<u>42,685,290</u>
(Decrease) increase in net position	<u>(4,491,455)</u>	<u>1,029,010</u>	<u>13,309,673</u>
Net position at beginning of year, as previously stated	<b>109,791,590</b>	108,762,580	95,452,907
Cumulative effect of change in accounting principle	<u>(58,808,545)</u>	-	-
Net position at beginning of year, as restated	<u>50,983,045</u>	<u>108,762,580</u>	<u>95,452,907</u>
Net position at end of year	<u>\$ 46,491,590</u>	<u>\$ 109,791,590</u>	<u>\$ 108,762,580</u>

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2015 and 2014**

The majority of CCSNH's revenues come from tuition and fees, which decreased in 2015 and 2014 as compared to the year ended June 30, 2013 due to decreased tuition price per credit in 2015 and no growth in the number of credits sold since 2011. Other revenue includes grants and contracts and other auxiliary enterprises. Driven by increased grant activity, other revenue increased each year by \$2,584,174 and \$1,205,155 during 2015 and 2014, respectively. Overall, total operating revenue was up \$1,230,126 in 2015 and \$319,092 in 2014.

Like many institutions of higher education, CCSNH is a labor intensive organization, and operating expenses are primarily composed of employee compensation and benefits. These expenses were up by \$2,758,463 in 2015 and \$12,873,837 in 2014 due to salary increases, higher benefit costs including retiree healthcare, and in 2014 new employees, many of whom were funded by grants.

Other operating expenses decreased by \$2,407,452 in 2015 due to lower utility costs, decreased supply and small equipment spending, and less maintenance and repair expenses.

Other operating expenses were up \$5,839,601 in 2014, due in part to higher depreciation and utilities costs. The increase was reflected in several categories of other expenses. Contractual maintenance on buildings increased by \$1.4 million, funding received from the U.S. Department of Labor Trade Adjustment Act – Community College Career and Training program grant resulted in an increase of \$1.3 million, equipment acquisitions below the capitalization threshold increased by \$500,000 and advertising and supplies increased significantly.

Nonoperating revenues and other changes in net position decreased by \$6,399,580 due to the loss on the sale of the Stratham property, less capital grants, and less revenue from the State of New Hampshire for capital expenditures due to an outstanding bond issuance for the student center at GBCC.

In nonoperating revenues, our state operating appropriation was up \$8,455,468 in 2014, while our state capital appropriation was down \$2,083,514. The state appropriation in 2014 increased as the New Hampshire Legislature and Governor worked to return CCSNH state support to pre-recession levels.

Nonoperating expenses were up slightly in 2014. In total, our net nonoperating revenues and other changes in net position were up \$6,113,683, driven by the higher net appropriations from the State of New Hampshire.

The cumulative effect of the change in accounting principle is due the adoption of the new accounting standards during the year ended June 30, 2015.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2015 and 2014**

**STATEMENTS OF CASH FLOWS**

The statements of cash flows summarize transactions involving cash and cash equivalents during each fiscal year. The statements provide an additional tool to assess the financial health of the institution and its ability to generate future cash flows to meet its obligations.

	<u>Years Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net cash used - operating activities	\$ (41,031,313)	\$ (39,063,740)	\$ (24,249,905)
Net cash provided - noncapital financing activities	42,155,000	40,000,000	31,544,352
Net cash used - capital and related financing activities	(6,619,158)	(6,688,234)	(178,189)
Net cash provided (used) - investing activities	<u>33,273</u>	<u>(9,995,850)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(5,462,198)	(15,747,824)	7,116,258
Cash and cash equivalents, beginning of year	<u>9,717,570</u>	<u>25,465,394</u>	<u>18,349,136</u>
Cash and cash equivalents, end of year	\$ <u>4,255,372</u>	\$ <u>9,717,570</u>	\$ <u>25,465,394</u>

CCSNH maintains the cash position necessary to meet its obligations. The amount of cash on hand fluctuates during the year due to the timing of tuition receipts and federal financial aid payments.

Cash and cash equivalents decreased by \$5,462,198 during 2015 due to increased net cash used for operating expenses due to lower tuition and fee revenue, as well as continued levels of net cash used for capital and related financial activities, driven by the purchase of capital assets funded by CCSNH, payments of principal and interest on bonds payable and the sale of the Stratham property and resulting payback of the other long-term liability to the State of New Hampshire.

Cash and cash equivalents decreased by \$15,747,824 during 2014 due to increased net cash used for operating expenses while tuition and fee revenue declined, and an investment of a portion of the operating cash into an investment account. In addition, there was a significant decrease in capital appropriations received from the State of New Hampshire and capital debt borrowings.

Cash and cash equivalents increased by \$7,116,258 in 2013 driven by increased State of New Hampshire capital appropriations.

**CAPITAL ASSETS AND DEBT**

CCSNH receives significant funding as part of the State's capital budget. The funding has allowed for construction and renovation at all seven campuses over the past three years. These projects included major construction at River Valley Community College (Claremont renovations), Manchester Community College (student center) and Lakes Region Community College (automotive building and health and science building). During the years ended June 30, 2015, 2014 and 2013, CCSNH paid \$10,077,294, \$15,739,016 and \$16,385,713 for capital asset additions, respectively.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2015 and 2014**

Most of CCSNH's construction projects are paid for by the State through its capital budget. However, certain projects, e.g., dorms, student centers, while financed by the State through the capital budget, are paid for by CCSNH. Fees collected from students are used to pay the principal and interest on the bonds used to fund these projects. Other projects are financed through outside sources of funding, including federal loans.

During the year ended June 30, 2015, \$3,285,882 of CCSNH's bonds payable were advance refunded through the issuance of new general obligation refunding bonds with an original principal amount of \$2,762,813 resulting in a gain from advance refunding of \$523,069. The gain from advance refunding has been recorded as a deferred inflow of resources and will be amortized as a component of interest expense over the life of the new bond using the interest method.

CCSNH incurred additional debt amounting to \$2 million during the year ended June 30, 2014. During the years ended June 30, 2015, 2014 and 2013, CCSNH paid \$3,072,898, \$1,851,606 and \$1,548,171, respectively, in principal payments on bonds payable and capital lease obligations.

**ECONOMIC OUTLOOK**

After many of years of enrollment growth during the recession, CCSNH's credits sold remain below the 2011 peak as the economy and employment improves. Simultaneously, CCSNH continues to look for new markets for enrollment growth that align with the economic needs of New Hampshire's industries.

Simultaneously, CCSNH is also working to realign our organizational structure and operating expense base to meet new forecasts for revenue growth.

Over the past few years, CCSNH's federal grant activity has increased significantly. 2015 will mark the end of the \$19.9 million U.S. Department of Labor Trade Adjustment Act – Community College Career and Training program grant (TAACCCT), while smaller TAACCCT grant awards will continue over the next few years.

In 2015, CCSNH received a slightly higher appropriation from the State of New Hampshire to support a reduction in tuition to \$200 per credit from \$210 per credit. The CCSNH Board of Trustees froze tuition at \$200 per credit hour for the 2016-2017 academic year. The CCSNH Board of Trustees will continue to work with the State of New Hampshire in future budget cycles to support additional tuition freezes and reductions.

By adopting GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68, CCSNH gains a clearer understanding of its proportionate share of the net pension liability and the factors that will impact an increase and decrease in that proportionate share.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Statements of Net Position**  
**June 30, 2015 and 2014**

	<u>Community College System of New Hampshire</u>		<u>Community Colleges of New Hampshire Foundation</u>	
	<u>As of June 30,</u>		<u>As of June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 4,255,372	\$ 9,717,570	\$ 948,992	\$ 436,110
Other current assets	1,283,651	1,024,404	61,230	94,009
Current portion of notes receivable	94,605	-	-	-
Grants and contracts receivable	2,901,301	1,661,380	-	-
Operating investments	10,024,989	9,995,850	-	-
Due from State of New Hampshire for capital appropriations	1,880,663	3,832,316	-	-
Total current assets	<u>20,440,581</u>	<u>26,231,520</u>	<u>1,010,222</u>	<u>530,119</u>
Noncurrent assets				
Student loans receivable, net	669,055	839,317	-	-
Notes receivable	2,340,988	-	-	-
Investments	-	-	14,180,497	13,794,074
Capital assets, net	119,985,543	117,615,080	-	-
Assets held for sale	-	2,201,504	-	-
Total noncurrent assets	<u>122,995,586</u>	<u>120,655,901</u>	<u>14,180,497</u>	<u>13,794,074</u>
Total assets	<u>143,436,167</u>	<u>146,887,421</u>	<u>15,190,719</u>	<u>14,324,193</u>
Deferred outflows of resources - pension	<u>7,648,806</u>	-	-	-
<b>Liabilities</b>				
Current liabilities				
Accounts payable and accrued liabilities	1,926,875	2,112,039	26,928	587,352
Accounts payable for capital assets	1,185,028	922,823	-	-
Accrued salaries and benefits	5,823,579	5,700,563	-	-
Deferred revenue and deposits	1,436,733	1,339,149	-	-
Current portion of bonds payable	1,776,287	1,868,763	-	-
Current portion of other liabilities	945,819	287,487	-	-
Total current liabilities	<u>13,094,321</u>	<u>12,230,824</u>	<u>26,928</u>	<u>587,352</u>
Noncurrent liabilities				
Due to the State of New Hampshire	1,854,293	-	-	-
Accrued salaries and benefits	4,513,154	4,509,289	-	-
Refundable advances	899,610	938,464	-	-
Net pension liability	58,259,797	-	-	-
Bonds payable	16,998,641	19,297,978	-	-
Other liabilities	1,006,790	119,276	-	-
Total noncurrent liabilities	<u>83,532,285</u>	<u>24,865,007</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>96,626,606</u>	<u>37,095,831</u>	<u>26,928</u>	<u>587,352</u>
Deferred inflows of resources				
Pension	7,454,390	-	-	-
Deferred gain from advance refunding of bonds	512,387	-	-	-
Total deferred inflows of resources	<u>7,966,777</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position</b>				
Invested in capital assets, net of related debt	99,906,311	95,118,753	-	-
Restricted nonexpendable	453,155	305,184	11,425,698	9,890,555
Restricted expendable	2,370,532	3,784,814	3,582,854	3,632,659
Unrestricted	(56,238,408)	10,582,839	155,239	213,627
Total net position	<u>\$ 46,491,590</u>	<u>\$ 109,791,590</u>	<u>\$ 15,163,791</u>	<u>\$ 13,736,841</u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2015 and 2014**

	Community College System of New Hampshire		Community Colleges of New Hampshire Foundation	
	Years Ended June 30,		Years Ended June 30,	
	2015	2014	2015	2014
Operating revenues				
Tuition and fees	\$ 68,849,457	\$ 70,383,211	\$ -	\$ -
Less scholarships	<u>(720,600)</u>	<u>(900,306)</u>	<u>-</u>	<u>-</u>
Net tuition and fees	68,128,857	69,482,905	-	-
Grants and contracts	8,933,064	7,915,476	-	-
Contributions	-	-	750,171	1,780,837
Other auxiliary enterprises	2,990,843	2,764,827	-	-
Other operating revenue	<u>4,242,936</u>	<u>2,902,366</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>84,295,700</u>	<u>83,065,574</u>	<u>750,171</u>	<u>1,780,837</u>
Operating expenses				
Employee compensation and benefits	96,949,756	94,191,293	-	-
Other operating expenses	23,496,763	25,826,402	1,181,391	2,089,316
Utilities	2,808,871	3,208,828	-	-
Depreciation	<u>7,931,158</u>	<u>7,609,014</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>131,186,548</u>	<u>130,835,537</u>	<u>1,181,391</u>	<u>2,089,316</u>
Operating loss	<u>(46,890,848)</u>	<u>(47,769,963)</u>	<u>(431,220)</u>	<u>(308,479)</u>
Nonoperating revenues (expenses)				
State of New Hampshire appropriations	42,155,000	40,000,000	-	-
Loss on sale of capital assets	(2,174,382)	-	-	-
Contributions for long-term purposes	-	-	1,535,143	1,371,574
Investment gain	62,412	-	323,027	1,980,683
Interest expense on capital debt	<u>(939,582)</u>	<u>(995,236)</u>	<u>-</u>	<u>-</u>
Nonoperating revenues, net	<u>39,103,448</u>	<u>39,004,764</u>	<u>1,858,170</u>	<u>3,352,257</u>
(Loss) income before other changes in net position	<u>(7,787,400)</u>	<u>(8,765,199)</u>	<u>1,426,950</u>	<u>3,043,778</u>
Other changes in net position				
State of New Hampshire appropriations for capital expenditures	3,086,781	7,022,709	-	-
Capital grants and contracts	<u>209,164</u>	<u>2,771,500</u>	<u>-</u>	<u>-</u>
Total other changes in net position	<u>3,295,945</u>	<u>9,794,209</u>	<u>-</u>	<u>-</u>
(Decrease) increase in net position	<u>(4,491,455)</u>	<u>1,029,010</u>	<u>1,426,950</u>	<u>3,043,778</u>
Net position at beginning of year, as previously stated	109,791,590	108,762,580	13,736,841	10,693,063
Cumulative effect of change in accounting principle	<u>(58,808,545)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position at beginning of year, as restated	<u>50,983,045</u>	<u>108,762,580</u>	<u>13,736,841</u>	<u>10,693,063</u>
Net position at end of year	<u>\$ 46,491,590</u>	<u>\$ 109,791,590</u>	<u>\$ 15,163,791</u>	<u>\$ 13,736,841</u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Statements of Cash Flows**  
**Years Ended June 30, 2015 and 2014**

	Community College System of New Hampshire		Community Colleges of New Hampshire Foundation	
	Years Ended June 30,		Years Ended June 30,	
	2015	2014	2015	2014
Cash flows from operating activities				
Tuition and fees	\$ 68,484,397	\$ 70,236,471	\$ -	\$ -
Grants and contracts	7,581,781	7,918,600	-	-
Auxiliary enterprises	2,990,843	2,764,827	-	-
Contributions received	-	-	469,621	1,752,306
Payments to suppliers	(26,351,129)	(28,904,301)	(1,428,486)	(1,729,857)
Payments to employees	(97,768,550)	(93,617,155)	-	-
Other cash receipts	<u>4,031,345</u>	<u>2,537,818</u>	<u>-</u>	<u>-</u>
Net cash (used for) provided by operating activities	<u>(41,031,313)</u>	<u>(39,063,740)</u>	<u>(958,865)</u>	<u>22,449</u>
Cash flows from noncapital financing activities				
State of New Hampshire appropriations	42,155,000	40,000,000	-	-
Contributions for long-term purposes	<u>-</u>	<u>-</u>	<u>1,535,143</u>	<u>1,371,574</u>
Net cash provided by noncapital financing activities	<u>42,155,000</u>	<u>40,000,000</u>	<u>1,535,143</u>	<u>1,371,574</u>
Cash flows from capital and related financing activities				
Funds received from the State of New Hampshire for capital expenditures	6,892,727	6,878,671	-	-
Capital grants and contracts received	209,164	3,018,953	-	-
Purchase of capital assets	(10,077,294)	(15,739,016)	-	-
Proceeds from sales of capital assets	315,000	-	-	-
Payments received on notes receivable	64,407	-	-	-
Proceeds from capital debt borrowings	-	2,000,000	-	-
Principal on bonds payable and other liabilities	(3,072,898)	(1,851,606)	-	-
Interest on bonds payable and other liabilities	<u>(950,264)</u>	<u>(995,236)</u>	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(6,619,158)</u>	<u>(6,688,234)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Proceeds from sales and maturities of investments	-	-	4,819,120	10,137,478
Purchase of investments	-	(9,995,850)	(5,159,560)	(13,487,331)
Interest and dividends received	<u>33,273</u>	<u>-</u>	<u>277,044</u>	<u>266,704</u>
Net cash provided by (used for) investing activities	<u>33,273</u>	<u>(9,995,850)</u>	<u>(63,396)</u>	<u>(3,083,149)</u>
Net (decrease) increase in cash and cash equivalents	<u>(5,462,198)</u>	<u>(15,747,824)</u>	<u>512,882</u>	<u>(1,689,126)</u>
Cash and cash equivalents, beginning of year	<u>9,717,570</u>	<u>25,465,394</u>	<u>436,110</u>	<u>2,125,236</u>
Cash and cash equivalents, end of year	<u>\$ 4,255,372</u>	<u>\$ 9,717,570</u>	<u>\$ 948,992</u>	<u>\$ 436,110</u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Statements of Cash Flows (Concluded)**  
**Years Ended June 30, 2015 and 2014**

	<b>Community College System of New Hampshire</b>		<b>Community Colleges of New Hampshire Foundation</b>	
	<b>Years Ended June 30,</b>		<b>Years Ended June 30,</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
Reconciliation of operating loss to net cash (used for) provided by operating activities				
Operating loss	<b>\$ (46,890,848)</b>	\$ (47,769,963)	\$ (431,220)	\$ (308,479)
Adjustments to reconcile operating loss to net cash (used for) provided by operating activities				
Depreciation	<b>7,931,158</b>	7,609,014	-	-
Impairment loss on asset held for sale	-	217,276	-	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources				
Student accounts receivable	-	347,565	-	-
Other current assets	<b>(259,247)</b>	(658,467)	<b>32,779</b>	(28,531)
Student loans receivable	<b>170,262</b>	(36,514)	-	-
Grants receivable	<b>(1,239,921)</b>	(145,389)	-	-
Deferred outflows of resources - pension	<b>(184,921)</b>	-	-	-
Accounts payable and accrued liabilities	<b>(185,164)</b>	432,583	<b>(560,424)</b>	359,459
Accrued salaries and benefits	<b>126,881</b>	371,627	-	-
Deferred revenue and deposits	<b>97,584</b>	547,164	-	-
Net pension liability	<b>(5,584,153)</b>	-	-	-
Refundable advances	<b>(38,854)</b>	21,364	-	-
Deferred inflows of resources - pension	<b>5,025,910</b>	-	-	-
Net cash (used for) provided by operating activities	<b><u>\$ (41,031,313)</u></b>	<b><u>\$ (39,063,740)</u></b>	<b><u>\$ (958,865)</u></b>	<b><u>\$ 22,449</u></b>
Reconciliation of noncash activity:				
Acquisition of capital assets	<b>\$ 10,339,499</b>	\$ 13,505,509	\$ -	\$ -
Less: acquisition of capital assets included in accounts payable at year-end	<b>(1,185,028)</b>	(922,823)	-	-
acquisition of capital assets financed by other long-term liabilities	-	(437,153)	-	-
Add: payments on short-term trade accounts used to finance acquisition of capital assets	<b><u>922,823</u></b>	<b><u>3,593,483</u></b>	<u>-</u>	<u>-</u>
Payments for the acquisition of capital assets	<b><u>\$ 10,077,294</u></b>	<b><u>\$ 15,739,016</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Notes to Financial Statements**

**June 30, 2015 and 2014**

**Nature of Business**

The Community College System of New Hampshire (CCSNH) is comprised of the following colleges:

- NHTI - Concord's Community College (NHTI)
- Manchester Community College (MCC)
- Nashua Community College (NCC)
- Great Bay Community College (GBCC)
- Lakes Region Community College (LRCC)
- White Mountains Community College (WMCC)
- River Valley Community College (RVCC)

CCSNH's main purpose is to provide a well-coordinated system of public community college education. CCSNH is governed by a single board of trustees with 19 voting members appointed by the Governor and Executive Council. CCSNH funds its operations through tuition, room and board, fees, grants, legacies and gifts, and state appropriations.

Community Colleges of New Hampshire Foundation (the Foundation) is a separate legal entity established as a 501(c)(3) corporation. The Foundation is structured to seek and secure private funds and/or grants in order to supplement the traditional revenue sources of CCSNH. The Foundation's mission is to support CCSNH and make higher education more accessible by providing student scholarship assistance, facility and staff support programs and improved education facilities. These assets and all activity of the Foundation are included in the financial statements of CCSNH as a discretely presented component unit.

**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared using the economic resources focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

CCSNH has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements.

CCSNH's policy is to define operating activities in the statement of revenues, expenses and changes in net position as those that generally result from exchange transactions such as charges for services provided to students and for the purchase of goods and services. Certain other transactions are reported as nonoperating revenues (expenses). These nonoperating revenues (expenses) include CCSNH's operating appropriations from the State, gain (loss) from the sale of capital assets, net investment income (loss), gifts received by the Foundation restricted for long-term purposes, and interest expense.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Notes to Financial Statements**

**June 30, 2015 and 2014**

**Cash and Cash Equivalents**

Cash and cash equivalents in the statement of cash flows include unrestricted cash which is either held in demand deposit or short-term money market accounts, and highly liquid savings deposits and investments with original maturities of three months or less when purchased.

CCSNH maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents.

**Student Loans Receivable**

The Federal Perkins Student Loan Program has provisions for deferment, forbearance and cancellation of the individual loans. Principal payments, interest, and losses due to cancellation are shared by the College and the U.S. Government in proportion to their share of funds provided. Such funds may be reloaned by CCSNH after collection. Amounts advanced by the federal government under this program are ultimately refundable and are classified as refundable advances.

Student loans receivable are stated at their unpaid principal balances adjusted for charge offs and the allowance for loan losses. Interest income on student loans receivable is recorded when received. CCSNH provides for probable uncollectible amounts through a charge to expense and a credit to the allowance for loan losses based on its assessment of the current status of individual accounts. Balances that are still outstanding after the College has used reasonable collection efforts are written off through a charge to the allowance for loan losses and a credit to student loans receivable. Student loans receivable at June 30, 2015 and 2014 are reported net of allowance for loan losses of \$450,000.

Collections of the student loans receivable may not be used to pay current liabilities, as the proceeds are restricted for making new loans. Accordingly, the student loans receivable are recorded in the accompanying statements of net position as noncurrent assets.

**Grants and Contracts and Capital Appropriations**

CCSNH records a receivable and corresponding revenue for these funding sources at the point all eligibility requirements (e.g., allowable costs are incurred) are met.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Notes to Financial Statements**

**June 30, 2015 and 2014**

**Investments**

CCSNH and the Foundation carry investments in marketable securities at their fair value. Fair value is based on unadjusted, quoted prices in active markets for identical assets at the measurement date. Purchased and gifted securities are recorded at fair value on the date of the acquisition or gift, net of any brokerage fees. Realized and unrealized gains and losses on securities in the investment portfolio are allocated on a specific-identification basis.

**Capital Assets**

Capital assets are recorded at cost when purchased or constructed and at fair value at date of donation. In accordance with CCSNH's capitalization policy, only equipment (including equipment acquired under capital leases), capital projects and internally generated intangibles with a projected cost of \$5,000 or more are capitalized. Costs for maintenance, repairs and minor renewals and replacements are expensed as incurred. The costs of library materials are expensed as incurred.

Depreciation and amortization of assets acquired are recorded on a straight-line basis over the estimated useful lives of the related assets, principally as follows:

Buildings	40 years
Building and land improvements	20 years
Equipment	5 years

When capital assets are retired or otherwise disposed of, the asset and accumulated depreciation accounts are adjusted and any resulting gain or loss is reflected in the statement of revenues, expenses and changes in net position.

**Assets Held for Sale**

Assets held for sale are carried at the lower of cost or fair value.

During the year ended June 30, 2013, GBCC entered into a contract for the sale of its former Stratham, New Hampshire campus. As a result, the net book value of the campus, amounting to \$2,126,504, was reflected in assets held for sale as of June 30, 2014. During the year ended June 30, 2015, the campus was sold for \$2,750,000. The buyer paid cash of \$250,000 at closing and signed a note receivable to CCSNH for \$2,500,000. The note receivable will be paid in monthly installments of \$13,865, including interest at 3%, through September 14, 2024. All outstanding principal and interest will be repaid on October 14, 2024, which will amount to approximately \$1,500,000.

Under the terms of an agreement with the State of New Hampshire (the State), the total proceeds will be repaid to the State in three installments of \$916,666. During the year ended June 30, 2015, CCSNH paid the first installment to the State. The remaining installments are included in other liabilities on the statement of net position.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Notes to Financial Statements**

**June 30, 2015 and 2014**

Due to the fact that the proceeds from the sale of the GBCC campus will be paid to the State, CCSNH recognized a loss from the sale of the GBCC campus of \$2,126,504 during the year ended June 30, 2015.

Prior to the issuance of the financial statements as of and for the year ended June 30, 2014, WMCC entered into an agreement to sell a building and its related land for an estimated amount of \$75,000. As a result, the net book value of the building and land, amounting to \$282,453, was reclassified from capital assets to assets held for sale and an impairment loss of \$207,453 was recorded to adjust the net book value of the asset to its estimated fair value as of June 30, 2014. During the year ended June 30, 2015, the sale of the building and land closed at a price of \$65,000, resulting in a loss from the sale of \$10,000 during the year ended June 30, 2015.

**Deferred Revenue and Deposits**

Deferred revenue and deposits consist primarily of deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year. Revenue from summer programs is recognized ratably over the applicable academic periods.

**Compensated Absences**

Employees earn the right to be compensated during certain absences. The accompanying statements of net position reflect an accrual for the amounts earned, including related benefits ultimately payable for such benefit. A portion of this liability is classified as current and represents CCSNH's estimate of vacation time that will be paid during the next fiscal year to employees.

**Refundable Advances**

CCSNH participates in the Federal Perkins Loan Program, which is funded through a combination of federal and institutional resources. The portion of this program that has been funded with federal funds is ultimately refundable to the U.S. Government upon the termination of CCSNH's participation in the programs. The portion that would be refundable if the programs were terminated as of June 30, 2015 and 2014 has been included in the accompanying statements of net position as a noncurrent liability. The portion of this program that has been funded with institutional funds has been classified as restricted - nonexpendable since these funds can only be used on a revolving basis for loans during the time CCSNH participates in the Federal Perkins Loan Program.

**Net Pension Liability**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from the NHRS's fiduciary net position have been determined on the same basis as they are reported by the NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Notes to Financial Statements**

**June 30, 2015 and 2014**

**Net Position**

GASB requires that resources be classified for accounting purposes into the following four net position categories:

**Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

**Restricted - nonexpendable:** Net assets subject to externally-imposed conditions that CCSNH must maintain them in perpetuity.

**Restricted - expendable:** Net assets whose use is subject to externally-imposed conditions that can be fulfilled by the actions of CCSNH or by the passage of time.

**Unrestricted:** All other categories of net position. Unrestricted net position may be designated by actions of the CCSNH's Board of Trustees.

CCSNH has adopted a policy of generally utilizing restricted, expendable resources, when available, prior to unrestricted resources.

**Net Student Fees**

Student tuition, dining, residence, and other fees are presented net of scholarships applied to students' accounts.

**Contributions**

Contributions are recorded at their fair value at the date of gift. Promises to donate to the Foundation are recorded as receivables and revenues when the Foundation has met all applicable eligibility and time requirements. Contributions to be used for endowment purposes are categorized as restricted nonexpendable. Other gifts are categorized as currently expendable. Pledges receivable, which are included in other current assets in the statements of net position, are reported net of amounts deemed uncollectible, and after discounting to the present value of the expected future cash flows. Because of uncertainties with regard to their realizability and valuation, bequests and other intentions to give and conditional promises are not recognized as assets until the specified conditions are met.

Contributions of services are recorded if the services create or enhance non-financial assets or the services are performed by individuals possessing specialized skills and those services would normally need to be purchased if not donated. These services are recorded at their fair value at the time of contribution.

**Income Taxes**

The Internal Revenue Service has determined that CCSNH is a wholly-owned instrumentality of the State, and as such is generally exempt from federal income tax.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Notes to Financial Statements**

**June 30, 2015 and 2014**

**Use of Estimates in Financial Statement Preparation**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Change in Accounting Principle**

During the year ended June 30, 2015 CCSNH adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 (the new accounting standards). The changes made to the basic financial statements to comply with the new accounting standards have been reported as an adjustment as of the beginning of the year ended June 30, 2015. Because it was not practical for CCSNH to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to the pension plan as of June 30, 2014, the beginning balances of deferred inflows of resources and deferred outflows of resources related to pensions have not been reported. The impact of the adoption of the new accounting standards as of the beginning of the year ended June 30, 2015 was as follows:

Net pension liability as of the measurement date of June 30, 2013	\$ 63,843,950
Contributions made in 2014 after the measurement date included in deferred outflows of resources	<u>(5,035,405)</u>
Cumulative effect of change in accounting principle	\$ <u>58,808,545</u>

**3. Cash and Cash Equivalents**

Custodial credit risk is the risk that in the event of bank failure, CCSNH's deposits may not be returned. Deposits are considered uninsured and uncollateralized if they are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in CCSNH's name.

As of June 30, 2015 and 2014, CCSNH's uncollateralized uninsured cash and cash equivalents were approximately \$4,100,000 and \$10,300,000, respectively. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits, and the combined total amounts are insured up to the first \$250,000 per financial institution.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Notes to Financial Statements**

**June 30, 2015 and 2014**

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2015 is summarized below:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 924,340	\$ -	\$ -	\$ -	\$ 924,340
Construction-in-process	<u>9,080,561</u>	<u>8,844,576</u>	<u>-</u>	<u>(5,521,066)</u>	<u>12,404,071</u>
Total non-depreciable assets	<u>10,004,901</u>	<u>8,844,576</u>	<u>-</u>	<u>(5,521,066)</u>	<u>13,328,411</u>
Land improvements	5,437,400	595,193	(193,610)	-	5,838,983
Buildings and improvements	159,375,191	256,884	-	5,521,066	165,153,141
Equipment	<u>17,812,023</u>	<u>642,846</u>	<u>(1,094,094)</u>	<u>-</u>	<u>17,360,775</u>
Total depreciable assets	<u>182,624,614</u>	<u>1,494,923</u>	<u>(1,287,704)</u>	<u>5,521,066</u>	<u>188,352,899</u>
Accumulated depreciation	<u>(75,014,435)</u>	<u>(7,931,158)</u>	<u>1,249,826</u>	<u>-</u>	<u>(81,695,767)</u>
Capital assets, net	<u>\$117,615,080</u>	<u>\$ 2,408,341</u>	<u>\$ (37,878)</u>	<u>\$ -</u>	<u>\$119,985,543</u>

Capital asset activity for the year ended June 30, 2014 is summarized below:

	Beginning Balance	Additions	Retirements	Transfers	Transferred to Assets Held for Sale	Ending Balance
Land	\$ 924,340	\$ -	\$ -	\$ -	\$ -	\$ 924,340
Construction-in-process	<u>14,811,067</u>	<u>8,675,688</u>	<u>-</u>	<u>(14,406,194)</u>	<u>-</u>	<u>9,080,561</u>
Total non-depreciable assets	<u>15,735,407</u>	<u>8,675,688</u>	<u>-</u>	<u>(14,406,194)</u>	<u>-</u>	<u>10,004,901</u>
Land improvements	5,236,465	200,935	-	-	-	5,437,400
Buildings and improvements	145,279,497	-	-	14,401,049	(305,355)	159,375,191
Equipment	<u>13,546,129</u>	<u>4,628,886</u>	<u>(368,137)</u>	<u>5,145</u>	<u>-</u>	<u>17,812,023</u>
Total depreciable assets	<u>164,062,091</u>	<u>4,829,821</u>	<u>(368,137)</u>	<u>14,406,194</u>	<u>(305,355)</u>	<u>182,624,614</u>
Accumulated depreciation	<u>(67,786,637)</u>	<u>(7,609,014)</u>	<u>358,314</u>	<u>-</u>	<u>22,902</u>	<u>(75,014,435)</u>
Capital assets, net	<u>\$112,010,861</u>	<u>\$ 5,896,495</u>	<u>\$ (9,823)</u>	<u>\$ -</u>	<u>\$ (282,453)</u>	<u>\$117,615,080</u>

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Notes to Financial Statements**

**June 30, 2015 and 2014**

**5. Long-term Liabilities**

Changes in long-term liabilities during the year ended June 30, 2015 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Accrued salaries and benefits	\$ 10,209,852	\$ 126,881	\$ -	\$ 10,336,733	\$ 5,823,579
Due to the State	-	1,854,293	-	1,854,293	-
Refundable advances	938,464	(38,854)	-	899,610	-
Pension liability	-	58,259,797	-	58,259,797	-
Bonds payable	21,166,741	-	(2,391,813)	18,774,928	1,776,287
Other long-term liabilities	<u>406,763</u>	<u>2,750,000</u>	<u>(1,204,154)</u>	<u>1,952,609</u>	<u>945,819</u>
Long-term liabilities	<u>\$ 32,721,820</u>	<u>\$ 62,952,117</u>	<u>\$ (3,595,967)</u>	<u>\$ 92,077,970</u>	<u>\$ 8,545,685</u>

During the year ended June 30, 2015, CCSNH received \$1,854,293 from the State to fund a certain capital project. When the project is completed, the amount received from the State will be converted to a bond payable.

Changes in long-term liabilities during the year ended June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Accrued salaries and benefits	\$ 9,838,225	\$ 371,627	\$ -	\$ 10,209,852	\$ 5,700,563
Refundable advances	917,100	21,364	-	938,464	-
Bonds payable	20,879,950	2,000,000	(1,713,209)	21,166,741	1,868,763
Other long-term liabilities	<u>108,007</u>	<u>437,153</u>	<u>(138,397)</u>	<u>406,763</u>	<u>287,487</u>
Long-term liabilities	<u>\$ 31,743,282</u>	<u>\$ 2,830,144</u>	<u>\$ (1,851,606)</u>	<u>\$ 32,721,820</u>	<u>\$ 7,856,813</u>

**Other Long-Term Liabilities**

Future minimum payments under other long-term liabilities, which include capital leases and a note payable to the State, as of June 30, 2015 are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 945,819	\$ 8,489
2017	948,239	6,069
2018	34,193	3,448
2019	24,358	736

The original cost basis of leased capital assets as of June 30, 2015 and 2014 was \$154,700 and \$454,700, respectively. Accumulated depreciation includes \$61,880 and \$330,940 as of June 30, 2015 and 2014, for the leased capital assets, respectively.

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**June 30, 2015 and 2014**

**Bonds Payable**

Bonds payable consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
1994 Series A General Obligation Bonds (original principal of \$850,000) paid in full during the year ended June 30, 2015	\$ -	\$ 28,058
1995 Series A General Obligation Bonds (original principal of \$250,000) Serial bonds maturing in 2016 with a principal payment of \$31,712 and an interest rate of 5.05%	<b>31,712</b>	31,712
2005 Series A General Obligation Bonds (original principal of \$2,300,000) Serial bonds maturing through 2025 with annual principal payments from \$100,000 to \$160,000 and interest rates from 3.50% to 4.25%. During the year ended June 30, 2015, \$725,000 of the principal balance was refunded early through the issuance of 2014 Series A General Obligation Refunding Bonds.	-	835,000
2006 Series A General Obligation Bonds (original principal of \$1,703,059) Serial bonds maturing through 2021 with annual principal payments from \$17,185 to \$246,814 and interest rates from 4.00% to 4.25%	<b>1,008,811</b>	1,229,888
2008 Series A General Obligation Bonds (original principal of \$7,732,622) Serial bonds maturing through 2027 with annual principal payments from \$309,305 to \$463,960 and interest rates from 3.375% to 4.00%. During the year ended June 30, 2015, \$2,165,134 of the principal balance was refunded early through the issuance of 2014 Series A General Obligation Refunding Bonds.	<b>1,391,872</b>	4,020,961
2008 Series C General Obligation Bonds (original principal of \$2,141,678) Serial bonds maturing through 2028 with annual principal payments from \$0 to \$128,504 and interest rates from 4.00% to 5.00%. During the year ended June 30, 2015, \$395,748 of the principal balance was refunded early through the issuance of 2014 Series A General Obligation Refunding Bonds.	<b>385,582</b>	909,833
2009 Series A General Obligation Bonds (original principal of \$5,000,000) Serial bonds maturing through 2029 with annual principal payments from \$200,000 to \$300,000 and interest rates from 4.00% to 5.50%	<b>3,500,000</b>	3,800,000
2010 Series A General Obligation Bonds (original principal of \$1,996,995) Serial bonds maturing through 2025 with annual principal payments from \$0 to \$666,111 and coupon interest rates from 2.00% to 5.00%	<b>1,850,716</b>	1,850,716
2010 Series B General Obligation Bonds (original principal of \$1,055,090) Serial bonds maturing through 2020 with annual principal payments from \$115,501 to \$150,526 and interest rates from 3.00% to 4.00%	<b>696,872</b>	820,573

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	<u>2015</u>	<u>2014</u>
2012 Series B General Obligation Bonds (original principal of \$6,000,000) Serial bonds maturing through 2032 with annual principal payments from \$240,000 to \$360,000 and interest rates from 2.64% to 4.15%	<b>5,280,000</b>	5,640,000
2013 Series B General Obligation Bonds (original principal of \$2,000,000) Serial bonds maturing through 2033 with annual principal payments from \$79,763 to \$133,446 and interest rates from 4.00% to 4.68%	<b>1,866,550</b>	2,000,000
2014 Series A General Obligation Refunding Bonds (original principal of \$2,762,813) maturing through 2028 with annual principal payments beginning in 2018 ranging from \$34,564 to \$102,325 and interest rates from 1.50% to 5.00%.	<u><b>2,762,813</b></u>	<u>-</u>
	<u><b>\$ 18,774,928</b></u>	<u><b>\$ 21,166,741</b></u>

During the year ended June 30, 2015, CCSNH issued \$2,762,813 in General Obligation Refunding Bonds with an average interest rate of 4.8% to advance refund \$3,285,882 of outstanding 2005 Series A General Obligation Bonds, 2008 Series C General Obligation Bonds, and 2008 Series A General Obligation Bonds with an average interest rate of 4.5%. The difference between the reacquisition price and the net carrying amount of the old debt of approximately \$523,000 was recorded as a deferred inflow of resources and will be recognized in the statement of revenues, expenses and changes in net position on annual basis through the year 2028 using the effective-interest method. CCSNH completed the refunding to reduce its total debt service payments of the next 13 years by approximately \$552,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$380,000.

Principal and interest payments on bonds payable for the next five years and in subsequent five-year periods are as follows at June 30, 2015:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,776,287	\$ 881,754	\$ 2,658,041
2017	1,818,111	739,425	2,557,536
2018	1,942,020	658,027	2,600,047
2019	1,941,714	565,145	2,506,859
2020	1,710,355	475,290	2,185,645
2021-2025	5,292,381	1,516,140	6,808,521
2026-2030	3,334,456	475,957	3,810,413
2031-2035	<u>959,604</u>	<u>51,563</u>	<u>1,011,167</u>
	<u><b>\$ 18,774,928</b></u>	<u><b>\$ 5,363,301</b></u>	<u><b>\$ 24,138,229</b></u>

Interest expense related to the bonds for the years ended June 30, 2015 and 2014 was \$923,319 and \$954,625, respectively.

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**6. Defined Benefit Pension Plan**

CCSNH participates in the NHRS, which, as governed by Revised Statutes Annotated (RSA) 100-A, is a public employee retirement system that administers a cost-sharing multiple-employer pension plan (Pension Plan). NHRS is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the NHRS. The provisions of the Pension Plan can be amended only by legislative action taken by the New Hampshire State Legislature pursuant to the authority granted it under the New Hampshire State Constitution.

The NHRS pension plan and trust was established in 1967 by RSA 100-A:2. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Although benefits are funded by member contributions, employer contributions and trust fund assets, NHRS computes benefits on the basis of members' Average Final Compensation (AFC) and years of creditable service. Unlike a defined contribution plan, NHRS benefits provided to members are not dependent upon the amount of contributions paid into the NHRS or the investment return on trust assets.

To qualify for a normal service retirement, members must have attained the age of 60 years old. However, a member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining the age of 65. The member may receive a reduced allowance after age 60 if the member has at least 30 years of creditable service. The allowance shall be reduced based on a formula, for each month by which the date on which benefits commence precedes the month after which the member attains 65 years of age, by  $\frac{1}{4}$  of one percent.

For members retiring prior to the age of 65, the yearly pension amount is 1.67% of AFC, multiplied by years of creditable service. For members retiring at 65 or older, the yearly pension amount is 1.52% of AFC, multiplied by years of creditable service. For members vested prior to January 1, 2012, AFC is based on the highest three years of creditable service. For members not vested prior to January 1, 2012, or hired on or after July 1, 2011, AFC is based on a member's highest five years of creditable service. At age 65, the yearly pension amount is recalculated with an appropriate graduated reduction based on years and months of creditable service that the member has at the time of retirement.

**Contributions Required and Made**

The Pension Plan is financed by contributions from the members, CCSNH, and investment earnings. Contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the Pension Plan's actuary. By statute, the Board of Trustees of NHRS is responsible for the certification of employer contribution rates, which are determined through the preparation of biennial valuations of NHRS's assets by NHRS's actuary using the entry age normal cost method.

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Commencing July 1, 2011, all Group I employees are responsible to accrue contributions at 7.00% of covered payroll while Group II (Police) employees accrue contributions at a rate of 11.55% of covered payroll.

In terms of the employer share of contributions made to the Pension Plan, the pension contribution rate for Group I employees was 10.51% of covered payroll for the two-year period ending June 30, 2015. Effective July 1, 2015, the employer share was increased to 12.50% of covered payroll and will remain fixed through June 30, 2017.

For Group II employees, effective July 1, 2015, the contribution rate increased from 25.40% to 26.38% of covered payroll and will remain fixed through June 30, 2017.

For the years ended June 30, 2015 and 2014, contributions to the Pension Plan were \$5,220,326 and \$4,923,636, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, CCSNH reported a liability of \$58,259,797 for its proportionate share of the net pension liability. The net pension liability is based on an actuarial valuation performed as of June 30, 2013 and a measurement date of June 30, 2014. The net pension liability was rolled forward from June 30, 2013 to June 30, 2014. CCSNH's proportion of the net pension liability was based on a projection of CCSNH's long-term share of contributions to the Pension Plan relative to the projected contributions of all participating employers as actuarially determined. At June 30, 2014, CCSNH's proportion of the net pension liability was 1.5521%.

For the year ended June 30, 2015, CCSNH recognized pension expense of \$4,477,162.

At June 30, 2015, CCSNH reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 7,454,390
Changes in proportion and differences between employer contributions and share of contributions	2,428,480	-
Contributions subsequent to the measurement date	<u>5,220,326</u>	<u>-</u>
Balances as of June 30, 2015	<u>\$ 7,648,806</u>	<u>\$ 7,454,390</u>

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Amounts reported as deferred outflows related to pensions resulting from CCSNH contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2016	\$ 1,256,477
2017	1,256,477
2018	1,256,478
2019	<u>1,256,478</u>
	<u>\$ 5,025,910</u>

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2013, using the following actuarial assumptions, which, accordingly, apply to both 2014 and 2013 measurements:

Inflation	3.0%
Salary increases	3.75 - 5.8% average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2005 – June 30, 2010.

Long-Term Rates of Return

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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The following table presents target allocations and the geometric real rates of return for 2014 and 2013:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Large cap equities	22.50 %	3.25 %	3.75 %
Small/mid cap equities	<u>7.50</u>	3.25	4.00
Total domestic equity	30.00		
International equities (unhedged)	13.00	4.25	4.75
Emerging International equities	<u>7.00</u>	6.50	6.75
Total international equities	20.00		
Core bonds	18.00	(0.47)	(0.96)
High-yield bonds	1.50	1.50	2.00
Global bonds (unhedged)	5.00	(1.75)	(2.25)
Emerging market debt (external)	<u>0.50</u>	2.00	1.00
Total fixed income	25.00		
Private equity	5.00	5.75	6.00
Private debt	5.00	5.00	5.50
Real estate	10.00	3.25	3.00
Opportunistic	<u>5.00</u>	2.50	2.63
Total alternative investments	25.00		
Total	<u>100.00 %</u>		

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Notes to Financial Statements**

**June 30, 2015 and 2014**

Sensitivity Analysis

The following presents CCSNH's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what CCSNH's proportionate share of the pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease ( <u>6.75%</u> )	Current Discount Rate ( <u>7.75%</u> )	1% Increase ( <u>8.75%</u> )
CCSNH's proportionate share of the net pension liability	\$ 76,737,631	\$ 58,259,797	\$ 42,670,976

Pension Plan Fiduciary Net Position

Detailed information about the Pension Plan's fiduciary net position is available in the separately issued NHRS annual report available from the NHRS website at <https://www.nhrs.org>.

**7. Other Post-Employment Benefits**

Pursuant to RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b, NHRS administers four defined benefit postemployment medical subsidiary healthcare plans designated in statute by membership type. The four plans are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plans.

The OPEB Plans provide a medical insurance subsidy to qualified retirement members. The medical subsidy is a payment made by NHRS toward the cost of health insurance for a qualified retiree, his/her spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy.

Plan members are not required to contribute to the OPEB Plans. CCSNH makes annual contributions to the OPEB Plans equal to the amount required by RSA 100-A:52, which was 1.6% of covered compensation during the years ended June 30, 2015, 2014 and 2012. CCSNH's contributions to NHRS for the OPEB Plans for the years ended June 30, 2015, 2014 and 2013 were \$788,991, \$767,909 and \$696,535, respectively, which were equal to its annual required contributions.

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**June 30, 2015 and 2014**

**8. Contingencies and Commitments**

**Operating Lease Obligations**

CCSNH leases certain equipment and real estate under leases with terms exceeding one year. Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2015 are as follows:

Year ending June 30:

2016	\$ 835,526
2017	620,852
2018	337,880
2019	203,600
2019	<u>186,198</u>
	<u>\$ 2,184,056</u>

Total expense related to operating leases (with initial or remaining lease terms in excess of one year) amounted to \$789,594 and \$877,348 for the years ended June 30, 2015 and 2014, respectively. CCSNH signed additional operating leases after June 30, 2015 with total commitments of approximately \$1,530,000 with various expiration dates ranging through the year ending June 30, 2022.

**Union Contracts**

Substantially all of CCSNH's employees are covered by a collective bargaining agreement and are represented by the State Employees' Association of New Hampshire, Inc., which is part of the Service Employees International Union Local 1984, CTW, CLC. The current collective bargaining agreement has a period of August 15, 2013 through June 30, 2015. On December 3, 2015, CCSNH's Board of Directors approved a new collective bargaining agreement that extends through June 30, 2017.

Certain adjunct faculty of CCSNH are covered by a collective bargaining agreement, separate from the agreement described in the previous paragraph, and are represented by the State Employees' Association of New Hampshire, Inc., which is part of the Service Employees International Union Local 1984, CTW, CLC. The current collective bargaining agreement has a period of September 25, 2013 through June 30, 2016.

**Contingencies**

CCSNH participates in various federally funded programs. These programs are subject to financial and compliance audits and resolution of identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time.

CCSNH is involved in various claims and legal actions arising in the ordinary course of business. The ultimate disposition of these matters is indeterminable, but in the opinion of management, the amount of ultimate liability would not have a significant impact on CCSNH's financial condition.

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CCSNH is also exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CCSNH manages these risks through a combination of commercial insurance packages purchased in the name of CCSNH.

**Commitments**

CCSNH has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2015.

	Expended through <u>June 30, 2015</u>	Committed <u>Future Costs</u>	Total Committed <u>Costs of Project</u>
NHTI	\$ 1,304,401	\$ 288,265	\$ 1,592,666
MCC	673,100	40,317	713,417
NCC	791,530	18,051	809,581
GBCC	4,408,619	564,339	4,972,958
LRCC	506,497	2,439,857	2,946,354
RVCC	<u>3,264,777</u>	<u>374,015</u>	<u>3,638,792</u>
Total	<u>\$ 10,948,924</u>	<u>\$ 3,724,844</u>	<u>\$ 14,673,768</u>

At June 30, 2015 and 2014, invoices related to construction projects of \$1,185,028 and \$922,823, respectively, were included in accounts payable.

**9. Investments**

**CCSNH**

CCSNH holds an investment in a short-term bond mutual fund. The fund targets a dollar-weighted average maturity of 0.75 years or less and invests in U.S dollar-denominated money market and high quality investment-grade debt securities, primarily in the financial service industry. The fund's investments in fixed rate securities have a maximum maturity of two years and investments in floating rate securities have a maximum maturity of three years.

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, CCSNH will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of CCSNH and are held by either the counterparty, or the counterparty's trust department or agency, but not in CCSNH's name.

CCSNH does not have a written investment policy. As of June 30, 2015 and 2014, CCSNH's investments included in the statements of net position were exposed to custodial credit risk. The investments were held by the counterparty, not in the name of CCSNH.

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**Community Colleges of New Hampshire Foundation**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4%, while growing the funds if possible. Actual returns may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Investments were comprised of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Equities		
U.S. large cap	\$ 4,185,249	\$ 3,835,411
U.S. mid cap	1,293,489	1,634,421
U.S. small cap	631,063	838,843
International developed	2,238,981	1,807,492
Emerging markets	1,353,502	1,229,460
Other	-	5,651
Fixed income		
Investment grade taxable	2,026,435	1,909,880
International developed bonds	357,531	328,411
Global high yield taxable	677,549	553,403
Fixed income other	15,388	17,752
Real estate - public real estate investment trusts	938,572	883,845
Tangible assets - commodities	<u>462,738</u>	<u>755,156</u>
Total	<u>\$ 14,180,497</u>	<u>\$ 13,794,074</u>

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**June 30, 2015 and 2014**

The weighted average maturity of the fixed income securities is 11.10 years as of June 30, 2015. As of June 30, 2015, the Foundation's fixed income securities were rated as follows:

<u>Rating</u>	<u>Rating Organization</u>	<u>Fair Value</u>
Aaa	Moody's	\$ 609,517
Aa	Moody's	72,070
A	Moody's	215,024
Other	Moody's	<u>183,878</u>
		<u>\$ 1,080,489</u>

The fixed income securities rated above include cash equivalents maturing within six months and exclude preferred stocks and fixed income funds.

**10. GASB Statement No. 75**

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued in June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reported for all OPEB with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement will be effective for CCSNH beginning with the year ending June 30, 2018. Management has not currently determined what impact the implementation of this Statement will have on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
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**Schedule of Funding Progress (Unaudited)**

**June 30, 2015**

**Schedule of Collective Net Pension Liability**

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Employer proportion of the collective net pension liability	1.5521 %	1.4834 %
Employer's proportionate share of the collective net pension liability	\$ 58,259,797	\$ 63,843,950
Employer's covered-employee payroll	\$ 47,442,000	\$ 43,413,000
Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered employee-payroll	123 %	147 %
Plan fiduciary net position as a percentage of the total pension liability	66.32 %	59.81 %

*Schedule is intended to show 10 years. Additional years will be added as they become available.*

**Schedule of Employer Contributions**

	<u>June 30</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Required employer contribution	\$ 5,220,326	\$ 4,923,636	\$ 3,688,122
Actual employer contribution	\$ 5,220,326	\$ 4,923,636	\$ 3,688,122
Excess/(deficiency) of employer contributions	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 49,670,000	\$ 47,442,000	\$ 43,413,000
Employer contribution as a percentage of the employer's covered-employee payroll	10.51 %	10.38 %	8.50 %

*Schedule is intended to show 10 years. Additional years will be added as they become available.*

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**Schedule of Funding Progress (Unaudited)**

**June 30, 2015**

**Notes to the Required Supplementary Information**

Valuation date:            June 30, 2009 for determining the Fiscal Year 2013 contributions  
                                  June 30, 2011 for determining the Fiscal Year 2014 contributions  
                                  June 30, 2013 for determining the Net Pension Liability

Notes:                        The roll-forward of total pension liability from June 30, 2013 to June 30, 2014 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Actuarial determined contribution rates for the 2012-2013 biennium were determined based on the June 30, 2009 actuarial valuation. Actuarial determined contribution rates for the 2014-2015 biennium were determined based on the June 30, 2011 actuarial valuation.



**INDEPENDENT AUDITOR'S 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***

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

We have audited, in accordance with U.S. generally accepted auditing standards 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 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, 2015, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements, and have issued our report thereon dated December 17, 2015. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the discretely presented component unit, was based solely on the report of the other auditor. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or compliance associated with the discretely presented component unit.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CCSNH's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose 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 of 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. A *significant deficiency* is a deficiency, or 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 the 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 were not identified. We did identify certain deficiencies in internal control described under findings 2015-001 and 2015-002 in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CCSNH's financial statements are free of 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 determination of financial statement amounts. 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*.

### **CCSNH's Responses to the Findings**

CCSNH's responses to the findings identified in our audit are described under findings 2015-001 and 2015-002 in the accompanying schedule of findings and questioned costs. CCSNH's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **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 CCSNH's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCSNH's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
December 17, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Community College System of New Hampshire's (CCSNH) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of CCSNH's major federal programs for the year ended June 30, 2015. CCSNH's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of CCSNH's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CCSNH's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We did not audit CCSNH's compliance with the billing, collections and due diligence compliance requirements specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 *Compliance Supplement*. These functions were performed by Heartland Campus Solutions ECSI (ECSI). ECSI's compliance with the billing, collections and due diligence compliance requirements was examined by other independent accountants, as described in the following paragraph. The report of those accountants has been furnished to us, and our opinion, expressed herein, insofar as it relates to CCSNH's compliance with those requirements, is based solely on the report of the other independent accountants.

ECSI's compliance with the requirements governing the functions that it performs for CCSNH was examined by other independent accountants whose report has been furnished to us. The report of the other independent accountants indicates that compliance with those requirements was examined in accordance with the U.S. Department of Education's Audit Guide, Audits (Attestation Engagements) of *Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*.

Based on our review of the service organization's independent accountants' report, we have determined that all of the compliance requirements included in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of the major federal programs in which CCSNH participates are addressed in either our report or the report of the service organization's accountants. Furthermore, based on our review of the service organization's independent accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on one or more of CCSNH's major federal programs' compliance with the requirements described in the first paragraph of this report.

We believe that our audit and the report of the other independent accountants provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CCSNH's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, based on our audit and the report of other independent accountants, CCSNH complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

#### **Report on Internal Control over Compliance**

Management of CCSNH is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CCSNH's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CCSNH's internal control over compliance.

We did not consider internal control over compliance with the billing, collections and due diligence compliance requirements specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 *Compliance Supplement*. Internal control over these compliance requirements were considered by the other independent accountants referred to above; and our report, insofar as it relates to CCSNH's internal control over those compliance requirements, is based solely on the report of the other independent accountants.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditure of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the business-type activities and the discretely presented component unit of CCSNH as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements. We issued our report thereon dated December 17, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
February 12, 2016

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed- Through Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>United States Department of Education:</u>			
<u>Student Financial Aid Cluster - Direct:</u>			
Federal Direct Student Loans	84.268		\$ 49,744,973
Federal Perkins Loan Program	84.038		1,367,434
Federal Work-Study Program	84.033		249,488
Federal Pell Grant Program	84.063		20,300,557
Federal Supplemental Educational Opportunity Grant Program	84.007		<u>317,950</u>
Total Student Financial Aid Cluster			71,980,402
<u>United States Department of Education - Passed-Through:</u>			
<u>New Hampshire Department of Education:</u>			
Carl D. Perkins Career and Technical Education Act of 2006 8/16/2013 - 8/15/2014	84.048	45039	39,282
8/16/2014 - 8/15/2015	84.048	55039	790,320
Mathematics and Science Partnerships	84.366	S366B140030	54,230
College Access Challenge Grant Program	84.378	P378A100050	<u>93</u>
Total United States Department of Education			<u>72,864,327</u>
<u>United States Department of Labor:</u>			
<u>Direct:</u>			
Trade Adjustment Assistance Community College and Career Training Grants	17.282		4,967,407
H-1B Job Training Grants	17.268		<u>2,396,026</u>
Total United States Department of Labor			<u>7,363,433</u>

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**  
**Schedule of Expenditures of Federal Awards (Concluded)**

**Year Ended June 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed- Through Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>Research and Development Cluster:</u>			
<u>United States Department of Energy - Passed-Through:</u>			
<u>New Hampshire Office of Energy and Planning:</u>			
Renewable Energy Research and Development	81.087	DEEE0005672	6,688
<u>United States Department of Health and Human Services - Passed-Through:</u>			
<u>Trustees of Dartmouth College:</u>			
National Center for Research Resources: Idea Network of Biological Research Excellence	93.859	8P20GM103506	141,441
<u>National Science Foundation:</u>			
<u>Direct:</u>			
Education and Human Resources	47.076		127,950
<u>University of New Hampshire - Passed-Through:</u>			
Experimental Program to Stimulate Competitive Research	47.081	EPS1101245	61,115
Experimental Program to Stimulate Competitive Research Track II	47.079	EPS1101245	<u>44,073</u>
Total National Science Foundation			<u>233,138</u>
Total Research and Development Cluster			<u>381,267</u>
<u>United States Department of Health and Human Services - Passed Through:</u>			
<u>New Hampshire Department of Health and Human Services:</u>			
Child Care and Development Block Grant: Early Childhood Education	93.575	G1401NHCCDF	<u>149,710</u>
Total Expenditures of Federal Awards			<u>\$ 80,758,737</u>

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2015**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Community College System of New Hampshire (CCSNH) under programs of the federal government for the year ended June 30, 2015. The information in the Schedule is presented in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a portion of the operations of CCSNH, it is not intended to and does not present the financial position, changes in net position or cash flows of CCSNH.

**2. Basis of Accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Federal Direct Student Loans**

During the fiscal year ended June 30, 2015, CCSNH processed the following new loans under the Direct Loan Program. The loans were made directly through the U.S. Department of Education.

Federal Subsidized Loans	\$ 23,726,313
Federal Unsubsidized Loans	25,294,501
Federal Parents' Loans	<u>724,159</u>
	<u>\$ 49,744,973</u>

**4. Federal Perkins Loan Program**

The following sets forth certain balances and activities in the Federal Perkins Loan Program for the year ended June 30, 2015.

Perkins cash balance at June 30, 2015	\$ <u>361,468</u>
Perkins loans receivable at June 30, 2014	\$ 1,216,846
New loans made in fiscal year 2015	122,380
Administrative cost allowance in fiscal year 2015	<u>28,208</u>
Perkins expended as presented in the Schedule	1,367,434
Perkins loans collected in fiscal year 2015	207,630
Perkins loans canceled in fiscal year 2015	8,341
Administrative cost allowance in fiscal year 2015	<u>28,208</u>
Perkins loans receivable at June 30, 2015	<u>\$ 1,123,255</u>

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**

**Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2015**

**5. Federal Work-Study Program**

Federal Work-Study Program award expenditures in 2015 consist of the following:

Current year award	\$ 298,081
Carry forward from fiscal year 2013-2014	12,592
Carry forward to fiscal year 2015-2016	(18,138)
Carry back to fiscal year 2013-2014	(5,514)
Transfer to Federal Supplemental Educational Opportunity Grant Program	(29,773)
Unexpended funds	<u>(7,760)</u>
Total expenditures in fiscal year 2014	\$ <u><u>249,488</u></u>

**6. Federal Supplemental Educational Opportunity Grant Program**

Federal Supplemental Educational Opportunity Grant Program award expenditures in 2014 consist of the following:

Current year award	\$ 294,934
Carry forward to fiscal year 2015-2016	(6,757)
Transfer from Federal Work-Study Program	<u>29,773</u>
Total award expenditures in fiscal year 2015	\$ <u><u>317,950</u></u>

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2015**

**Section I Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:		<u>Unmodified</u>	
Internal control over financial reporting:			
Material weakness(es) identified?	<u>  X  </u> Yes	<u>    </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>    </u> Yes	<u>  X  </u>	None reported
Noncompliance material to financial statements noted?	<u>    </u> Yes	<u>  X  </u>	No

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u>    </u> Yes	<u>  X  </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>    </u> Yes	<u>  X  </u>	None reported

Type of auditor's report issued on compliance for major programs:		<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133?	<u>    </u> Yes	<u>  X  </u>	No

Identification of Major Programs:

<u>CFDA Number(s):</u>	<u>Name of Federal Program or Cluster:</u>
84.268, 84.038, 84.033, 84.063, 84.007	U.S. Department of Education Student Financial Aid Cluster
84.048	U.S. Department of Education Carl D. Perkins Career and Technical Education Act of 2006
17.282	U.S. Department of Labor Trade Adjustment Assistance Community College and Career Training Grants
17.268	U.S. Department of Labor - H1B Job Training Grants
47.076, 47.079, 47.081, 81.087, 93.859	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee?	<u>    </u> Yes	<u>  X  </u>	No
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**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**  
**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2015**

**Section II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards**

Finding Number                      2015-001

Criteria

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting.

Condition Found

While we noted improvements over prior years, we continued to identify instances in which trial balance accounts had not been reconciled throughout the year and therefore the determination of the correct account balance resulted in a significant amount of work by CCSNH's accounting department. We also noted a lack of documented review of the ADP payroll reconciliations. We received numerous entries as of and for the year ended June 30, 2015 that were provided by management during our fieldwork, some of which were received in December. In addition, we identified several significant audit adjustments identified in Attachment 1 that were required to produce financial statements that are in accordance with U.S. generally accepted accounting principles. There were approximately 40 journal entries posted during the course of our audit procedures. These conditions were also noted in the audits for the years ended June 30, 2014, 2013 and 2012.

Context

During our audit procedures, we noted that the ADP payroll reconciliations tested did not have documented evidence of review and approval by a responsible member of management. We did note that management had implemented of a process to track the preparation and review of certain reconciliations during the year ended June 30, 2015.

During our audit as of June 30, 2015, we noted that the student accounts receivable module was not reconciled to the general ledger as of year-end. We encourage the timely resolution of the discrepancy and increased monthly reconciliations surrounding the accounts related to student billing, including accounts receivable, deferred tuition revenue and tuition revenue.

Furthermore, we discovered that the reporting of credits by the various campus Registrars is not reliable and management is unable to reconcile credit activity per Registrar systems to the general ledger in an effective and efficient manner. A key control over the revenue cycle is the tuition reasonableness reconciliation between Banner and the information maintained by the Registrar at each campus. Without reliable information being provided by the Registrars, it is not feasible for management to prepare a tuition reasonableness reconciliation.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**  
**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2015**

In connection with the preparation of the notes to the financial statements, management identified two projects that were included in construction in progress that were completed before year-end that should be placed into service. As a result, the costs were reclassified from construction-in-process and depreciation was adjusted accordingly. We recommend that management review the construction-in-process account on a routine basis to ensure that projects are placed in service on a timely basis.

We also noted several accounts included in the statement of financial position that have not been reconciled by management. Many of these accounts represent clearing accounts with a significant amount of activity that should have a zero balance if they were fully reconciled as of year-end. The overall balances in these accounts are not material to the financial statements.

Cause and Effect

Based on our observations, while we noted that the personnel in the accounting department appear to work very well together and understand the transactions that are reported in the accounting software, it appears the primary cause of the issue with untimely or missing account reconciliations relates to an under-staffed accounting department. In addition, these issues appear to be compounded by the high level of involvement of the accounting department staff in other critical projects needed by CCSNH. As a result, significant variances and adjustments were identified and posted related to specific reports and account reconciliations, which otherwise could have resulted in materially misstated financial statements.

Recommendation

We recommend that as part of the ongoing process to correct issues caused by the Banner Revitalization project that management determine the cause of the Registrar errors and begin a regular reconciliation process in which Registrar reports are reconciled to actual student billing recorded in the general ledger for each semester.

We recommend CCSNH continue the efforts to establish a process by which an account reconciliation matrix is used to document the procedures to be followed on a monthly, quarterly, or annual basis to ensure that all balance sheet accounts are reconciled and reviewed periodically. A more routine account reconciliation process will help improve efficiency of the financial reporting close process in the future and minimize the need for significant audit entries. If the process cannot be completed with the current staffing levels, we recommend that CCSNH consider engaging a consultant to assist with the development and implementation of a process to perform the required reconciliations on a regular basis.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**  
**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2015**

Views of a Responsible Official and Corrective Action Plan

While CCSNH has made significant progress this year in setting up our account reconciliation matrix and improving our close/reconciliation process in cash, payroll and capital assets as demonstrated in our resolved prior year internal control matters, we agree that there are account reconciliations and quarterly close processes that we can continue to improve.

*Accounts Receivable:* CCSNH has a plan and resources in place to improve the reconciliation process between student accounts receivable, deferred tuition revenue, and tuition revenue. The need for a regular reconciliation was highlighted during the Banner Revitalization project earlier this year.

*Tuition Reasonableness:* As part of our new close and reconciliation process implemented this year, CCSNH initiated periodic tuition reasonableness testing. We believe the credits sold reporting by the various campus registrars is a reliable way to reconcile credit activity to the general ledger, but we need to educate the registrars to use the correct reports available through our shared Banner resource.

*Construction-in-Progress:* CCSNH agrees that we need to add construction-in-progress reviews to our quarterly close process.

*Clearing Accounts:* CCSNH agrees that we need to improve our monthly clearing account reconciliations and we plan to address this with our college CFOs at our next system-wide meeting.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**  
**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2015**

Finding Number                    2015-002

Criteria

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting.

Condition Found and Context

CCSNH recently completed an Information Technology (IT) Security Risk Assessment (Assessment) to identify gaps in security practices and establish a baseline for future audit and operational planning, including future IT Assessment efforts. The Assessment included all seven colleges that comprise CCSNH, as well as the Chancellor's Office. The Assessment addressed IT security risk areas that are most prevalent to higher education institutions and key control areas from the ISO 27002 information security standards.

The Assessment identified 38 areas of risk (10 ranked as high risk, 15 ranked as medium risk, and 13 ranked as low risk). The majority of the areas of the risk could have an impact on the design, implementation and maintenance of internal control over financial reporting.

Cause and Effect

CCSNH has a complex IT system that is used across all seven colleges and the Chancellor's Office. CCSNH did not have a process in place for monitoring and managing IT security risk across the organization. As a result, CCSNH is exposed to a variety of IT security risks that could have a detrimental impact on its financial reporting.

Recommendation

Management and the Audit Committee should work collaboratively to review, prioritize, and implement the recommendations described in the Assessment report. The individual colleges should also have responsibility for understanding recommendations and working with the Chancellor's Office to develop plans to remediate risks and adopt changes associated with addressing common risk areas. The Chancellor's Office should be available to support the individual colleges in navigating changes and improving their security practices. To facilitate effective change, it may be necessary to allocate additional resources towards strengthening the level of IT security support services that are available to colleges.

Views of a Responsible Official and Corrective Action Plan

CCSNH agrees with the risks and recommendations in the IT Security Risk Assessment Report and will work with Chancellor's Office IT, the Technical Users Group (College IT Directors) and the Audit Committee to review, prioritize, and implement the changes in a timely manner.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)  
Schedule of Findings and Questioned Costs (Concluded)**

**Year Ended June 30, 2015**

**Section III - Findings and Questioned Costs for Federal Awards**

NONE

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
(A Component Unit of the State of New Hampshire)**

**Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2015**

Finding Number                      2014-003

Condition Found

Required by 2 CFR, Part 180 for federally funded programs, when an institution enters into a covered transaction with an entity or individual, an institution must verify that the vendor is not suspended or debarred or otherwise excluded from participating in federal programs. Generally, a covered transaction is a transaction expected to equal or exceed \$25,000 and be funded with federal dollars. This verification may be accomplished by checking the System for Award Management (SAM), formerly the Excluded Parties List System, maintained by the General Services Administration, collecting a certification from the vendor, or by adding a clause or condition to the covered transaction.

During our audit, we noted CCSNH did not review the SAM for vendors meeting the covered transaction threshold.

Recommendation

We recommended CCSNH implement a process to compare all vendors to the SAM on an annual basis and when a new vendor is entered into the accounting system. CCSNH should maintain documentation that the comparison has been performed.

Action Taken

A policy regarding the SAM Database has been added to the newly created grants manual and our purchasing policies, and a procedure has been developed for checking new hires. New quarterly compliance reporting process has been put in place to ensure grants procedures are being followed.

Status                                      Corrected

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
**(A Component Unit of the State of New Hampshire)**  
**Summary Schedule of Prior Audit Findings (Concluded)**

**Year Ended June 30, 2015**

Finding Number                      2014-004

Condition Found

In accordance with 34 CFR Section 685, each month, the Common Origination and Disbursement (COD) provides institutions with a School Account Statement data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. A school is required to reconcile these files to the institution's financial records. In addition, management is required to implement adequate monitoring controls. Ongoing monitoring is established through documented independent reconciliations and documented supervisory review of reports.

During our audit, we noted CCSNH was preparing the proper reconciliations between COD records and its financial records; however, we were unable to identify documented evidence of proper review of the reconciliations by a supervisor.

Recommendation

We recommended CCSNH implement a process to document the procedures to be followed on a monthly basis to ensure that all reconciliations are reviewed timely, and that the reviews are documented.

Action Taken

A new procedure has been implemented to ensure that all financial aid reconciliations are reviewed timely with the assistant financial aid director completing the reconciliation and the financial aid director approving and signing off.

Status                                      Corrected