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COMMUNITY COLLEGE
system of New Hampshire

(A Component Unit of the State of New Hampshire)

FINANCIAL STATEMENTS

and

REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

June 30, 2017 and 2016

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 Supplementary Information

June 30, 2017 and 2016

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BerryDunn

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 and for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As described in Note 10, the financial statements of CCSNH as of June 30, 2016 and 2015 have been restated to present investments and related activity previously presented under the discretely-presented component unit Our opinion is not modified with respect to this matter.

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 37 and 38 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, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 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 solely 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 effectiveness of CCSNH's 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

Bangor, Maine
November 28, 2017

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, 2017, 2016 and 2015. 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 state-wide 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 five academic centers in Keene, Littleton, Rochester, North Conway and Lebanon, New Hampshire.

It includes the Community Colleges of New Hampshire Foundation (the 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 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.

PRIOR PERIOD ADJUSTMENT

The 2016 financial statements have been restated to present investments and related activity previously presented under the discretely-presented component unit. The restatement resulted in an increase to net position of $12,199,217 as of June 30, 2016. Investment income and contributions for 2016 were also reclassified from the Foundation to CCSNH in the statement of revenues, expenses and changes in net position resulting in an increase in the change in net position for CCSNH of $984,674 and a decrease in the change in net assets for the Foundation of the same amount.

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:

	June 30,		
	2017	2016 (Restated)	2015
Assets			
Current	**$ 22,580,348**	$ 21,086,491	$ 20,440,581
Net capital	**119,330,044**	121,715,102	119,985,543
Other noncurrent assets	**18,124,201**	15,640,572	15,209,260
Total assets	**160,034,593**	158,442,165	155,635,384
Deferred outflows of resources	**20,060,746**	6,992,021	7,648,806
Liabilities			
Current	**11,968,455**	11,936,559	13,094,321
Noncurrent	**95,421,210**	85,397,470	83,532,285
Total liabilities	**107,389,665**	97,334,029	96,626,606
Deferred inflows of resources	**7,609,348**	4,396,230	7,966,777
Net position			
Invested in capital assets, net of related debt	**97,239,205**	102,031,934	99,906,311
Restricted nonexpendable	**12,873,853**	11,519,279	10,434,572
Restricted expendable	**4,041,565**	4,147,691	4,588,332
Unrestricted	**(49,058,297)**	(53,994,977)	(56,238,408)
Total net position	**$ 65,096,326**	$ 63,703,927	$ 58,690,807

The major components of assets are cash and cash equivalents, investments, and net property and equipment. In 2017, overall assets increased by $1,592,428 due to an increase in the amount due from the State of New Hampshire for capital appropriations, a strong market performance in the investments, net of depreciation on capital assets in excess of additions to those capital assets. In 2016, overall assets increased by $2,806,781 driven by an increase in net property and equipment.

The major components of liabilities are accounts payable and accrued expenses, accrued salaries and benefits, deferred revenue, bonds payable and notes payable. In 2017, the overall liabilities increased by $10,055,636 related primarily to the current year activity associated with the net pension liability. In 2016, liabilities increased by $707,423 due to the net pension liability recorded in connection with the adoption of the new accounting standard during the year.

The change in deferred outflows of resources and the deferred inflows of resources is due primarily to changes in assumptions and other factors regarding the pension plan.

Statements of Net Position

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Assets								
Current assets								
Cash and cash equivalents	$ 9,955,625	$ 2,450,863	$ (3,440,818)	$ 7,328,931	$ (3,895,370)	$ (1,705,135)	$ 936,340	$ 8,280,814
Other current assets	1,147,151	189,507	80,055	295,577	462,402	85,056	40,558	(6,004)
Current portion of notes receivable	133,268	9,462	8,929	39,954	10,541	26,147	19,444	18,791
Grants and contracts receivable	697,948	48,931	84,990	165,514	55,332	134,943	75,775	132,463
Operating investments	8,650,231	614,166	579,565	2,593,339	684,234	1,697,175	1,262,069	1,219,683
Due from state of NH for capital appropriations	1,996,125	79,619	105,406	199,580	69,454	1,237,806	216,028	88,232
Total current assets	22,580,348	3,392,548	(2,581,873)	10,622,895	(2,613,407)	1,475,992	2,550,214	9,733,979
Non-current assets								
Student loans receivable, net	546,375	37,128	53,580	192,025	25,063	116,822	91,230	30,527
Note receivable, net	1,623,514	115,269	108,775	486,730	128,420	318,534	236,871	228,915
Investments	15,954,312	1,132,756	1,068,939	4,783,103	1,261,986	3,130,236	2,327,734	2,249,558
Capital assets, net	119,330,044	4,795,126	10,302,521	24,100,168	15,767,341	27,034,035	19,031,382	18,299,471
Total noncurrent assets	137,454,245	6,080,279	11,533,815	29,562,026	17,182,810	30,599,627	21,687,217	20,808,471
Total assets	160,034,593	9,472,827	8,951,942	40,184,921	14,569,403	32,075,619	24,237,431	30,542,450
Deferred outflows of resources - pension	20,060,746	1,424,313	1,344,070	6,014,212	1,586,805	3,935,918	2,926,863	2,828,565

Statements of Net Position (Continued)

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Liabilities								
Current liabilities								
Accounts payable and accrued expenses	1,193,203	59,603	66,523	233,100	106,683	368,075	145,428	213,791
Accounts payable for capital assets	670,933	34,112	-	-	-	627,481	9,340	-
Accrued salaries and benefits	6,490,908	484,982	437,322	2,086,965	499,174	1,223,984	859,204	899,277
Deferred revenue and deposits	1,376,151	190,002	81,862	404,523	131,624	218,453	161,470	188,217
Current portion of bonds payable	2,122,925	72,128	-	459,540	-	427,859	492,944	670,454
Current portion of other long-term liabilities	114,335	-	19,384	-	73,032	-	-	21,919
Total current liabilities	11,968,455	840,827	605,091	3,184,128	810,513	2,865,852	1,668,386	1,993,658
Non-current liabilities								
Due to state of New Hampshire	6,438	-	-	-	-	6,438	-	-
Accrued salaries and benefits	3,882,090	291,265	237,595	1,416,722	428,421	611,464	408,899	487,724
Refundable advances	554,950	18,385	59,773	205,116	39,357	155,994	69,797	6,528
Net pension liability	72,213,216	5,127,142	4,838,285	21,649,522	5,712,065	14,168,233	10,535,906	10,182,063
Bonds payable	17,053,847	558,295	-	2,702,127	-	4,312,426	2,480,619	7,000,380
Other long-term liabilities	1,710,669	-	1,546,851	-	158,099	-	-	5,719
Total noncurrent liabilities	95,421,210	5,995,087	6,682,504	25,973,487	6,337,942	19,254,555	13,495,221	17,682,414
Total liabilities	107,389,665	6,835,914	7,287,595	29,157,615	7,148,455	22,120,407	15,163,607	19,676,072
Deferred inflows of resources								
Pension	7,191,217	510,576	481,812	2,155,927	568,825	1,410,917	1,049,198	1,013,962
Deferred gain from advance refunding of bonds	418,131	13,782	-	193,550	-	6,064	203,596	1,139
Total deferred inflows of resources	7,609,348	524,358	481,812	2,349,477	568,825	1,416,981	1,252,794	1,015,101
Net position								
Invested in capital assets net of related debt	97,239,205	4,117,034	8,737,022	20,743,122	15,536,565	21,660,845	15,844,789	10,599,828
Restricted nonexpendable	12,873,853	913,055	875,521	3,855,413	1,017,222	2,523,122	1,876,267	1,813,253
Restricted expendable	4,041,565	286,951	270,785	1,211,661	319,688	792,955	589,664	569,861
Unrestricted	(49,058,297)	(1,780,172)	(7,356,723)	(11,118,155)	(8,434,547)	(12,502,773)	(7,562,827)	(303,100)
Total net position	$ 65,096,326	$ 3,536,868	$ 2,526,605	$ 14,692,041	$ 8,438,928	$ 12,474,149	$ 10,747,893	$ 12,679,842

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, 2017, 2016 and 2015, summarized as follows:

	Years Ended June 30,		
	2017	2016 (Restated)	2015
Operating revenues			
Net tuition and fees	**$ 47,931,119**	$ 47,074,334	$ 49,467,599
Other revenue	**29,093,622**	33,721,163	36,312,990
Total operating revenue	**77,024,741**	80,795,497	85,780,589
Operating expenses			
Employee compensation and benefits	**93,526,097**	91,802,705	96,949,756
Other operating expenses	**34,501,951**	35,486,621	34,236,792
Total operating expenses	**128,028,048**	127,289,326	131,186,548
Operating loss	**(51,003,307)**	(46,493,829)	(45,405,959)
Nonoperating revenues (expenses) and other changes			
State appropriations - operating	**43,775,000**	42,500,000	42,155,000
State appropriations - capital	**5,421,823**	7,727,797	3,086,781
Capital grants and contracts	**661,185**	1,506,179	209,164
Write-down of note receivable	**-**	(398,310)	-
Loss on sale of capital assets	**-**	-	(2,174,382)
Investment return used for operations	**616,433**	481,301	(64,379)
Investment return net of amount used for operations	**1,384,227**	(848,639)	-
Nonexpendable contributions	**1,385,195**	1,425,313	-
Other nonoperating expenses	**(848,157)**	(886,692)	(939,582)
Nonoperating revenues and other changes, net	**52,395,706**	51,506,949	42,272,602
Increase (decrease) in net position	**1,392,399**	5,013,120	(3,133,357)
Net position, beginning of year	**63,703,927**	58,690,807	61,824,164
Net position, end of year	**$ 65,096,326**	$ 63,703,927	$ 58,690,807

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

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

Statements of Revenues, Expenses and Changes in Net Position

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Operating revenues								
Net tuition and fees	$ 67,178,863	$ 4,798,136	$ 4,097,027	$ 20,133,837	$ 5,108,709	$ 12,286,910	$ 9,519,910	$ 11,234,334
Less scholarships	(19,247,744)	(1,459,460)	(1,389,705)	(5,636,430)	(1,508,776)	(3,609,917)	(2,911,511)	(2,731,945)
Net tuition and fees	47,931,119	3,338,676	2,707,322	14,497,407	3,599,933	8,676,993	6,608,399	8,502,389
Grants and contracts	21,345,849	1,463,896	2,567,879	6,018,922	1,411,589	3,957,798	3,147,272	2,778,493
Other auxiliary enterprises	3,578,354	92,351	-	2,736,819	591,217	$ -	157,967	-
Other operating revenue	4,169,419	469,464	270,454	1,609,451	706,767	425,519	373,564	314,200
Total operating revenue	77,024,741	5,364,387	5,545,655	24,862,599	6,309,506	13,060,310	10,287,202	11,595,082
Operating expenses								
Employee compensation and benefits	93,526,097	7,844,950	8,262,261	28,046,896	8,551,959	15,848,582	12,317,624	12,653,825
Other operating expenses	23,219,908	1,519,202	2,596,274	5,593,844	1,970,974	5,084,349	2,915,887	3,539,378
Utilities	2,898,154	151,501	198,788	764,633	409,811	500,306	437,559	435,556
Depreciation	8,383,889	595,256	561,721	2,513,490	663,166	1,644,919	1,223,209	1,182,128
Total operating expenses	128,028,048	10,110,909	11,619,044	36,918,863	11,595,910	23,078,156	16,894,279	17,810,887
Operating loss	(51,003,307)	(4,746,522)	(6,073,389)	(12,056,264)	(5,286,404)	(10,017,846)	(6,607,077)	(6,215,805)

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

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

Statements of Revenues, Expenses and Changes in Net Position (Unaudited)

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Nonoperating revenues (expenses) and other changes								
State appropriations - operating	43,775,000	4,771,912	5,152,158	11,653,557	5,078,845	6,482,630	5,346,637	5,289,261
Investment return used for operations	616,433	43,766	41,301	184,807	48,760	120,944	89,938	86,917
Investment return excluding amount used for operations	1,384,227	98,281	92,743	414,991	109,492	271,585	201,959	195,176
Interest expense on capital debt	(848,157)	(27,797)	(57,145)	(124,106)	(19,625)	(203,369)	(124,662)	(291,453)
Nonoperating revenues, net	44,927,503	4,886,162	5,229,057	12,129,249	5,217,472	6,671,790	5,513,872	5,279,901
Income (loss) before other changes in net position	(6,075,804)	139,640	(844,332)	72,985	(68,932)	(3,346,056)	(1,093,205)	(935,904)
Other changes in net position								
State appropriations - capital	5,421,823	116,394	442,225	540,731	135,354	3,617,752	469,063	100,304
Capital grants and contracts	661,185	46,945	44,299	198,223	52,300	129,724	96,467	93,227
Non-expendable contributions	1,385,195	98,350	92,808	415,281	109,569	271,775	202,100	195,312
Total other changes in net position	7,468,203	261,689	579,332	1,154,235	297,223	4,019,251	767,630	388,843
Increase (decrease) in net position	1,392,399	401,329	(265,000)	1,227,220	228,291	673,195	(325,575)	(547,061)
Net position beginning of year	63,703,927	3,135,544	2,791,605	13,464,821	8,210,636	11,800,955	11,073,463	13,226,903
Net position end of year	$ 65,096,326	$ 3,536,873	$ 2,526,605	$ 14,692,041	$ 8,438,927	$ 12,474,150	$ 10,747,888	$ 12,679,842

The largest component of CCSNH's revenues is tuition and fees, which has continued to decrease on a gross basis in 2017, 2016, and 2015 due to overall decreased enrollment and a change in the mix of tuition credits from higher rate credits to lower rate credits. CCSNH, along with community colleges nationwide, generally operates counter-cyclically to the economy as a whole. With improving economic conditions over the past 6 years, there is less desire on the part of individuals to further their education. Other revenue includes grants and contracts and other auxiliary enterprises. Driven by grant activity, other revenue decreased in 2017 by $4,627,541 and decreased by $2,591,827 in 2016. Specifically, the U.S. Department of Labor H-1B Job Training Grant and U.S. Department of Labor Trade Adjustment Act – Community College Career and Training programs were in their final years at the campuses for 2016 and 2017. Overall, total operating revenue was down in 2017 by $3,770,756 and down in 2016 by $4,985,092.

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 in 2017 by $1,723,392 due to an increase in the pension expense of $2,717,000, netted against salary reductions primarily related to decreases in the workforce due to a decrease in grant funded programs and lower credits sold. Employee compensation and benefits decreased in 2016 by $5,147,051 due to decreases in the workforce in relation to lower credits sold and the decrease in grant-funded positions.

Other operating expenses decreased by $984,670 in 2017, primarily due to nonrecurring costs in 2016 related to software implementation and less maintenance fees. Other operating expenses increased by $1,249,829 in 2016 due to increases in small equipment spending, off-site rental facilities for student housing at Lakes Region Community College, and software license and maintenance fees.

Nonoperating revenues and other changes in net position increased by $888,757 in 2017 driven by strong market performance in the current year, which offset some decreased revenue in capital appropriations. In 2016 nonoperating revenues increased $9,234,347 due to an increase in capital expenditures paid by the State of New Hampshire, nonexpendable contributions and an increase in the capital grant revenue, as well as a nonrecurring loss in 2015 on sale of capital assets of $2,174,382. In addition, CCSNH recorded an allowance for loan losses on its note receivable of approximately $398,000 during the year ended June 30, 2016.

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.

	Years Ended June 30,		
	2017	2016	2015
Net cash used - operating activities	**$ (39,829,026)**	$ (38,342,641)	$ (41,031,313)
Net cash provided - noncapital financing activities	**45,160,195**	43,925,313	42,155,000
Net cash used - capital and related financing activities	**(3,734,746)**	(731,827)	(6,619,158)
Net cash provided (used) - investing activities	**(872,188)**	125,173	33,273
Net (decrease) increase in cash and cash equivalents	**724,235**	4,976,018	(5,462,198)
Cash and cash equivalents, beginning of year	**9,231,390**	4,255,372	9,717,570
Cash and cash equivalents, end of year	**$ 9,955,625**	$ 9,231,390	$ 4,255,372

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 increased by $724,235 during 2017 primarily due to an increase in the appropriations from the State of New Hampshire.

Cash and cash equivalents increased by $4,976,018 during 2016 due to lower compensation and benefit expenses netted with a decrease of tuition and fees and grant revenue. In addition, net cash used by capital and related financing activities decreased as more projects, including the student center at GBCC and the automotive building at LRCC, were funded through State 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 and additional Lebanon campus), Manchester Community College (student center and electrical building), Great Bay Community College (student center) and Lakes Region Community College (automotive building and health and science building). During the years ended June 30, 2017, 2016 and 2015, CCSNH paid $5,622,915, $10,521,993 and $10,077,294 for capital asset additions, respectively.

Most of CCSNH's construction projects are paid for by the State through its capital budget. However, certain projects (i.e., dorms, student centers, etc.), 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, 2017, $940,454 of CCSNH's bonds payable were advance refunded through the issuance of new general obligation refunding bonds with an original principal amount of $4,936,671.

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.

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 improve. Simultaneously, CCSNH continues to look for new markets for enrollment growth that align with the economic needs of New Hampshire's industries.

CCSNH is working to realign its organizational structure and operating expense base to meet new forecasts for revenue growth.

Over the past few years, CCSNH's non-student financial aid federal grant activity has increased significantly. Fiscal 2015 marked the end of the $19.9 million U.S. Department of Labor Trade Adjustment Act – Community College Career and Training (TAACCCT) program grant, with smaller TAACCCT grant awards continuing 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 voted to increase tuition from $200 per credit to $210 per credit for the 2017-2018 academic year.

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

Statements of Net Position

June 30, 2017 and 2016

	Community College System of New Hampshire		Community Colleges of New Hampshire Foundation	
	2017	Restated 2016	**2017**	Restated 2016
Assets				
Current assets				
Cash and cash equivalents	**$ 9,955,625**	$ 9,231,390	**$ 139,716**	$ 1,009,299
Other current assets	**1,147,151**	1,164,170	**50,113**	3,774
Current portion of note receivable	**133,268**	121,401	**-**	-
Grants and contracts receivable	**697,948**	1,242,889	**-**	-
Operating investments	**8,650,231**	8,547,806	**-**	-
Due from State of New Hampshire for capital appropriations	**1,996,125**	778,835	**-**	-
Total current assets	**22,580,348**	21,086,491	**189,829**	1,013,073
Noncurrent assets				
Student loans receivable, net	**546,375**	611,488	**-**	-
Note receivable, net	**1,623,514**	1,845,195	**-**	-
Investments	**15,954,312**	13,183,889	**3,732,741**	15,616,385
Capital assets, net	**119,330,044**	121,715,102	**-**	-
Total noncurrent assets	**137,454,245**	137,355,674	**3,732,741**	15,616,385
Total assets	**160,034,593**	158,442,165	**3,922,570**	16,629,458
Deferred outflows of resources - pension	**20,060,746**	6,992,021	**-**	-
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	**1,193,203**	1,384,418	**-**	4,456
Accounts payable for capital assets	**670,933**	295,017	**-**	-
Accrued salaries and benefits	**6,490,908**	6,319,976	**-**	-
Unearned revenue and deposits	**1,376,151**	1,095,423	**-**	-
Current portion of bonds payable	**2,122,925**	1,818,111	**-**	-
Current portion of other long-term liabilities	**114,335**	1,023,614	**-**	13,183,889
Total current liabilities	**11,968,455**	11,936,559	**-**	13,188,345
Noncurrent liabilities				
Due to the State of New Hampshire	**6,438**	3,339,502	**-**	-
Accrued salaries and benefits	**3,882,090**	4,032,303	**-**	-
Refundable advances	**554,950**	684,253	**-**	-
Net pension liability	**72,213,216**	60,334,154	**-**	-
Bonds payable	**17,053,847**	15,180,554	**-**	-
Other long-term liabilities	**1,710,669**	1,826,704	**-**	-
Total noncurrent liabilities	**95,421,210**	85,397,470	**-**	-
Total liabilities	**107,389,665**	97,334,029	**-**	13,188,345
Deferred inflows of resources				
Pension	**7,191,217**	3,940,397	**-**	-
Deferred gain from advance refunding of bonds	**418,131**	455,833	**-**	-
Total deferred inflows of resources	**7,609,348**	4,396,230	**-**	-
Net position, as restated				
Invested in capital assets, net of related debt	**97,239,205**	102,031,934	**-**	-
Restricted nonexpendable	**12,873,853**	11,519,279	**1,545,356**	1,498,475
Restricted expendable	**4,041,565**	4,147,691	**1,985,184**	1,553,223
Unrestricted	**(49,058,297)**	(53,994,977)	**392,030**	389,415
Total net position	**$ 65,096,326**	$ 63,703,927	**$ 3,922,570**	$ 3,441,113

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, 2017 and 2016

	Community College System of New Hampshire		Community Colleges of New Hampshire Foundation	
	2017	Restated 2016	**2017**	Restated 2016
Operating revenues				
Tuition and fees	**$ 67,178,863**	$ 68,943,700	**$ -**	$ -
Less scholarships	**(19,247,744)**	(21,869,366)	**-**	-
Net tuition and fees	**47,931,119**	47,074,334	**-**	-
Grants and contracts	**21,345,849**	26,451,403	**-**	-
Contributions	**-**	-	**608,595**	1,171,705
Other auxiliary enterprises	**3,578,354**	3,155,812	**-**	-
Other operating revenue	**4,169,419**	4,113,948	**-**	-
Total operating revenues	**77,024,741**	80,795,497	**608,595**	1,171,705
Operating expenses				
Employee compensation and benefits	**93,526,097**	91,802,705	**-**	-
Other operating expenses	**23,219,908**	24,414,546	**710,711**	792,875
Utilities	**2,898,154**	2,889,918	**-**	-
Depreciation	**8,383,889**	8,182,157	**-**	-
Total operating expenses	**128,028,048**	127,289,326	**710,711**	792,875
Operating (loss) income	**(51,003,307)**	(46,493,829)	**(102,116)**	378,830
Nonoperating revenues (expenses)				
State of New Hampshire appropriations	**43,775,000**	42,500,000	**-**	-
Write-down of note receivable	**-**	(398,310)	**-**	-
Contributions for long-term purposes	**-**	-	**46,881**	28,476
Investment return used for operations	**616,433**	481,301	**121,241**	69,233
Investment return excluding amount used for operations	**1,384,227**	(848,639)	**415,451**	-
Interest expense on capital debt	**(848,157)**	(886,692)	**-**	-
Nonoperating revenues, net	**44,927,503**	40,847,660	**583,573**	97,709
(Loss) income before other changes in net position	**(6,075,804)**	(5,646,169)	**481,457**	476,539
Other changes in net position				
State of New Hampshire capital appropriation	**5,421,823**	7,727,797	**-**	-
Capital grants and contracts	**661,185**	1,506,179	**-**	-
Nonexpendable contributions	**1,385,195**	1,425,313	**-**	-
Total other changes in net position	**7,468,203**	10,659,289	**-**	-
Increase in net position	**1,392,399**	5,013,120	**481,457**	476,539
Net position, beginning of year, as previously stated	**63,703,927**	46,491,590	**3,441,113**	15,163,791
Prior period adjustment	**-**	12,199,217	**-**	(12,199,217)
Net position, beginning of year, as restated	**63,703,927**	58,690,807	**3,441,113**	2,964,574
Net position, end of year	**$ 65,096,326**	$ 63,703,927	**$ 3,922,570**	$ 3,441,113

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, 2017 and 2016

	Community College System of New Hampshire	
	2017	2016
Cash flows from operating activities		
Receipts from tuition and fees	**$ 48,078,384**	$ 46,720,364
Receipts from grants and contracts	**22,136,326**	27,882,703
Receipts from auxiliary enterprises	**3,578,354**	3,155,812
Payments to suppliers	**(26,125,361)**	(27,947,657)
Payments to employees	**(91,444,221)**	(92,570,010)
Other cash receipts	**3,947,492**	4,416,147
Net cash used for operating activities	**(39,829,026)**	(38,342,641)
Cash flows from noncapital financing activities		
State of New Hampshire appropriations	**43,775,000**	42,500,000
Contributions for long-term purposes	**1,385,195**	1,425,313
Net cash provided by noncapital financing activities	**45,160,195**	43,925,313
Cash flows from capital and related financing activities		
Appropriations from the State of New Hampshire for capital expenditures	**4,204,533**	10,314,834
Payments made to the State of New Hampshire for capital accounts payable	**(3,333,064)**	-
Capital grants and contracts received	**661,185**	1,506,179
Purchase of capital assets	**(5,622,915)**	(10,521,993)
Payments received on notes receivable	**88,581**	70,687
Proceeds from borrowing on other long-term liabilities	**4,936,671**	1,600,000
Principal on bonds payable and other liabilities	**(3,783,878)**	(2,758,288)
Interest on bonds payable and other liabilities	**(885,859)**	(943,246)
Net cash used for capital and related financing activities	**(3,734,746)**	(731,827)
Cash flows from investing activities		
Receipt of assets held by Foundation	**13,757,410**	-
Proceeds from sales and maturities of investments	**-**	1,483,194
Purchase of investments	**(14,948,458)**	-
Transfer of contributions to the Foundation	**-**	(1,425,313)
Interest and dividends received	**318,860**	67,292
Net cash (used for) provided by investing activities	**(872,188)**	125,173
Net increase in cash and cash equivalents	**724,235**	4,976,018
Cash and cash equivalents, beginning of year	**9,231,390**	4,255,372
Cash and cash equivalents, end of year	**$ 9,955,625**	$ 9,231,390

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, 2017 and 2016

	Community College System of New Hampshire	
	2017	2016
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	**$ (51,003,307)**	$ (46,493,829)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	**8,383,889**	8,182,157
Change in allowance	**121,233**	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Other current assets	**17,019**	119,481
Student loans receivable	**65,113**	57,567
Grants receivable	**544,941**	1,658,412
Deferred outflows of resources - pension	**(13,068,725)**	656,785
Accounts payable and accrued expenses	**(191,215)**	(542,457)
Accrued salaries and benefits	**20,719**	15,546
Deferred revenue and deposits	**280,728**	(341,310)
Net pension liability	**11,879,062**	2,074,357
Refundable advances	**(129,303)**	(215,357)
Deferred inflows of resources - pension	**3,250,820**	(3,513,993)
Net cash used for operating activities	**$ (39,829,026)**	$ (38,342,641)
Reconciliation of noncash activity		
Acquisition of capital assets	**$ 5,998,831**	$ 9,911,716
Less acquisition of capital assets included in accounts payable at year-end	**(670,933)**	(295,017)
Less acquisition of capital assets financed by capital leases	**-**	(279,734)
Add payments on short-term trade accounts used to finance acquisition of capital assets	**295,017**	1,185,028
Payments for the acquisition of capital assets	**$ 5,622,915**	$ 10,521,993

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

Nature of Business

The Community College System of New Hampshire (CCSNH or the System) 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); and
- 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 22 voting members appointed by the Governor and Executive Council and 2 voting members who are full time students enrolled within CCSNH and are elected by the student body. 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, contributions, 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.

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.

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, 2017 and 2016 are reported net of an allowance for loan losses of $524,473 and $500,798, respectively.

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.

Investments

CCSNH and the Foundation carry investments at their fair value. Fair value is estimated using the methods described in Note 8. 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 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 the 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 and vehicles	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.

Note Receivable

During the year ended June 30, 2015, GBCC sold its former Stratham New Hampshire Campus 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 is expected to be paid in monthly installments of $13,865, including interest at 3%, through September 14, 2024. All outstanding principal and interest is expected to be repaid on October 14, 2024, which is expected to amount to approximately $1,500,000. The note receivable balance as of June 30, 2017 and 2016 was $1,756,782 and $1,966,596, respectively. The balance at June 30, 2017 and 2016 is shown net of an allowance for loan losses of approximately $520,000 and $398,000, respectively.

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, 2016, CCSNH paid $916,667 to the State. During 2017, CCSNH paid the final payment of $916,667 to the State.

Unearned Revenue and Deposits

Unearned 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 termination of CCSNH's participation in the program. The portion that would be refundable if the programs were terminated as of June 30, 2017 and 2016 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 has been determined on the same basis as it is reported by the NHRS. 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. NHRS's financial statements are prepared using the accrual basis of accounting. Both plan member and employer contributions are recognized in the period in which contributions are legally due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for these investments. Investments in non-registered commingled funds are valued at net asset value as a practical expedient to estimate fair value.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, financial statements will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

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, and increased or reduced by deferred inflows and deferred outflows related to 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 CCSNH are recorded as receivables and revenues when the CCSNH 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.

Operating Revenues and Expenses

Operating revenues consist of tuition and fees; federal, state and other grants and contracts; sales and services of education activities; and auxiliary enterprises revenues. Operating expenses include instruction, public service, academic support, student services, institutional support, operations and maintenance, student aid, auxiliary enterprises and residential life and depreciation and amortization. All other revenues and expenses of the System are reported as other or nonoperating revenues and expenses, including state general appropriations, noncapital gifts, short-term investment income, interest expense and capital additions and deductions. Capital items represent all other changes in long-term plant and endowment net assets. Revenues are recognized when earned and expenses are recognized when incurred. Restricted grant revenue is recognized only to the extent expended for expenditure driven grants or, in the case of fixed-price contracts, when the contract terms are met or completed.

Income Taxes

The Internal Revenue Service has determined that CCSNH is a wholly-owned instrumentality of the State of New Hampshire and, as such, is generally exempt from federal income tax. The Foundation is exempt from income taxes because it is a 501(c)(3) organization.

If an exempt organization regularly carries on a trade or business not substantially related to its exempt purpose, except that it provides funds to carry out that purpose, the organization is subject to tax on its income from that unrelated trade or business. The System has evaluated the positions taken on its business activities and has concluded no unrelated business income tax exists at June 30, 2017 and 2016.

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.

New Accounting Pronouncements Not Yet Effective

In June 2015, GASB issued Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes new accounting and financial reporting requirements for governmental entities whose employees are provided with other post-employment benefits (OPEB). In general, the provisions relating to reporting OPEB liabilities are effective for years beginning after June 15, 2017. Management is currently evaluating the impact this Statement will have on the System's financial statements.

In June 2017, GASB issued Statement No. 87, Leases. This statement is effective for financial periods beginning after December 15, 2019, and earlier application is encouraged. Management is currently evaluating the impact this Statement will have on the System's financial statements.

Reclassifications

Certain financial statement amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

2. 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, 2017 and 2016, CCSNH's uncollateralized uninsured cash and cash equivalents were approximately $9,580,000 and $8,680,000, 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 $500,000, $250,000 per financial institution.

3. Capital Assets

Capital asset activity for the year ended June 30, 2017 is summarized below:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	**$ 924,340**	**$ -**	**$ -**	**$ -**	**$ 924,340**
Construction-in-process	**2,542,562**	**4,664,378**	**-**	**(3,072,340)**	**4,134,600**
Total non-depreciable assets	**3,466,902**	**4,664,378**	**-**	**(3,072,340)**	**5,058,940**
Land improvements	**6,726,714**	**27,496**	**-**	**-**	**6,754,210**
Buildings and improvements	**183,051,701**	**84,343**	**-**	**3,072,340**	**186,208,384**
Equipment and vehicles	**17,840,767**	**1,222,614**	**(445,624)**	**-**	**18,617,757**
Total depreciable assets	**207,619,182**	**1,334,453**	**(445,624)**	**3,072,340**	**211,580,351**
Accumulated depreciation	**(89,370,982)**	**(8,383,889)**	**445,624**	**-**	**(97,309,247)**
Capital assets, net	**$121,715,102**	**$ (2,385,058)**	**$ -**	**$ -**	**$119,330,044**

Capital asset activity for the year ended June 30, 2016 is summarized below:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	$ 924,340	$ -	$ -	$ -	$ 924,340
Construction-in-process	12,404,071	7,119,810	-	(16,981,319)	2,542,562
Total non-depreciable assets	13,328,411	7,119,810	-	(16,981,319)	3,466,902
Land improvements	5,838,983	830,600	-	57,131	6,726,714
Buildings and improvements	165,153,141	974,372	-	16,924,188	183,051,701
Equipment and vehicles	17,360,775	1,068,284	(588,292)	-	17,840,767
Total depreciable assets	188,352,899	2,873,256	(588,292)	16,981,319	207,619,182
Accumulated depreciation	(81,695,767)	(8,182,157)	506,942	-	(89,370,982)
Capital assets, net	$119,985,543	$ 1,810,909	$ (81,350)	$ -	$121,715,102

4. Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued salaries and benefits	**$ 10,352,279**	**$ 20,719**	**$ -**	**$ 10,372,998**	**$ 6,490,908**
Due to the State	**3,339,502**	**-**	**(3,333,064)**	**6,438**	**-**
Refundable advances	**684,253**	**-**	**(129,303)**	**554,950**	**-**
Net pension liability	**60,334,154**	**11,879,062**	**-**	**72,213,216**	**-**
Bonds payable	**16,998,665**	**4,936,671**	**(2,758,564)**	**19,176,772**	**2,122,925**
Other long-term liabilities	**2,850,318**	**-**	**(1,025,314)**	**1,825,004**	**114,335**
Long-term liabilities	**$ 94,559,171**	**$ 16,836,452**	**$ (7,246,245)**	**$104,149,378**	**$ 8,728,168**

During the year ended June 30, 2015, CCSNH received $1,854,293 from the State to fund a certain capital project. During the year ended June 30, 2016, CCSNH incurred $1,485,209 of additional costs related to that capital project. During the year ended June 30, 2017, the amounts previously received from the State for the project were converted to a bond payable.

Changes in long-term liabilities during the year ended June 30, 2016 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued salaries and benefits	$ 10,336,733	$ 15,546	$ -	$ 10,352,279	$ 6,319,976
Due to the State	1,854,293	1,485,209	-	3,339,502	-
Refundable advances	899,610	-	(215,357)	684,253	-
Net pension liability	58,259,797	2,074,357	-	60,334,154	-
Bonds payable	18,774,928	-	(1,776,263)	16,998,665	1,818,111
Other long-term liabilities	1,952,609	1,879,724	(982,015)	2,850,318	1,023,614
Long-term liabilities	$ 92,077,970	$ 5,454,836	$ (2,973,635)	$ 94,559,171	$ 9,161,701

Other Long-Term Liabilities

Future minimum payments under other long-term liabilities, which include capital leases, a note payable to the State (as discussed in Note 1), and a note payable to U.S. Department of Agriculture (USDA), as of June 30, 2017 are as follows:

Year ending June 30,	Principal	Interest	Total
2018	$ 114,335	$ 72,158	$ 186,493
2019	93,650	64,567	158,217
2020	67,462	59,851	127,313
2021	65,251	55,719	120,970
2022	22,404	53,436	75,840
2023 - 2027	125,031	254,169	379,200
2028 - 2032	149,835	229,365	379,200
2033 - 2037	179,561	199,639	379,200
2038 - 2042	215,183	164,017	379,200
2043 - 2047	257,873	121,327	379,200
2048 - 2052	309,032	70,168	379,200
2053 - 2055	225,387	13,451	238,838
	$ 1,825,004	$ 1,357,867	$ 3,182,871

During 2016, RVCC entered into an agreement with USDA in the amount of $1,600,000 to finance the purchase a building in Lebanon, New Hampshire. The note payable is to be repaid over 40 years at a fixed interest rate of 3.625%. As of June 30, 2017 and 2016, the balance due to USDA was $1,566,234 and $1,584,929, respectively.

The original cost basis of leased capital assets as of June 30, 2017 and 2016 was $279,734. Accumulated depreciation includes $111,894 and $94,571 as of June 30, 2017 and 2016 for the leased capital assets, respectively.

Bonds Payable

Bonds payable consisted of the following at June 30:

	2017	2016
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 $246,814 and interest rates from 4.00% to 4.25%. These bonds were refunded as part of the issuance of the 2017 Series A General Obligation bonds.	**$ -**	$ 778,856
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%.	**463,957**	927,915
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%.	**128,504**	257,007
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%.	**2,900,000**	3,200,000
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%.	**1,790,892**	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%.	**434,476**	568,251
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%. A portion of these bonds were refunded as part of the issuance of the 2017 Series A General Obligation bonds.	**4,320,000**	4,920,000
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%. A portion of these bonds were refunded as part of the issuance of the 2017 Series A General Obligation bonds.	**1,439,458**	1,733,107
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%.	**2,762,813**	2,762,813

2016 Series A General Obligation Refunding Bonds (original principal of $921,602) maturing through 2028 with annual principal payments beginning in 2018 ranging from $36,734 to $192,626 and interest rates from 1.88% to 2.50%.	**921,602**	-
2017 Series A General Obligation Bonds (original principal of $4,015,070) maturing through 2036 with annual principal payments beginning in 2018 ranging from $160,464 to $267,756 and interest rates from 2.25% to 4.80%.	**4,015,070**	-
	$ 19,176,772	$ 16,998,665

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 an 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. At June 30, 2017 and 2016, the unamortized deferred gain from advance refunding of the bonds was $418,131 and $455,833, respectively.

Principal and interest payments on bonds payable for the next five years and in subsequent five-year periods are as follows at June 30, 2017:

Year ending June 30,	Principal	Interest	Total
2018	$ 2,122,925	$ 841,757	$ 2,964,682
2019	2,160,870	737,822	2,898,692
2020	2,104,679	631,289	2,735,968
2021	1,571,612	542,589	2,114,201
2022	1,450,456	475,717	1,926,173
2023 - 2027	5,781,876	1,444,927	7,226,803
2028 - 2032	3,022,737	416,385	3,439,122
2033 - 2037	961,617	58,741	1,020,358
	$ 19,176,772	$ 5,149,227	$ 24,325,999

Interest expense related to the bonds for the years ended June 30, 2017 and 2016 was $768,390 and $825,200, respectively.

5. 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 60 years of age. However, a member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining 65 years of age. 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 ¼ 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.

Commencing July 1, 2011, all Group I employees are responsible to accrue contributions at 7.00% 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 12.50% of covered payroll for the two-year period ended June 30, 2017. Effective July 1, 2017, the contribution rate decreased to 12.15% and will remain fixed through June 30, 2019.

For the years ended June 30, 2017 and 2016, employer contributions to the Pension Plan were $5,080,526 and $5,090,600, respectively.

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

At June 30, 2017 and 2016, respectively, CCSNH reported a liability of $72,213,216 and $60,334,154 for its proportionate share of the net pension liability. The 2016 net pension liability is based on an actuarial valuation performed as of June 30, 2015 and a measurement date of June 30, 2016. The net pension liability was rolled forward from June 30, 2015 to June 30, 2016. 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, 2017 and 2016, CCSNH's proportion of the net pension liability was 1.3580% and 1.5230%, respectively.

During the years ended June 30, 2017 and 2016, CCSNH recognized pension expense of $6,913,814 and $4,197,027, respectively.

At June 30, 2017, CCSNH reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 200,680	$ 911,873
Changes in assumptions	8,887,151	-
Net difference between projected and actual investment earnings on pension plan investments	4,518,030	-
Changes in proportion and differences between employer contributions and share of contributions	1,374,359	6,279,344
Contributions subsequent to the measurement date	5,080,526	-
Balances as of June 30, 2017	$ 20,060,746	$ 7,191,217

At June 30, 2016, CCSNH reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,323,973
Net difference between projected and actual investment earnings on pension plan investments	-	1,612,502
Changes in proportion and differences between employer contributions and share of contributions	1,901,421	1,003,922
Contributions subsequent to the measurement date	5,090,600	-
Balances as of June 30, 2016	$ 6,992,021	$ 3,940,397

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 ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a decrease in pension expense as follows:

Year ending June 30,	
2018	$ 1,439,520
2019	1,439,520
2020	2,863,237
2021	1,980,763
2022	65,963
	$ 7,789,003

The total pension liability was determined by a roll-forward of the actuarial valuation as of June 30, 2016 using the following actuarial assumptions, which, accordingly, apply to 2017 measurements:

Inflation	2.5%
Salary increases	5.60% average, including inflation
Investment rate of return	7.25%, net of investment expense, including inflation

The total pension liability was determined by a roll-forward of the actuarial valuation as of June 30, 2015 using the following actuarial assumptions, which, accordingly, apply to 2016 measurements:

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

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015.

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.

The following table presents target allocations and the geometric real rates of return for 2015 and 2016:

			Weighted Average Long-Term Expected Real Rate of Return	
Asset Class	Target Allocation 2016	Target Allocation 2015	2016	2015
Large cap equities	22.50 %	22.50 %	4.25 %	3.00 %
Small/mid cap equities	7.50	7.50	4.50	3.00
Total domestic equity	30.00	30.00		
International equities (unhedged)	13.00	13.00	4.75	4.00
Emerging international equities	7.00	7.00	6.25	6.00
Total international equities	20.00	20.00		
Core bonds	5.00	4.50	0.64	(0.70)
Short duration	2.0	2.50	(0.25)	(1.00)
Global multi-sector fixed income	11.00	11.00	1.71	0.28
Unconstrained fixed income	7.00	7.00	1.08	0.16
Total fixed income	25.00	25.00		
Private equity	5.00	5.00	6.25	5.50
Private debt	5.00	5.00	4.75	4.50
Opportunistic	5.00	5.00	3.68	2.75
Total alternative investments	15.00	15.00		
Real estate	10.00	10.00	3.25	3.50
Total	100.00 %	100.00 %		

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

Sensitivity Analysis

The following presents CCSNH's proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
CCSNH's proportionate share of the net pension liability	$ 92,789,064	$ 72,213,216	$ 55,148,812

6. 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, post-employment, 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, 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, 2017 and 2016. CCSNH's contributions to NHRS for the OPEB Plans for the years ended June 30, 2017 and 2016 were $694,802 and $738,178, respectively, which were equal to its annual required contributions.

7. 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, 2017 are as follows:

Year ending June 30,	
2018	$ 1,370,951
2019	1,130,975
2020	573,448
2021	362,602
2022	188,999
	$ 3,626,975

Total expense related to operating leases (with initial or remaining lease terms in excess of one year) amounted to $1,231,181 and $901,837 for the years ended June 30, 2017 and 2016, respectively. CCSNH signed additional operating leases after June 30, 2017 with total commitments of approximately $330,000 with various expiration dates ranging through the year ending June 30, 2019.

Union Contracts

Substantially all of CCSNH's employees are covered by a collective bargaining agreement, except for executive officers and confidential personnel. As of March 2017, CCSNH full-time faculty were represented by the NH Higher Education Union (NHHEU), which is part of the International Brotherhood of Electrical Workers (IBEW), 2320. CCSNH staff are currently represented by the State Employees' Association of New Hampshire, Inc. (SEA), which is part of the Service Employees International Union Local 1984, CTW, CLC (SEIU). The current collective bargaining agreement for full-time and part-time staff has a period of October 25, 2017 through September 30, 2019. The collective bargaining agreement for full-time faculty expired on June 30, 2015, however, the provisions of the collective bargaining agreement remain in place due to an evergreen provision. CCSNH and the NHHEU are currently engaged in contract negotiations for the full-time faculty bargaining unit.

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 October 25, 2017 through December 31, 2018.

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.

Commitments

CCSNH has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2017:

	Expended through June 30, 2017	Committed Future Costs	Total Committed Costs of Project
MCC	3,928,285	3,488,882	7,417,167
NCC	171,126	140,824	311,950
WMCC	10,780	335,979	346,759
Total	$ 4,110,191	$ 3,965,685	$ 8,075,876

At June 30, 2017 and 2016, invoices related to construction projects of $670,933 and $295,017, respectively, were included in accounts payable.

8. Investments

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a fair value hierarchy for investments that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are securities listed in active markets. The Foundation has valued its investments, listed on national exchanges, at the last sales price as of the day of the valuation.

- Level 2: Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets which are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset of liability. The fair values are therefore determined using model-based techniques that incorporate these inputs.
- Level 3: Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include discounted cash flow models and similar techniques.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with those investments.

CCSNH

CCSNH operating investments consist of 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.

The System manages interest rate risk according to its investment policy by maintaining investments that are both liquid, as determined by a readily available market, and highly diversified, using institutional class mutual funds or exchange-traded funds.

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.

As of June 30, 2017 and 2016, CCSNH's investments included in the statements of net position were exposed to custodial credit risk. The investments were held by the counterparty, in the name of CCSNH.

Investments held by CCSNH were comprised of the following at June 30, 2017:

	Level 1	**Level 2**	**Level 3**
Equity mutual funds	**$ 10,238,067**	**$ -**	**$ -**
Fixed-income mutual funds	**14,366,476**	**-**	**-**
Total	**$ 24,604,543**	**$ -**	**$ -**

Investments held by CCSNH were comprised of the following at June 30, 2016:

	Level 1	Level 2	Level 3
Assets held by Foundation	$ 13,183,889	$ -	$ -
Fixed-income mutual funds	8,547,806	-	-
Total	$ 21,731,695	$ -	$ -

A summary of fixed-income mutual fund maturities as of June 30, 2017 is as follows:

Amount	Maturities
$ 4,202,850	**5.4 years**
315,543	**3.5 years**
179,276	**3.0 years**
9,668,807	**Less than a year**
$ 14,366,476	

The maturities are the weighted averages of the debt securities in which the funds invest.

The System has not defined a limit in its investment policies regarding the amount that can be placed with one issuer. However, the investment policy defines that the portfolio should be well diversified as to limit exposure to one issuer or security. As of June 30, 2017, individual investments representing more than 5% of the System's investments were as follows:

	Percentage of Investments
Fidelity Conservative Income Bond	35.3 %
Strategic Advisors Core Fund	12.0
Strategic Advisors Growth Fund	5.6
Strategic Advisors Value Fund	5.7
Strategic Advisors International Fund	8.9
Strategic Advisors Core Income Fund	17.2

During the year ended June 30, 2017, certain investments previously managed by and held at the Foundation were transferred to the System.

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 held by the Foundation were comprised of the following at June 30, 2017:

	Level 1	Level 2	Level 3
Equities	$ 2,892,038	$ -	$ -
Fixed-income	840,703	-	-
Total	$ 3,732,741	$ -	$ -

Investments held by the Foundation were comprised of the following at June 30, 2016:

	Level 1	Level 2	Level 3
Equities	$ 10,694,664	$ -	$ -
Fixed-income	1,671,093	1,513,162	-
Real estate - public real estate investment trusts	1,246,034	-	-
Tangible assets - commodities	491,432	-	-
Total	$ 14,103,223	$ 1,513,162	$ -

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Foundation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

9. Risk Management

CCSNH is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disaster for which CCSNH carried insurance.

CCSNH has insurance coverage that includes automotive, crime, employment practices, fire, general liability, pollution, theft, and workers' compensation. There have been no significant changes in insurance coverage during the past fiscal year. Settlements did not exceeds coverage amounts during fiscal years 2017 and 2016.

10. Prior Period Adjustment

The 2016 financial statements have been restated to present investments and related activity previously presented under the Foundation as assets and net position of CCSNH, as the Foundation was the fiscal agent of CCSNH with respect to these investments. The restatement resulted in an increase in net position as of July 1, 2015 of $12,199,217 for CCSNH and a decrease in net position for the Foundation for the same amount. Investment income and contributions for 2016 were also reclassified from the Foundation to CCSNH in the statement of revenues, expenses and changes in net position resulting in an increase in the change in net position for CCSNH of $984,674 and a decrease in the change in net assets for the Foundation of the same amount.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Funding Progress (Unaudited)

June 30, 2017

Schedule of Collective Net Pension Liability *

	June 30, 2016	2015	2014	2013
Employer proportion of the collective net pension liability	1.3580 %	1.5230 %	1.5521 %	1.4834 %
Employer's proportionate share of the collective net pension liability	$72,213,216	$60,334,154	$58,259,797	$63,843,950
Employer's covered-employee payroll	$39,462,000	$38,603,000	$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	183 %	156 %	123 %	147 %
Plan fiduciary net position as a percentage of the total pension liability	58.30 %	65.47 %	66.32 %	59.81 %

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

Schedule of Employer Contributions *

	June 30 2017	2016	2015	2014	2013
Required employer contribution	**$ 5,080,526**	$ 5,090,600	$ 5,109,493	$ 4,923,636	$ 3,688,122
Actual employer contribution	**$ 5,080,526**	$ 5,090,600	$ 5,109,493	$ 4,923,636	$ 3,688,122
Excess/(deficiency) of employer contributions	**$ -**	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	**$35,391,000**	$39,462,000	$38,603,000	$47,442,000	$43,413,000
Employer contribution as a percentage of the employer's covered-employee payroll	**14.36 %**	12.90 %	13.24 %	10.38 %	8.50 %

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

Schedule of Funding Progress (Unaudited) (Concluded)

June 30, 2017

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 Fiscal Year 2015 contributions June 30, 2014 for determining the Fiscal Year 2016 contributions June 30, 2015 for determining the Net Pension Liability
Changes of assumptions:	The roll-forward of total pension liability from June 30, 2014 to June 30, 2015 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.

Actuarial determined contribution rates for the 2016-2017 biennium were determined based on the June 30, 2013 actuarial valuation.

Actuarial determined contribution rates for the 2018-2019 biennium were determined based on the June 30, 2015 actuarial valuation.

For amounts reported in 2016 and later, the mortality table used was changed from RP-2000 Mortality Table projected to 2020 with Scale AA used in 2015 and 2014 to RPH-2014 Employee Generational Mortality Table adjusted for mortality improvements using Scale MP-2015.

For amounts reported in 2016 and later, the discount rate as well as the investment rate of return used to measure the total pension liability were decreased to 7.25% from the rates of 7.75% used in 2015, 2014 and 2013.

For amounts reported in 2016 and later, the assumed inflation rate used to measure the total pension liability was increased to 2.5% from the rates of 3.0% used in 2015, 2014 and 2013.

For amounts reported in 2016 and later, the assumed salary increase rate used to measure the total pension liability was changed to 5.60% from the rates of 3.75% to 3.8% used in 2015, and 3.75% to 5.8% used in 2014 and 2013.

BerryDunn

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, 2017, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements, and have issued our report thereon dated November 28, 2017. 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 have not been identified. Given these limitations, during our audit we not did identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs under finding number 2017-001, that we considered to be a significant deficiency.

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 Response to Finding

CCSNH's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. CCSNH's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Bangor, Maine
November 28, 2017

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 THE UNIFORM GUIDANCE

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 *OMB Compliance Supplement* that could have a direct and material effect on each of CCSNH's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Uniform Guidance. These functions were performed by Heartland 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 Uniform Guidance that are applicable to the major programs in which CCSNH participates are addressed in either our audit or the report of the service organization's accountants. Further, 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 the 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, 2017.

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 the Uniform Guidance, 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 the 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 Uniform Guidance. Internal control over these compliance requirements was 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 upon 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditure of Federal Awards Required by the Uniform Guidance

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, 2017, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements. We issued our report thereon dated November 28, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions 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 the Uniform Guidance 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 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

Bangor, Maine
November 28, 2017

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, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of Education			
Student Financial Assistance Cluster - Direct			
Federal Direct Student Loans	84.268		$ 41,225,929
Federal Perkins Loan Program	84.038		1,180,537
Federal Work-Study Program	84.033		268,174
Federal Pell Grant Program	84.063		16,442,873
Federal Supplemental Educational Opportunity Grants	84.007		382,680
Total Student Financial Assistance Cluster			59,500,193
New Hampshire Department of Education - Passed-Through			
Career and Technical Education - Basic Grants to States			
	84.048	65000	7,348
	84.048	65039	58,649
	84.048	75000	1,013,601
Total CFDA number 84.048			1,079,598
Mathematics and Science Partnerships	84.366	S366B140030	77,873
Total United States Department of Education			60,657,664
Japan U.S. Friendship Commission - Passed Through			
Northern Border Regional Commission			
Northern Border Regional Development	90.601	NBRC-15-G-NH-0005	4,524
United States Department of Labor			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		1,561,570
WIA Dislocated Worker Formula Grants	17.278		119,441
H-1B Job Training Grants	17.268		1,357,937
Apprenticeship Grants	17.285		178,834
Total United States Department of Labor			3,217,782

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, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of Agriculture			
Rural Energy for America Program	10.868		5,143
United States Environmental Protection Agency			
Environmental Education Grants	66.951		3,006
Research and Development Cluster			
United States Department of Health and Human Services			
Trustees of Dartmouth College - Passed-Through			
Biomedical Research and Research Training	93.859	8P20GM103506	86,207
National Science Foundation			
Direct			
Engineering Grants	47.041		10,348
Education and Human Resources	47.076		43,478
University of New Hampshire - Passed-Through			
Office of Experimental Program to Stimulate Competitive Research	47.081	EPS1101245	25,975
Office of International Science and Engineering	47.079	EPS1101245	8,223
Total National Science Foundation			88,024
Total Research and Development Cluster			174,231
United States Department of Health and Human Services - Passed Through			
New Hampshire Department of Health and Human Services			
Child Care and Development Block Grant	93.575	G1401NHCCDF	150,000
Total Expenditures of Federal Awards			$ 64,212,350

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

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) for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the audit requirements of Title 2 U.S *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*, for federal agreements entered into before December 26, 2014, and the Uniform Guidance for federal agreements entered into on or after December 26, 2014, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

CCSNH has not elected to use the 10% de minimis indirect cost rate.

4. Federal Perkins Loan Program

The federal Perkins loan program is administered directly by CCSNH and balances and transactions relating to the program are included in the System's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of Perkins loans outstanding at June 30, 2017 was $1,040,071.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

Section I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	_____	Yes	X	No

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.268, 84.038, 84.033, 84.063, 84.007	U.S. Department of Education Student Financial Assistance Cluster
17.268	U.S. Department of Labor H-1B Job Training Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?	_____	Yes	X	No

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

Finding Number 2017-001

Criteria

Management is responsible for designing, implementing and maintaining effective internal controls over payroll.

Condition Found and Context

We noted during our payroll testing that the Payroll Manager has full access to the ADP Payroll software, which includes adding and removing employees, and changing rates and deductions of existing employees. The Payroll Manager is also the primary control over the payroll changes through her review of the payroll change report each pay period. We noted that starting in April of 2017, an individual in the Finance Department without access to the ADP payroll system started reviewing a payroll change report. This report is downloaded by the Payroll Manager from the ADP system and provided to the Finance Department for review.

Cause and Effect

CCSNH did not consider segregation of duties when assigning roles and responsibilities surrounding the payroll cycle. All changes made to the ADP Payroll software are monitored by one employee who is also the individual that makes all of the changes to the payroll software. Although CCSNH performs compensating controls related to the overall review of the monthly payroll registers, there is an increased risk that an employee is not being paid the proper rate or does not have the proper withholdings and deductions. In addition, there is a risk that a fictitious employee could be used to perpetrate fraudulent activity. In their attempt to remedy the finding from 2016, management of CCSNH also did not consider that the payroll change report could be modified by the Payroll Manager before it is given to the Finance Department to review.

Recommendation

We recommend that the payroll change report be reviewed by an individual without access to the ADP Payroll software to help ensure that all changes are properly authorized. We also recommend that the individual reviewing the report be tasked with downloading the report directly for ADP to ensure that no changes are made to the report prior to this review. We also recommend that this review be documented and retained with each payroll reconciliation.

Views of a Responsible Official and Corrective Action Plan

Management agrees with the significant deficiency and the recommendations. See Corrective Action Plan on page 53.

Responsible parties: John Harrington, Controller and Ann-Marie Hartshorn, Internal Auditor

Schedule of Findings and Questioned Costs (Concluded)

Year Ended June 30, 2017

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

NONE

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2017

Finding Number 2016-001

Condition Found and Context

We noted during our payroll testing that the Payroll Manager has full access to the ADP Payroll software, which includes adding and removing employees, and changing rates and deductions of existing employees. The Payroll Manager is also the primary control over the payroll changes through her review of the payroll change report each pay period.

Recommendation

We recommend that the payroll change report be reviewed by an individual without access to the ADP Payroll software to help ensure that all changes are properly authorized. We also recommend that this review be documented and retained with each monthly payroll reconciliation.

Status

Uncorrected: See finding 2017-001

COMMUNITY COLLEGE
system of New Hampshire

Condition found

We noted during our payroll testing that the Payroll Manager has full access to the ADP Payroll software, which includes adding and removing employees, and changing rates and deductions of existing employees. The Payroll Manager is also the primary control over the payroll changes through her review of the payroll change report each pay period. We noted that starting in April of 2017, an individual in the Finance Department without access to the ADP payroll system started reviewing a payroll change report. This report is downloaded by the Payroll Manager from the ADP system and provided to the Finance Department for review.

Cause and effect

CCSNH did not consider segregation of duties when assigning roles and responsibilities surrounding the payroll cycle. All changes made to the ADP Payroll software are monitored by one employee who is also the individual that makes all of the changes to the payroll software.

Although CCSNH performs compensating controls related to the overall review of the monthly payroll registers, there is an increased risk that an employee is not being paid the proper rate or does not have the proper withholdings and deductions. In addition, there is a risk that a fictitious employee could be used to perpetrate fraudulent activity. In their attempt to remedy the finding from 2016, management of CCSNH also did not consider that the payroll change report could be modified by the Payroll Manager before it is given to the Finance Department to review.

Management response and corrective action plan

CCSNH management understands and concurs with the audit finding. While we discussed with our auditors that the ADP change report is not an alterable report, their concern was that the report could effectively be recreated with any fraudulent changes removed prior to being forwarded to the individual in the Finance department for their review. In this regard management will continue to have an individual in the finance department review the payroll change report but that this individual will now be given read only access to ADP so that they can download the payroll change report independently of the payroll manager.

26 College Drive, Concord, NH 03301-7407
Phone (603) 271-2722 | (800) 247-3420 | TDD Access: relay NH (800) 735-2964 | Fax (603) 271-2725
www.ccsnh.edu