



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

**FINANCIAL STATEMENTS**

and

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

**June 30, 2014 and 2013**

**With Independent Auditor's Report**



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

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

**June 30, 2014 and 2013**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Community College System of New Hampshire (A Component Unit of the State of New Hampshire) (CCSNH) as of June 30, 2014 and 2013, and for the years then ended, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of CCSNH as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

### ***Other Matter***

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

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 7 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 December 22, 2014 on our consideration of CCSNH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCSNH's internal control over financial reporting and compliance.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
December 22, 2014

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

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

**June 30, 2014 and 2013**

**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, 2014, 2013 and 2012. 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 operationing authority.

CCSNH is a statewide system of seven independent 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 three academic centers in Keene, Littleton, and Rochester. It includes the Community Colleges of New Hampshire Foundation as a discretely presented non-major component unit.

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

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

**FINANCIAL STATEMENTS**

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

**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 and liabilities. 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 on the next page.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
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**Management's Discussion and Analysis (Unaudited)**

**June 30, 2014 and 2013**

	<b>June 30,</b>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>			
Current	<b>\$ 22,399,204</b>	\$ 27,694,887	\$ 19,840,613
Net capital	<b>117,615,080</b>	112,010,861	101,664,893
Other noncurrent assets	<b><u>6,873,137</u></b>	<u>6,865,038</u>	<u>5,398,696</u>
Total assets	<b><u>\$146,887,421</u></b>	<b><u>\$146,570,786</u></b>	<b><u>\$126,904,202</u></b>
<b>Liabilities</b>			
Current	<b>\$ 11,308,001</b>	\$ 9,948,157	\$ 9,919,398
Noncurrent	<b><u>25,787,830</u></b>	<u>27,860,049</u>	<u>21,531,897</u>
Total liabilities	<b><u>\$ 37,095,831</u></b>	<b><u>\$ 37,808,206</u></b>	<b><u>\$ 31,451,295</u></b>
<b>Net position</b>			
Invested in capital assets, net of related debt	<b>\$ 96,041,576</b>	\$ 91,022,904	\$ 85,128,765
Restricted nonexpendable	<b>305,184</b>	150,856	154,697
Restricted expendable	<b>3,784,814</b>	2,737,447	1,981,581
Unrestricted	<b><u>9,660,016</u></b>	<u>14,851,373</u>	<u>8,187,864</u>
Total net position	<b><u>\$109,791,590</u></b>	<b><u>\$108,762,580</u></b>	<b><u>\$ 95,452,907</u></b>

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

CCSNH experienced a very productive 2013 in terms of its capital projects. Total assets and liabilities increased significantly driven by an increase in net capital assets. Net capital assets increased by \$10.3 million, while total assets increased by \$19.7 million. Liabilities increased by \$6.4 million driven by this capital activity.

In 2012, net position increased significantly due to the passage of Chapter 199, Laws of 2011, which transferred ownership of all the property used by CCSNH from the State of New Hampshire (the State) to CCSNH. The transfer is included in the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2012 as an increase to the net position of CCSNH. The capital assets recognized in the transfer were from two separate pools, those assets meeting the State's capitalization policy with a net book value of \$71,123,625, and those capital assets with costs that are less than the State's capitalization threshold, but are considered capital assets under CCSNH's capitalization policy, with a net book value of \$5,536,628.

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

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

**June 30, 2014 and 2013**

**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, 2014, 2013 and 2012.

	<u>Years Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues			
Tuition and fees	<b>\$ 69,482,905</b>	\$ 70,368,968	\$ 71,113,729
Other revenue	<b><u>13,582,669</u></b>	<u>12,377,514</u>	<u>9,392,589</u>
Total operating revenue	<b>83,065,574</b>	82,746,482	80,506,318
Operating expenses			
Employee compensation and benefits	<b>94,191,293</b>	81,317,456	82,984,137
Other operating expenses	<b><u>36,644,244</u></b>	<u>30,804,643</u>	<u>25,689,250</u>
Total operating expenses	<b><u>130,835,537</u></b>	<u>112,122,099</u>	<u>108,673,387</u>
Operating loss	<b><u>(47,769,963)</u></b>	<u>(29,375,617)</u>	<u>(28,167,069)</u>
Nonoperating revenues (expenses) and other changes			
State appropriations - operating	<b>40,000,000</b>	31,544,352	31,358,244
State appropriations - capital	<b>7,022,709</b>	9,106,223	4,550,488
Capital grants and contracts	<b>2,771,500</b>	2,840,670	-
Transfer from the State of New Hampshire	-	-	71,123,625
Capital assets received below the State's capitalization policy	-	-	5,536,628
Other nonoperating expenses	<b><u>(995,236)</u></b>	<u>(805,955)</u>	<u>(861,362)</u>
Nonoperating revenues and other changes, net	<b><u>48,798,973</u></b>	<u>42,685,290</u>	<u>111,707,623</u>
Increase in net position	<b>1,029,010</b>	13,309,673	83,540,554
Net position at beginning of year	<b><u>108,762,580</u></b>	<u>95,452,907</u>	<u>11,912,353</u>
Net position at end of year	<b><u>\$109,791,590</u></b>	<u>\$108,762,580</u>	<u>\$ 95,452,907</u>

The majority of CCSNH's revenues come from tuition and fees, which decreased in 2014 and 2013 as compared to the year ended June 30, 2012 due to declining credits sold. Other revenue includes grants and contracts and other auxiliary enterprises. Driven by increased grant activity, other revenue increased each year by \$1,205,155 and \$2,984,925 during 2014 and 2013, respectively. Overall, total operating revenue was up \$319,092 in 2014 and \$2,240,164 in 2013.

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

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

**June 30, 2014 and 2013**

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 \$12,873,837 in 2014 due to salary increases, higher benefit costs, and new employees, many of whom were funded by grants. These expenses decreased by \$1,666,681 in 2013 due to reductions in staffing initiated when state appropriations decreased.

Other operating expenses were up \$5,839,601 in 2014, due in part to higher depreciation and utilities costs. Other operating expenses increased by \$5,115,393 from 2012 to 2013. The increase was reflected in several categories of other expenses. Contractual maintenance on buildings increased by \$1.4 million, funding received from the U.S. Department of Labor Trade Adjustment Act – Community College Career and Training program grant resulted in an increase of \$1.3 million, equipment acquisitions below the capitalization threshold increased by \$500,000 and advertising and supplies increased significantly.

In nonoperating revenues, our state operating appropriation was up \$8,455,468 in 2014, while our state capital appropriation was down \$2,083,514. The state appropriation in 2014 increased as the New Hampshire Legislature and Governor worked to return CCSNH state support to pre-recession levels. Nonoperating expenses were up slightly in 2014. In total, our net nonoperating revenues and other changes in net position were up \$6,113,683, driven by the higher net appropriations from the State of New Hampshire. State operating appropriations were consistent in 2013 and 2012, while our state capital appropriation increased in 2013 by \$4,555,735.

**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.

	<b>Years Ended June 30,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net cash used - operating activities	<b>\$ (39,063,740)</b>	\$ (24,249,905)	\$ (22,248,000)
Net cash provided - noncapital financing activities	<b>40,000,000</b>	31,544,352	31,358,244
Net cash used - capital and related financing activities	<b>(6,688,234)</b>	(178,189)	(9,013,497)
Net (decrease) increase in cash and cash equivalents	<b>(5,751,974)</b>	7,116,258	96,747
Cash and cash equivalents, beginning of year	<b>25,465,394</b>	18,349,136	18,252,389
Cash and cash equivalents, end of year	<b>\$ 19,713,420</b>	\$ 25,465,394	\$ 18,349,136

CCSNH maintains the cash position necessary to meet its obligations. The amount of cash on hand fluctuates during the year due to the timing of tuition receipts and federal financial aid payments. Cash and cash equivalents decreased by \$5,751,974 during 2014 due to increased net cash used for operating expenses, while tuition and fee revenue declined. In addition, there was a significant decrease in capital appropriations received from the State of New Hampshire and capital debt borrowings.



**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
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**Management's Discussion and Analysis (Unaudited)**

**June 30, 2014 and 2013**

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

**CAPITAL ASSETS AND DEBT**

CCSNH receives significant funding as part of the State's capital budget. The funding has allowed for construction and renovation at all seven campuses over the past three years. These projects included major construction at Manchester Community College (student center) and Lakes Region Community College (health and science building). During the years ended June 30, 2014, 2013 and 2012, CCSNH paid \$15,739,016, \$16,385,713 and \$6,689,044 for capital asset additions, respectively.

Most of CCSNH's construction projects are paid for by the State through its capital budget. However, certain projects, e.g., dorms, 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.

CCSNH incurred additional debt amounting to \$2 million and \$6 million during the years ended June 30, 2014 and 2013, respectively. CCSNH did not incur any additional debt during the year ended June 30, 2012. During the years ended June 30, 2014, 2013 and 2012, CCSNH paid \$1,851,606, \$1,548,171 and \$1,463,091, respectively, in principal payments on bonds payable and capital lease obligations.

**ECONOMIC OUTLOOK**

After many of years of enrollment growth during the recession, CCSNH's credits sold declined in 2014 and were flat in 2014 as the economy and employment improves. 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 our organizational structure and operating expense base to meet new forecasts for revenue growth.

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

In 2015, CCSNH will receive 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 will continue to work with the State of New Hampshire in future budget cycles to support additional tuition reductions.

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

**Statements of Net Position**

**June 30, 2014 and 2013**

	<b>Community College System of New Hampshire</b>		<b>Community Colleges of New Hampshire Foundation</b>	
	<b>Years Ended June 30,</b>		<b>Years Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 19,713,420	\$ 25,465,394	\$ 436,110	\$ 2,125,236
Student accounts receivable	30,788	378,353	-	-
Other current assets	993,616	335,149	94,009	65,478
Grants and contracts receivable	<u>1,661,380</u>	<u>1,515,991</u>	<u>-</u>	<u>-</u>
Total current assets	<u>22,399,204</u>	<u>27,694,887</u>	<u>530,119</u>	<u>2,190,714</u>
<b>Noncurrent assets</b>				
Student loans receivable, net	839,317	802,803	-	-
Due from State of New Hampshire for capital appropriations	3,832,316	3,688,278	-	-
Capital grants and contracts receivable	-	247,453	-	-
Investments	-	-	13,794,074	8,730,242
Capital assets, net	117,615,080	112,010,861	-	-
Assets held for sale	<u>2,201,504</u>	<u>2,126,504</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>124,488,217</u>	<u>118,875,899</u>	<u>13,794,074</u>	<u>8,730,242</u>
Total assets	<u>\$ 146,887,421</u>	<u>\$ 146,570,786</u>	<u>\$ 14,324,193</u>	<u>\$ 10,920,956</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 2,112,039	\$ 1,679,456	\$ 587,352	\$ 227,893
Accrued salaries and benefits	5,700,563	5,710,794	-	-
Deferred revenue and deposits	1,339,149	791,985	-	-
Current portion of bonds payable	1,868,763	1,713,205	-	-
Current portion of other liabilities	<u>287,487</u>	<u>52,717</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>11,308,001</u>	<u>9,948,157</u>	<u>587,352</u>	<u>227,893</u>
<b>Noncurrent liabilities</b>				
Accounts payable and accrued liabilities	922,823	3,593,483	-	-
Accrued salaries and benefits	4,509,289	4,127,431	-	-
Refundable advances	938,464	917,100	-	-
Bonds payable	19,297,978	19,166,745	-	-
Other liabilities	<u>119,276</u>	<u>55,290</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>25,787,830</u>	<u>27,860,049</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>37,095,831</u>	<u>37,808,206</u>	<u>587,352</u>	<u>227,893</u>
<b>Net position</b>				
Invested in capital assets, net of related debt	96,041,576	91,022,904	-	-
Restricted nonexpendable	305,184	150,856	9,890,555	8,507,976
Restricted expendable	3,784,814	2,737,447	3,632,659	1,980,811
Unrestricted	<u>9,660,016</u>	<u>14,851,373</u>	<u>213,627</u>	<u>204,276</u>
Total net position	<u>109,791,590</u>	<u>108,762,580</u>	<u>13,736,841</u>	<u>10,693,063</u>
Total liabilities and net position	<u>\$ 146,887,421</u>	<u>\$ 146,570,786</u>	<u>\$ 14,324,193</u>	<u>\$ 10,920,956</u>

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

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

**Statements of Revenues, Expenses and Changes in Net Position**

**Years Ended June 30, 2014 and 2013**

	Community College System of New Hampshire		Community Colleges of New Hampshire Foundation	
	Years Ended June 30,		Years Ended June 30,	
	2014	2013	2014	2013
Operating revenues				
Tuition and fees	\$ 70,383,211	\$ 71,126,126	\$ -	\$ -
Less scholarships	<u>(900,306)</u>	<u>(757,158)</u>	<u>-</u>	<u>-</u>
Net tuition and fees	<b>69,482,905</b>	70,368,968	-	-
Grants and contracts	<b>7,915,476</b>	5,917,934	-	-
Contributions	-	-	<b>1,780,837</b>	685,300
Other auxiliary enterprises	<b>2,764,827</b>	2,618,835	-	-
Other operating revenue	<u><b>2,902,366</b></u>	<u>3,840,745</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u><b>83,065,574</b></u>	<u>82,746,482</u>	<u><b>1,780,837</b></u>	<u>685,300</u>
Operating expenses				
Employee compensation and benefits	<b>94,191,293</b>	81,317,456	-	-
Other operating expenses	<b>25,826,402</b>	22,053,013	<b>2,089,316</b>	840,516
Utilities	<b>3,208,828</b>	2,583,346	-	-
Depreciation	<u><b>7,609,014</b></u>	<u>6,168,284</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u><b>130,835,537</b></u>	<u>112,122,099</u>	<u><b>2,089,316</b></u>	<u>840,516</u>
Operating loss	<u><b>(47,769,963)</b></u>	<u>(29,375,617)</u>	<u><b>(308,479)</b></u>	<u>(155,216)</u>
Nonoperating revenues (expenses)				
State of New Hampshire appropriations	<b>40,000,000</b>	31,544,352	-	-
Contributions for long-term purposes	-	-	<b>1,371,574</b>	57,950
Investment gain	-	-	<b>1,980,683</b>	1,000,072
Interest expense on capital debt	<u><b>(995,236)</b></u>	<u>(805,955)</u>	<u>-</u>	<u>-</u>
Nonoperating revenues, net	<u><b>39,004,764</b></u>	<u>30,738,397</u>	<u><b>3,352,257</b></u>	<u>1,058,022</u>
(Loss) income before other changes in net position	<u><b>(8,765,199)</b></u>	<u>1,362,780</u>	<u><b>3,043,778</b></u>	<u>902,806</u>
Other changes in net position				
State of New Hampshire appropriations for capital expenditures	<b>7,022,709</b>	9,106,223	-	-
Capital grants and contracts	<u><b>2,771,500</b></u>	<u>2,840,670</u>	<u>-</u>	<u>-</u>
Total other changes in net position	<u><b>9,794,209</b></u>	<u>11,946,893</u>	<u>-</u>	<u>-</u>
Increase in net position	<b>1,029,010</b>	13,309,673	<b>3,043,778</b>	902,806
Net position at beginning of year	<u><b>108,762,580</b></u>	<u>95,452,907</u>	<u><b>10,693,063</b></u>	<u>9,790,257</u>
Net position at end of year	<u><b>\$ 109,791,590</b></u>	<u>\$ 108,762,580</u>	<u><b>\$ 13,736,841</b></u>	<u>\$ 10,693,063</u>

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

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

**Statements of Cash Flows**

**Years Ended June 30, 2014 and 2013**

	<u>Community College System of New Hampshire</u>		<u>Community Colleges of New Hampshire Foundation</u>	
	<u>Years Ended June 30,</u>		<u>Years Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities				
Tuition and fees	\$ 70,236,471	\$ 70,508,506	\$ -	\$ -
Grants and contracts	7,918,600	4,977,327	-	-
Auxiliary enterprises	2,764,827	2,618,835	-	-
Contributions received	-	-	1,752,306	690,603
Payments to suppliers	(28,904,301)	(23,913,695)	(1,729,857)	(840,242)
Payments to employees	(93,617,155)	(82,298,002)	-	-
Other cash receipts	2,537,818	3,857,124	-	-
Net cash (used for) provided by operating activities	<u>(39,063,740)</u>	<u>(24,249,905)</u>	<u>22,449</u>	<u>(149,639)</u>
Cash flows from noncapital financing activities				
State of New Hampshire appropriations	40,000,000	31,544,352	-	-
Contributions for long-term purposes	-	-	1,371,574	57,950
Net cash provided by noncapital financing activities	<u>40,000,000</u>	<u>31,544,352</u>	<u>1,371,574</u>	<u>57,950</u>
Cash flows from capital and related financing activities				
Capital appropriations	6,878,671	9,968,433	-	-
Capital grants and contracts received	3,018,953	2,593,217	-	-
Purchase of capital assets	(15,739,016)	(16,385,713)	-	-
Proceeds from capital debt borrowings	2,000,000	6,000,000	-	-
Principal on capital debt and leases	(1,851,606)	(1,548,171)	-	-
Interest on capital debt and leases	(995,236)	(805,955)	-	-
Net cash used for capital and related financing activities	<u>(6,688,234)</u>	<u>(178,189)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Proceeds from sales and maturities of investments	-	-	10,137,478	8,469,688
Purchase of investments	-	-	(13,487,331)	(7,078,358)
Interest and dividends received	-	-	266,704	275,755
Net cash (used for) provided by investing activities	<u>-</u>	<u>-</u>	<u>(3,083,149)</u>	<u>1,667,085</u>
Net (decrease) increase in cash and cash equivalents	<u>(5,751,974)</u>	<u>7,116,258</u>	<u>(1,689,126)</u>	<u>1,575,396</u>
Cash and cash equivalents, beginning of year	<u>25,465,394</u>	<u>18,349,136</u>	<u>2,125,236</u>	<u>549,840</u>
Cash and cash equivalents, end of year	<u>\$ 19,713,420</u>	<u>\$ 25,465,394</u>	<u>\$ 436,110</u>	<u>\$ 2,125,236</u>

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

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

**Statements of Cash Flows (Concluded)**

**Years Ended June 30, 2014 and 2013**

	Community College System of New Hampshire		Community Colleges of New Hampshire Foundation	
	Years Ended June 30,		Years Ended June 30,	
	2014	2013	2014	2013
Reconciliation of operating loss to net cash (used for) provided by operating activities				
Operating loss	\$ (47,769,963)	\$ (29,375,617)	\$ (308,479)	\$ (155,216)
Adjustments to reconcile operating loss to net cash (used for) provided by operating activities				
Depreciation	7,609,014	6,168,284	-	-
Impairment loss on asset held for sale	217,276	-	-	-
Changes in assets and liabilities				
Student accounts receivable	347,565	32,665	-	-
Other current assets	(658,467)	38,879	(28,531)	5,303
Student loans receivable	(36,514)	45,405	-	-
Grants receivable	(145,389)	(809,560)	-	-
Accounts payable and accrued liabilities	432,583	522,863	359,459	274
Accrued salaries and benefits	371,627	(780,745)	-	-
Deferred revenue and deposits	547,164	(68,679)	-	-
Refundable advances	21,364	(23,400)	-	-
	<u>Net cash (used for) provided by operating activities</u>	<u>\$ (24,249,905)</u>	<u>\$ 22,449</u>	<u>\$ (149,639)</u>
Acquisition of capital assets	\$ 13,505,509	\$ 18,640,756	\$ -	\$ -
Less: acquisition of capital assets included in accounts payable at year-end	(922,823)	(3,593,483)	-	-
Acquisition of capital assets financed by other long-term liabilities	(437,153)	-	-	-
Add: payments on short-term trade accounts used to finance acquisition of capital assets	3,593,483	1,338,440	-	-
Payments for the acquisition of capital assets	<u>\$ 15,739,016</u>	<u>\$ 16,385,713</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

**Nature of Business**

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

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

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

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

**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

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

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

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

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

**Cash and Cash Equivalents**

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

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

**Student Accounts Receivable**

CCSNH extends credit to students in the form of accounts receivable. Accounts receivable are stated at the amount management expects to collect from outstanding balances. CCSNH has adopted the direct write-off method for probable uncollectible amounts through a charge to earnings and a credit to student accounts receivable based on its assessment of the current status of individual accounts.

**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 federal student loan funds.

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, 2014 and 2013 are reported net of allowance for loan losses of \$450,000.

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

**Grants and Contracts and Capital Appropriations**

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

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

**Investments**

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

**Capital Assets**

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

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

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

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

**Assets Held for Sale**

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

During the year ended June 30, 2013, GBCC entered into a contract for the sale of its former Stratham, New Hampshire campus. As a result, the net book value of the campus, amounting to \$2,126,504, was reclassified to assets held for sale. Subsequent to June 30, 2014, the sale of the GBCC property was completed.

Subsequent to June 30, 2014, WMCC entered into an agreement to sell a building and its related land for \$75,000. As a result, the net book value of the building and land, amounting to \$282,453, was reclassified from capital assets to assets held for sale. During the year ended June 30, 2014, CCSNH recorded an impairment loss of \$207,453 to adjust the net book value of the asset to fair value.



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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

**Deferred Revenue and Deposits**

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

**Compensated Absences**

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

**Refundable Advances**

CCSNH participates in the Federal Perkins Loan Program, which is funded through a combination of federal and institutional resources. The portion of this program that has been funded with federal funds is ultimately refundable to the U.S. Government upon the termination of CCSNH's participation in the programs. The portion that would be refundable if the programs were terminated as of June 30, 2014 and 2013, 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 Position**

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

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

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

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

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

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

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

**Net Student Fees**

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

**Contributions**

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

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

**Income Taxes**

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

**Use of Estimates in Financial Statement Preparation**

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

**2. 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, 2014 and 2013, CCSNH's uncollateralized uninsured cash and cash equivalents were approximately \$20,300,000 and \$26,170,000, respectively. Deposits held in noninterest-bearing transaction accounts are aggregated with any interest-bearing deposits, and the combined total amounts are insured up to the first \$250,000 per financial institution.

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

**3. Capital Assets**

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

	Beginning Balance	Additions	Retirements	Transfers	Transferred to Assets Held for Sale	Ending Balance
Land	\$ 730,729	\$ -	\$ -	\$ -	\$ -	\$ 730,729
Construction-in-process	<u>14,811,067</u>	<u>8,675,688</u>	<u>-</u>	<u>(14,406,194)</u>	<u>-</u>	<u>9,080,561</u>
Total non-depreciable assets	<u>15,541,796</u>	<u>8,675,688</u>	<u>-</u>	<u>(14,406,194)</u>	<u>-</u>	<u>9,811,290</u>
Land improvements	5,430,076	200,935	-	-	-	5,631,011
Buildings and improvements	145,279,497	-	-	14,401,049	(305,355)	159,375,191
Equipment	<u>13,546,129</u>	<u>4,628,886</u>	<u>(368,137)</u>	<u>5,145</u>	<u>-</u>	<u>17,812,023</u>
Total depreciable assets	<u>164,255,702</u>	<u>4,829,821</u>	<u>(368,137)</u>	<u>14,406,194</u>	<u>(305,355)</u>	<u>182,818,225</u>
Accumulated depreciation	<u>(67,786,637)</u>	<u>(7,609,014)</u>	<u>358,314</u>	<u>-</u>	<u>22,902</u>	<u>(75,014,435)</u>
Capital assets, net	<u>\$112,010,861</u>	<u>\$ 5,896,495</u>	<u>\$ (9,823)</u>	<u>\$ -</u>	<u>\$ (282,453)</u>	<u>\$117,615,080</u>

Capital asset activity for the year ended June 30, 2013 is summarized below:

	Beginning Balance	Additions	Retirements	Transfers	Transferred to Assets Held for Sale	Ending Balance
Land	\$ 955,729	\$ -	\$ -	\$ -	\$ (225,000)	\$ 730,729
Construction-in-process	<u>4,656,693</u>	<u>15,381,733</u>	<u>-</u>	<u>(5,227,359)</u>	<u>-</u>	<u>14,811,067</u>
Total non-depreciable assets	<u>5,612,422</u>	<u>15,381,733</u>	<u>-</u>	<u>(5,227,359)</u>	<u>(225,000)</u>	<u>15,541,796</u>
Land improvements	4,067,641	234,150	-	1,373,985	(245,700)	5,430,076
Buildings and improvements	148,201,667	317,015	-	3,816,704	(7,055,889)	145,279,497
Equipment	<u>11,255,855</u>	<u>2,735,274</u>	<u>(481,670)</u>	<u>36,670</u>	<u>-</u>	<u>13,546,129</u>
Total depreciable assets	<u>163,525,163</u>	<u>3,286,439</u>	<u>(481,670)</u>	<u>5,227,359</u>	<u>(7,301,589)</u>	<u>164,255,702</u>
Accumulated depreciation	<u>(67,472,692)</u>	<u>(6,168,284)</u>	<u>454,254</u>	<u>-</u>	<u>5,400,085</u>	<u>(67,786,637)</u>
Capital assets, net	<u>\$101,664,893</u>	<u>\$12,499,888</u>	<u>\$ (27,416)</u>	<u>\$ -</u>	<u>\$ (2,126,504)</u>	<u>\$112,010,861</u>

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

**4. Long-term Liabilities**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Accounts payable and accrued liabilities	\$ 5,272,939	\$ 3,034,862	\$(5,272,939)	\$ 3,034,862	\$ 2,112,039
Accrued salaries and benefits	9,838,225	371,627	-	10,209,852	5,700,563
Refundable advances	917,100	21,364	-	938,464	-
Bonds payable	20,879,950	2,000,000	(1,713,209)	21,166,741	1,868,763
Other liabilities	<u>108,007</u>	<u>437,153</u>	<u>(138,397)</u>	<u>406,763</u>	<u>287,487</u>
Long-term liabilities	<u>\$ 37,016,221</u>	<u>\$ 5,865,006</u>	<u>\$(7,124,545)</u>	<u>\$ 35,756,682</u>	<u>\$ 9,968,852</u>

Changes in long-term liabilities during the year ended June 30, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Accounts payable and accrued liabilities	\$ 2,495,033	\$ 5,272,939	\$(2,495,033)	\$ 5,272,939	\$ 1,679,456
Accrued salaries and benefits	10,618,970	-	(780,745)	9,838,225	5,710,794
Refundable advances	940,500	-	(23,400)	917,100	-
Bonds payable	16,217,359	6,000,000	(1,337,409)	20,879,950	1,713,205
Other liabilities	<u>318,769</u>	<u>-</u>	<u>(210,762)</u>	<u>108,007</u>	<u>52,717</u>
Long-term liabilities	<u>\$ 30,590,631</u>	<u>\$ 11,272,939</u>	<u>\$(4,847,349)</u>	<u>\$ 37,016,221</u>	<u>\$ 9,156,172</u>

**Other Long-Term Liabilities**

Future minimum payments under capital leases and other long-term liabilities as of June 30, 2014 are as follows:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 287,487	\$ 13,421
2016	29,153	8,488
2017	31,572	6,069
2018	34,193	3,448
2019	24,358	736

The original cost basis of leased capital assets as of June 30, 2014 and 2013, was \$454,700 and \$1,632,235, respectively. Accumulated depreciation includes \$330,940 and \$1,572,235 as of June 30, 2014 and 2013, for the leased capital assets, respectively.

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

**Bonds Payable**

Bonds payable consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
1994 Series A General Obligation Bonds (original principal of \$850,000) Serial bonds maturing through 2015 with annual principal payments from \$28,058 to \$33,976 and interest rates from 6.15% to 6.20%	\$ 28,058	\$ 57,882
1995 Series A General Obligation Bonds (original principal of \$250,000) Serial bonds maturing in 2016 with a principal payment of \$31,712 and an interest rate of 5.05%	31,712	31,712
2005 Series A General Obligation Bonds (original principal of \$2,300,000) Serial bonds maturing through 2025 with annual principal payments from \$100,000 to \$160,000 and interest rates from 3.50% to 4.25%	835,000	940,000
2006 Series A General Obligation Bonds (original principal of \$1,703,059) Serial bonds maturing through 2021 with annual principal payments from \$17,185 to \$246,814 and interest rates from 4.00% to 4.25%	1,229,888	1,436,793
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%	4,020,961	4,484,921
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%	909,833	1,038,337
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%	3,800,000	4,100,000
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%	1,850,716	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%	820,573	939,589
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%	5,640,000	6,000,000
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%	<u>2,000,000</u>	<u>-</u>
	<b>\$ 21,166,741</b>	<b>\$ 20,879,950</b>

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
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**Notes to Financial Statements**

**June 30, 2014 and 2013**

Principal and interest payments on bonds payable for the next five years and in subsequent five-year periods are as follows at June 30, 2014:

<u>Year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,868,743	\$ 976,802	\$ 2,845,545
2016	1,891,267	884,784	2,776,051
2017	1,818,111	737,856	2,555,967
2018	1,832,029	656,457	2,488,486
2019	1,811,127	565,986	2,377,113
2020-2024	6,633,129	1,800,853	8,433,982
2025-2029	4,032,778	613,827	4,646,605
2030-2034	<u>1,279,557</u>	<u>89,546</u>	<u>1,369,103</u>
	<u>\$ 21,166,741</u>	<u>\$ 6,326,111</u>	<u>\$ 27,492,852</u>

Interest expense related to the bonds for the years ended June 30, 2014 and 2013 was \$954,625 and \$765,343, respectively.

**5. New Hampshire Retirement System**

The New Hampshire Retirement System (NHRS) is a public employee retirement system that administers one cost-sharing multiple-employer pension plan (Pension Plan) and four separate cost-sharing multiple-employer postemployment medical subsidy healthcare plans (OPEB Plans). 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 NHRS. The provisions of the Pension Plan and OPEB Plans can be amended only by legislative action taken by the New Hampshire State Legislature pursuant to the authority granted them under the New Hampshire State Constitution. The payroll for CCSNH employees covered by NHRS for the years ended June 30, 2014 and 2013 was approximately \$47,442,000 and \$43,413,000, respectively.

All assets of NHRS are held in a single trust and are available to each group. Funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in NHRS's annual report available from NHRS located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

**Pension Plan**

The NHRS pension plan and trust was established in 1967 by Revised Statutes Annotated (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.

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

Effective July 1, 2011, the required contribution rate to NHRS for eligible employees of CCSNH increased from 5% to 7% of their annual covered compensation. CCSNH makes annual contributions to the NHRS Pension Plan equal to the amount required by RSA 100-A:16, which was 8.4% of covered compensation during the years ended June 30, 2014, 2013, and 2012. CCSNH's contributions to the NHRS Pension Plan for the years ended June 30, 2014, 2013 and 2012 were \$4,923,636, \$3,688,122, and \$3,730,427, respectively, which were equal to its annual required contributions.

Contribution requirements for the Pension Plan for the years ended June 30 were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Employees' contributions	\$ <b>3,376,660</b>	\$ 3,038,886	\$ 2,926,408
CCSNH contributions	<u><b>4,923,636</b></u>	<u>3,688,122</u>	<u>3,730,427</u>
Total	<u><b>\$ 8,300,296</b></u>	<u>\$ 6,727,008</u>	<u>\$ 6,656,835</u>

**OPEB Plans**

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

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

Plan members are not required to contribute to the OPEB Plans. CCSNH makes annual contributions to the OPEB Plans equal to the amount required by RSA 100-A:52, which was 1.6% of covered compensation during the years ended June 30, 2014, 2013 and 2012. CCSNH's contributions to NHRS for the OPEB Plans for the years ended June 30, 2014, 2013 and 2012 were \$767,909, \$696,535 and \$693,054, respectively, which were equal to its annual required contributions.

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

**6. 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, 2014 are as follows:

Year ending June 30:

2015	\$ 826,320
2016	469,484
2017	303,561
2018	131,514
2019	<u>10,423</u>
	<u>\$ 1,741,302</u>

Total expense related to operating leases (with initial or remaining lease terms in excess of one year) amounted to \$789,594 and \$877,348 for the years ended June 30, 2014 and 2013, respectively.

**Union Contracts**

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

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

**Contingencies**

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

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



**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
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**Notes to Financial Statements**

**June 30, 2014 and 2013**

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

**Commitments**

CCSNH has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2014.

	<u>Expended through June 30, 2014</u>	<u>Committed Future Costs</u>	<u>Total Committed Costs of Project</u>
NHTI	\$ 829,104	\$ 682,727	\$ 1,511,831
MCC	654,453	53,338	707,791
NCC	404,145	395,126	799,271
GBCC	216,758	330,029	546,787
LRCC	129,488	519,818	649,306
RVCC	<u>1,913,750</u>	<u>1,183,840</u>	<u>3,097,590</u>
Total	<u>\$ 4,147,698</u>	<u>\$ 3,164,878</u>	<u>\$ 7,312,576</u>

At June 30, 2014 and 2013, invoices related to construction projects of \$922,823 and \$3,593,483, respectively, were included in accounts payable.

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

**7. Investments - Community Colleges of New Hampshire Foundation**

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

Investments were comprised of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Equities		
U.S. large cap	\$ 3,835,411	\$ 2,956,273
U.S. mid cap	1,634,421	984,472
U.S. small cap	838,843	498,739
International developed	1,807,492	418,095
Emerging markets	1,229,460	660,174
Other	-	5,651
Fixed income		
Investment grade taxable	1,909,880	1,416,352
International developed bonds	328,411	159,094
Global high yield taxable	553,403	325,200
Fixed income other	17,752	182,077
Real estate - public real estate investment trusts	883,845	611,001
Tangible assets - commodities	<u>755,156</u>	<u>513,114</u>
Total	<u>\$ 13,794,074</u>	<u>\$ 8,730,242</u>

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

**Notes to Financial Statements**

**June 30, 2014 and 2013**

The weighted average maturity of the fixed income securities is 11.3 years as of June 30, 2014. As of June 30, 2014, the Foundation's fixed income securities were rated as follows:

<u>Rating</u>	<u>Rating Organization</u>	<u>Fair Value</u>
Aaa	Moody's	\$ 541,431
Aa	Moody's	69,391
A	Moody's	204,297
Other	Moody's	<u>216,326</u>
		<u>\$ 1,031,445</u>

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

**8. GASB Statement No. 68**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, was issued in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local government employers for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement will be effective for CCSNH beginning with its year ending June 30, 2015. Management has not currently determined what impact the implementation of this Statement will have on the financial statements.



**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), which collectively comprise CCSNH's basic financial statements, as listed in the table of contents, as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2014. 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 instances of reportable noncompliance 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described under findings 2014-001 and 2014-002 in the accompanying schedule of findings and questioned costs to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CCSNH's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

CCSNH's responses to the findings identified in our audit are described under findings 2014-001 and 2014-002 in the accompanying schedule of findings and questioned costs. CCSNH's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **Purpose of this Report**

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

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
December 22, 2014



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

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

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

We have audited the Community College System of New Hampshire's (CCSNH) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of CCSNH's major federal programs for the year ended June 30, 2014. CCSNH's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

Based on our review of the service organization's independent accountants' report, we have determined that all of the compliance requirements included in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of the major federal programs in which CCSNH participates are addressed in either our report or the report of the service organization's accountants. Furthermore, based on our review of the service organization's independent accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on each 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 accountant provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CCSNH's compliance.

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

In our opinion, based on our audit and the report of other independent accountants, CCSNH complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-003. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-003 and 2014-004, that we consider to be significant deficiencies.

CCSNH's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. CCSNH's responses were not subjected to auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



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

We have audited the financial statements of the business-type activities and the discretely presented component unit of CCSNH as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements as listed in the table of contents. We have issued our report thereon dated December 22, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
December 22, 2014

**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, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed- Through Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>United States Department of Education:</u>			
<u>Direct:</u>			
<u>Student Financial Aid Cluster:</u>			
Federal Direct Student Loans	84.268		\$ 52,453,803
Federal Perkins Loan Cancellations	84.037		11,280
Federal Perkins Loan Program	84.038		1,380,825
Federal Work-Study Program	84.033		263,686
Federal Pell Grant Program	84.063		20,300,557
Federal Supplemental Educational Opportunity Grant Program	84.007		<u>283,990</u>
Total Student Financial Aid Cluster			74,694,141
Funds for the Improvement of Postsecondary Education	84.116		15,376
<u>Passed-Through:</u>			
<u>New Hampshire Department of Education:</u>			
Carl D. Perkins Career and Technical Education Act of 2006			
8/16/2012 - 8/15/2013	84.048	35039	59,818
8/16/2013 - 8/15/2014	84.048	45039	809,063
College Access Challenge Grant	84.378	P378A100050	<u>84,271</u>
Total United States Department of Education			<u>75,662,669</u>
<u>United States Department of Labor:</u>			
<u>Direct:</u>			
Trade Adjustment Assistance Community College and Career Training	17.282		8,086,444
H-1B Job Training Grants	17.268		1,684,766
<u>Passed-Through:</u>			
<u>University of New Hampshire Institute on Disability:</u>			
Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sector: Direct Connect	17.275	DEEE0002087	<u>509</u>
Total United States Department of Labor			<u>9,771,719</u>

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

**Year Ended June 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed- Through Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>United States Department of Energy:</u>			
<u>Passed-Through:</u>			
<u>New Hampshire Office of Energy and Planning:</u>			
Renewable Energy Research and Development	81.087	DEEE0005672	<u>515</u>
Total United States Department of Energy			<u>515</u>
<u>United States Department of Health and Human Services:</u>			
<u>Passed-Through:</u>			
<u>New Hampshire Department of Health and Human Services:</u>			
Child Care and Development Block Grant: Early Childhood Education	93.575	G1401NHCCDF	157,872
<u>Trustees of Dartmouth College:</u>			
National Center for Research Resources: Idea Network of Biological Research Excellence	93.859	1P20RR030360	<u>145,088</u>
Total United States Department of Health and Human Services			<u>302,960</u>
<u>National Science Foundation:</u>			
<u>Direct:</u>			
Education and Human Resources	47.076		111,458
<u>Passed-Through:</u>			
<u>University of New Hampshire</u>			
Experimental Program to Stimulate Competitive Research	47.081	EPS1101245	<u>69,517</u>
Total National Science Foundation			<u>180,975</u>
Total Expenditures of Federal Awards			<u>\$ 85,918,838</u>

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

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

**Year Ended June 30, 2014**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Community College System of New Hampshire (CCSNH) under programs of the federal government for the year ended June 30, 2014. The information in the Schedule is presented in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*. Because the Schedule presents only a portion of the operations of CCSNH, it is not intended to and does not present the financial position, changes in net position or cash flows of CCSNH.

**2. Basis of Accounting**

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

**3. Federal Direct Student Loans**

During the fiscal year ended June 30, 2014, CCSNH processed the following new loans under the Direct Loan Program. The loans were made directly through the U.S. Department of Education.

Federal Subsidized Loans	\$ 24,912,583
Federal Unsubsidized Loans	26,616,130
Federal Parents' Loans	<u>925,090</u>
	<u>\$ 52,453,803</u>

**4. Federal Perkins Loan Program**

The following sets forth certain balances and activities in the Federal Perkins Loan Program for the year ended June 30, 2014.

Perkins cash balance at June 30, 2014	\$ <u>320,320</u>
Perkins loans receivable at June 30, 2013	\$ 1,199,394
New loans made in fiscal year 2014	157,497
Administrative cost allowance in fiscal year 2014	<u>23,934</u>
Perkins expended as presented in the Schedule	1,380,825
Perkins loans collected in fiscal year 2014	128,765
Perkins loans canceled in fiscal year 2014	11,280
Administrative cost allowance in fiscal year 2014	<u>23,934</u>
Perkins loans receivable at June 30, 2014	\$ <u>1,216,846</u>

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

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

**Year Ended June 30, 2014**

**5. Federal Work-Study Program**

Federal Work-Study Program award expenditures in 2014 consist of the following:

Current year award	\$ 272,207
Carry forward from fiscal year 2012-2013	16,206
Carry forward to fiscal year 2014-2015	(12,592)
Carry back to fiscal year 2012-2013	(1,429)
Carry back from fiscal year 2014-2015	5,514
Transfer to Federal Supplemental Education Opportunity Grant Program	(15,570)
Unexpended funds	<u>(650)</u>
Total expenditures in fiscal year 2014	\$ <u>263,686</u>

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

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

Current year award	\$ 262,995
Carry forward from fiscal year 2012-2013	4,954
Carry back to fiscal year 2012-2013	(188)
Carry back from fiscal year 2014-2015	659
Transfer from Federal Work-Study Program	<u>15,570</u>
Total award expenditures in fiscal year 2014	\$ <u>283,990</u>

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

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2014**

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

Financial Statements

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

Federal Awards

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

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

Identification of Major Programs:

<u>Name of Federal Program or Cluster:</u>	<u>CFDA Number(s)</u>
U.S. Department of Education - Title IV Student Financial Aid Cluster	84.268, 84.037, 84.038, 84.033, 84.063, 84.007
U.S. Department of Education - Carl D. Perkins Career and Technical Education Act of 2006	84.048
U.S. Department of Labor - Trade Adjustment Assistance Community College and Career Training	17.282
U.S. Department of Labor - H-1B Job Training Grants	17.268

Dollar threshold used to distinguish between Type A and Type B programs	\$336,700
Auditee qualified as low-risk auditee?	<u>    </u> Yes <u>  X  </u> No

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

**Year Ended June 30, 2014**

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

Finding Number:	2014-001
Criteria:	Management is responsible for establishing and maintaining effective internal control over financial reporting.
Condition Found:	We noted that the majority of the trial balance accounts had not been reconciled and therefore the determination of the correct account balance resulted in a significant amount of work by CCSNH's accounting department. In addition, we identified seven significant audit adjustments that resulted in a net increase in net position of approximately \$454,000 that were required to produce financial statements that are in accordance with U.S. generally accepted accounting principles. These conditions were also noted in the audits for the years ended June 30, 2013 and 2012.
Context:	During our audit procedures of the financial statements, we noted variances between the amount recorded on the trial balance or reported and the supporting documentation provided by CCSNH.
Cause and Effect:	Based on our observations, it appears the primary cause of the issue with untimely or missing account reconciliations related to an under-staffed accounting department. While we noted that the personnel in the accounting department appear to work very well together and understand the transactions that are reported in the accounting software, these issues can be caused by an under-staffed accounting department. In addition, these issues appear to be compounded by the high level of involvement of the accounting department staff in other critical projects needed by CCSNH. As a result, significant variances and adjustments were identified and posted related to specific reports and account reconciliations.
Recommendation:	We recommend CCSNH use its account reconciliation matrix to document the procedures to be followed on a monthly/quarterly/annual basis to ensure that all balance sheet accounts are reconciled and reviewed periodically. Although it appears time consuming to implement, a more routine account reconciliation process will help improve efficiency of the financial reporting close process in the future. Of the areas in which we identified significant variances, we believe payroll reconciliations and the accounting for capital assets are two projects that continue to be of significant importance to CCSNH.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
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**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2014**

As noted in the prior audit, it was noted that CCSNH does not prepare a reconciliation of the payroll register to the general ledger for each pay period. We recommend that a process be implemented such that an employee, who is independent of the processing and posting functions, reconciles the payroll register to the general ledger for each pay period.

CCSNH does not capitalize capital asset acquisitions during the year; instead, the expenditures are recorded in various expense accounts and later capitalized when the annual financial statements are prepared. Management records the capital asset acquisitions to expense accounts to make information on the progress on capital projects readily available and to utilize Banner's automatic postings for efficiency purposes. By using the expense accounts, information on actual costs to date, comparisons to budget and amounts encumbered vs. available are easily communicated to staff across the system. In addition, Banner is currently set-up to use the expense accounts to automatically generate the entry to record the receivable and revenue for capital items that will be paid by the State's capital budget, federal grants, or other grant funds.

The challenge is that the expense accounts currently include a combination of expenditures that meet CCSNH's capitalization policy and expenditures below the capitalization policy. As a result, it is difficult to reconcile the amounts that should be capitalized at year-end from the trial balance accounts. In order to separate those purchases that will be capitalized from the purchases below the capitalization threshold of \$5,000, we recommend that all capital asset purchases in excess of the capitalization threshold be coded to separate expense accounts. This will allow management to continue to assess current asset acquisitions using the expense accounts along with identifying significant expenditures that will later be capitalized.

Another issue that we had noted in prior years was the fact that CCSNH tracked capital assets and the related depreciation on Excel spreadsheets that were not reconciled to the trial balance at any point during the year. During the year ended June 30, 2014, CCSNH worked to convert the Excel spreadsheets to a fixed asset program (Vertere), which was previously used to track assets for inventory purposes. Since the initial reporting options provided by Vertere were limited, we received a download of the assets recorded in Vertere in an Excel file to perform our audit procedures.



**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
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**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2014**

We noted that an initial reconciliation and analysis was performed by management that resulted in journal entries that were provided by management during the course of the audit. In addition to the entries provided by management, our audit procedures identified three significant audit adjustments to the trial balance that were required to agree the capital asset accounts to the information maintained in Vertere. Due to the significant volume of capital assets maintained in Vertere and the limitations to Vertere's reporting capabilities, we spent a significant amount of time and effort auditing the information provided by management. We recommend that management continue to make improvements in CCSNH's capital asset accounting by working with Vertere to improve the program's reporting capabilities, including the identification of items included in Vertere that do not meet CCSNH's capitalization threshold, developing a report that separately identifies current year additions and deletions, and adding totals to all of the available reports, such that management can more easily reconcile the activity between Vertere and the trial balance.

Views of a Responsible  
Official and Corrective  
Action Plan:

CCSNH agrees with the condition found and understands the need to improve its account reconciliation process. Effective the beginning of fiscal year 2015, CCSNH implemented a monthly and quarterly close process that focused on its first quarter bank and payroll reconciliations. CCSNH plans to expand this reconciliation process during its second quarter to include fixed assets. Additionally, CCSNH will implement during its third quarter of fiscal year 2015, a process of performing a tuition reasonableness test and an accounts receivable reconciliation.

As part of CCSNH's implementation of reconciling fixed assets between Vertere and the general ledger, it plans to amend its current fixed asset process to ensure that assets purchased in excess of the capitalization threshold will be coded to separate expense accounts. CCSNH also plans to gain further understanding of its Vertere system and its reporting capabilities in an attempt to separately identify additions and deletions, as well as, adding asset category totals to the reports to make it easier to reconcile activity between Vertere and the general ledger.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
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**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2014**

Finding Number:	2014-002
Criteria:	Management is responsible for establishing and maintaining effective internal control over financial reporting.
Condition Found:	During our audit procedures, we noted that the reconciliations tested did not have documented evidence of review and approval by a responsible member of management. This condition was also noted in the audits for the years ended June 30, 2013 and 2012.
Context:	During our audit procedures of the financial statements, we discovered the majority of account reconciliations did not include documentation that they had been reviewed.
Cause and Effect:	Based on our observations, it appears that the primary cause of the issue with undocumented review and approval of account reconciliations is related to an under-staffed accounting department. As a result, significant variances and adjustments were identified and posted related to specific reports and account reconciliations.
Recommendation:	We recommend the adoption of a policy whereby all account reconciliations be approved by an appropriate member of management. All reconciliations should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals.
Views of a Responsible Official and Corrective Action Plan:	CCSNH agrees with the condition found and understands the need to improve its account reconciliation process. Effective the beginning of fiscal year 2015, CCSNH implemented a monthly and quarterly close process and incorporated with this new close process, an account reconciliation approval sign-off is required to be initialed by the preparer and signed by the Controller to properly document review of account reconciliations.

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
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**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2014**

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

Finding Number:	2014-003
Information on the Federal Program:	Federal Agency: U.S. Department of Education CFDA 84.048 Program Name: Carl D. Perkins Career and Technical Education Act of 2006 Passthrough Agency: New Hampshire Department of Education Passthrough Contract Numbers: 35039 and 45039  Federal Agency: U.S. Department of Labor CFDA: 17.282 Program Name: Trade Adjustment Assistance Community College and Career Training  Federal Agency: U.S. Department of Labor CFDA: 17.238 Program Name: H-1B Job Training Grants
Specific Requirement:	Required by 2 CFR, Part 180 for federally funded programs, when an institution enters into a covered transaction with an entity or individual, an institution must verify that the vendor is not suspended or debarred or otherwise excluded from participating in federal programs. Generally, a covered transaction is a transaction expected to equal or exceed \$25,000 and be funded with federal dollars. This verification may be accomplished by checking the System for Award Management (SAM), formerly the Excluded Parties List System, maintained by the General Services Administration, collecting a certification from the vendor, or by adding a clause or condition to the covered transaction.
Condition Found:	During our audit, we noted CCSNH did not review the SAM for vendors meeting the covered transaction threshold.
Context:	In response to the finding, we selected a sample of 60 vendors exceeding \$25,000 funded by all major federal programs, with the exception of the Student Financial Aid Cluster, and noted that none of the applicable vendors were reviewed against the SAM. Based on our testing, we did not identify an expenditure funded by CCSNH's major federal programs paid to a vendor that was included in the SAM.
Questioned Costs:	None

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**Schedule of Findings and Questioned Costs (Continued)**

**Year Ended June 30, 2014**

Cause and Effect: CCSNH was aware of the requirement to verify vendors against the SAM, but had not implemented a process during the year ended June 30, 2014 to verify vendors. Since this process is not performed on vendors, there is a greater risk of vendors that are included on the SAM being disbursed funds through federal funding.

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

Views of a Responsible  
Official and Corrective  
Action Plan:

Effective December 3, 2013, CCSNH implemented a process to compare all federally funded vendors to the SAM. As part of that procedure, institutions were responsible for verifying that any vendors meeting the covered transaction threshold was not suspended, debarred or otherwise excluded from participating in federal programs prior to the transaction. Institutions were required to attach documentation of this process to each requisition. Additionally, CCSNH checks this list of federally funded vendors against the SAM at year end. As such, this documentation was not evident in each of the vendor files and therefore, CCSNH will continue to improve its documentation of this process.

Finding Number: 2014-004

Federal Program: Federal Agency: U.S. Department of Education  
CFDA 84.268  
Program Name: Federal Direct Student Loans

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

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE**  
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**Schedule of Findings and Questioned Costs (Concluded)**

**Year Ended June 30, 2014**

Condition Found:	During our audit, we noted CCSNH was preparing the proper reconciliations between COD records and its financial records; however, we were unable to identify documented evidence of proper review of the reconciliations by a supervisor.
Context:	We selected a sample of two monthly reconciliations noting proper compliance with OMB Circular A-133 compliance requirements; however, we did not identify documented evidence of a supervisor's review of the reconciliations.
Questioned Costs:	None
Cause and Effect:	CCSNH was aware of the requirement to perform reconciliations; however, lack of documented review process may indicate a lack of oversight and monitoring and increases the risk of inappropriate items included as reconciling items, and of errors in the records being reconciled.
Recommendation:	We recommend CCSNH implement a process to document the procedures to be followed on a monthly basis to ensure that all reconciliations are reviewed timely, and that the reviews are documented.
Views of a Responsible Official and Corrective Action Plan:	CCSNH plans to implement a process to document its review process of these reconciliations for fiscal year 2015.

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**Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2014**

Finding Number: 2013-003

Condition Found: During our audit, four contracts were identified which did not comply with CCSNH policies and procedures and Federal procurement standards.

Recommendation: We recommended CCSNH revise its contracting policies and procedures to address sole source procurements and ensure compliance with applicable Federal procurement standards and CCSNH policies. The sole source justification policy should include a requirement to obtain certifications from local industry that a particular brand of equipment is the standard in use for advanced manufacturing. A memorandum specifying the requirement to comply with Federal procurement standards and CCSNH procurement procedures should be issued and provided to all the Colleges and the System Office.

Action Taken: Management disseminated language to all employees involved with procurement procedures to stress the need for supporting documentation related to proper bidding procedures, in particular with the processes and documentation surrounding sole sourcing.

Status: Corrected

Finding Number: 2012-03 and 2013-004

Condition Found: During our audit, we noted CCSNH did not review the Excluded Parties List System (EPLS) for covered transactions, except for vendors of the Trade Adjustment Assistance Community College and Career Training grant.

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

Action Taken: Management established and implemented a procedure to compare employees to the EPLS and document this comparison and any exceptions noted appropriately. However, no vendors meeting the covered transaction threshold were verified to the EPLS.

Status: Uncorrected; See finding 2014-003

**COMMUNITY COLLEGE SYSTEM OF NEW HAMPSHIRE  
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**Summary Schedule of Prior Audit Findings (Concluded)**

**Year Ended June 30, 2014**

Finding Number: 2013-005

Condition Found: DELL computers were purchased on October 3, 2012 by Lakes Region Community College for a Math Lab that will not be used as part of the Trade Adjustment Assistance Community College and Career Training grant. The cost of those computers were non-allocable to the grant.

Recommendation: We recommended CCSNH track the use of the funds to properly monitor whether costs charged to the grant were for locations or programs identified under the grant.

Action Taken: Management transferred the cost of the Dell computers from the federal grant, and instead, paid with CCSNH operating funds. Management also established stricter monitoring procedures to properly identify costs associated with the various granting programs received by CCSNH.

Status: Corrected

Finding Number: 2013-006

Condition Found: During our audit, we noted students of NHTI - Concord's Community College who received Federal Direct Loans or Federal Perkins Loans did not receive proper notification of their right to cancel the loan within 14 days of disbursement. In addition, we noted that one student from River Valley Community College selected for testing did not receive proper notification.

Recommendation: We recommended CCSNH change each colleges' notification template letter to include the required "right to cancel" language.

Action Taken: Management incorporated the required "right to cancel" language in each colleges' notification template.

Status: Corrected