BerryDunn

COMMUNITY COLLEGE
system of New Hampshire

(A Component Unit of the State of New Hampshire)

FINANCIAL STATEMENTS

and

REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

June 30, 2018 and 2017

With Independent Auditor's Report

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

Reports on Audits of Financial Statements and Supplementary Information

June 30, 2018 and 2017

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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 and for the years ended June 30, 2018 and 2017, 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 opinions, 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 audits 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, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 25 and the required supplementary information on pages 59 and 65 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Change in Accounting Principle

As discussed in Note 2 to the basic financial statements, in 2018 CCSNH adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018 on our consideration of CCSNH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CCSNH's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCSNH's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
December 7, 2018

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) includes the strategic vision and economic outlook as well as an analysis of the financial position and operations for the Community College System of New Hampshire (CCSNH) for the fiscal years ended June 30, 2018, 2017 and 2016. This discussion is provided by the management of CCSNH and should be read in conjunction with the financial statements and notes.

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

CCSNH is a state-wide system of seven independently accredited institutions including White Mountains Community College (WMCC), Lakes Region Community College (LRCC), River Valley Community College (RVCC), NHTI – Concord's Community College, Manchester Community College (MCC), Nashua Community College (NCC), and Great Bay Community College (GBCC), as well as five academic centers in Keene, Littleton, Rochester, North Conway, and Lebanon, New Hampshire.

The financial statements include the activity of the Community Colleges of New Hampshire Foundation (the Foundation), which is a separate legal entity established as a 501(c)(3) corporation and is a discretely-presented non-major component unit of CCSNH. 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. 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.

STRATEGIC VISION AND ECONOMIC OUTLOOK

CCSNH's mission is to provide residents with affordable, accessible education, and training that aligns with the needs of New Hampshire's businesses and communities, delivered through an innovative, efficient, and collaborative system of colleges. CCSNH is dedicated to the educational, professional, and personal success of its students; a skilled workforce for our state's business; and a strong New Hampshire economy. In our mission statement, CCSNH explicitly dedicates itself to supporting educational access and success, contributing to the State's communities, and to its economic and social vitality.

To maintain New Hampshire's positive economic indicators, including low unemployment and high per capita income, the State will need 65 percent of adults with education beyond high school. CCSNH is committed to achieving this vision by 2025. CCSNH acts as an engine for the State's economy, graduating students with certificates and degrees of economic value to New Hampshire. The more students who attend, particularly from the existing workforce, the more quickly our State moves towards educational attainment rates required to meet new labor-economic needs.

CCSNH is poised to meet these workforce challenges, as well as to provide the state with a more educated, civically engaged citizenry, as we partner with four-year universities as well. By launching careers, facilitating job switches and promotions, as well as seamless transfer to continued education at baccalaureate, master's, and doctoral levels, CCSNH is in the business of making successful alumni.

In order to maintain and grow our improved rates of student completion and achieve 65 by 25, we will:

1. Assure clear pathways for students to credentials that lead to continuing education and strong career prospects, secured through partnerships with industry, four-year universities, and high schools

2. Strategically meet enrollment needs for the State, including addressing the unique needs of our rural communities

CCSNH will enable student success and academic operations in support of the above goals through conscientious stewardship of financial, human capital, and other assets and resources. We accomplish this by:

1. Maintaining strong internal financial and facility controls and sustainability through sound budget, accounting, investment, and procurement operations
2. Establishing CCSNH as an employer of choice
3. Using data and technology to support our attainment goals

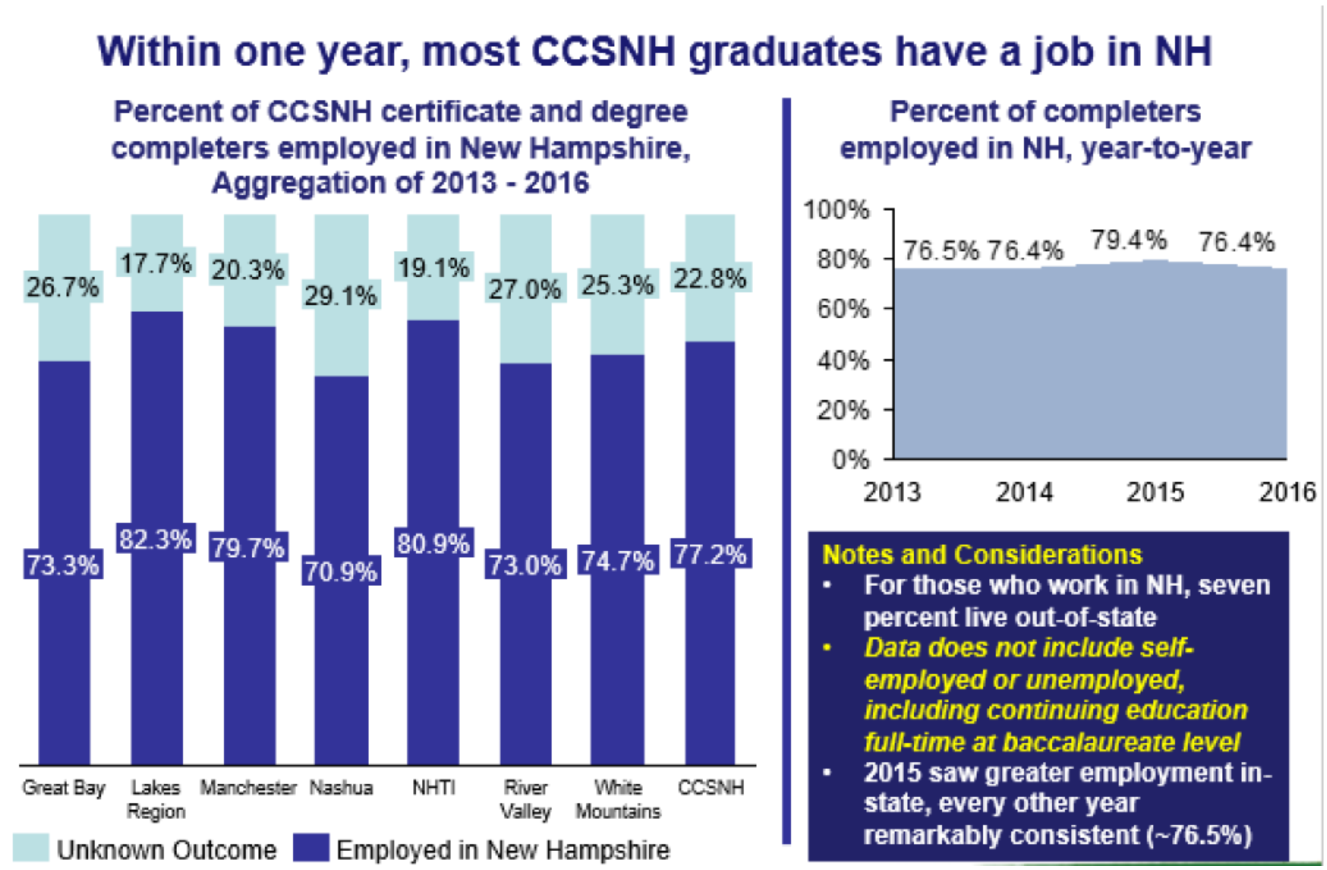
<u>Graduating in Programs of Value</u>

Much as enrollment has no meaning if students do not attain credentials of economic and educational value, credential attainment means little if the value it symbolizes is minimal. CCSNH must strive to keep its curriculum fresh and relevant through constant updates based on four-year university and employer and industry input. This is why all program descriptions, modifications, eliminations, and introductions must include – but not be limited to – the following attributes for ultimate approval:

- Career opportunities associated with program
- Data quantifying need for program change, elimination or introduction, including from labor economics sources such as NH Employment Security (NHES), EMSI (Labor Market Statistics), Bureau of Labor Statistics (BLS), or Burning Glass
- Evidence of early four-year partnership
- Narrative of community impact / need
- Baccalaureate institutions to which a program transfers
- Proposed student outcomes
- Semester-by-semester listing of courses students should take

- Job openings and wage information
- Proposed career steps upon workforce entry
- Evidence of early employer partnership
- List of job titles associated with program
- Similarities to other programs at CCSNH and potential enrollment impact

CCSNH has done an excellent job ensuring its credentials have economic and transfer value. Our graduates stay in New Hampshire at an average rate of 77 percent over the last four years, as can be seen in the figure below, and this excludes students who attend a New Hampshire four-year university without concurrent in-state employment. The share of students from the bottom fifth of incomes as students that move to the top fifth as adults is 16 percent, which is among the top 10 percent for all community colleges across the country. The median income of former students at age 34 is $34,170, which is also a leader in the New England region for community college systems and also in the top decile in the country.

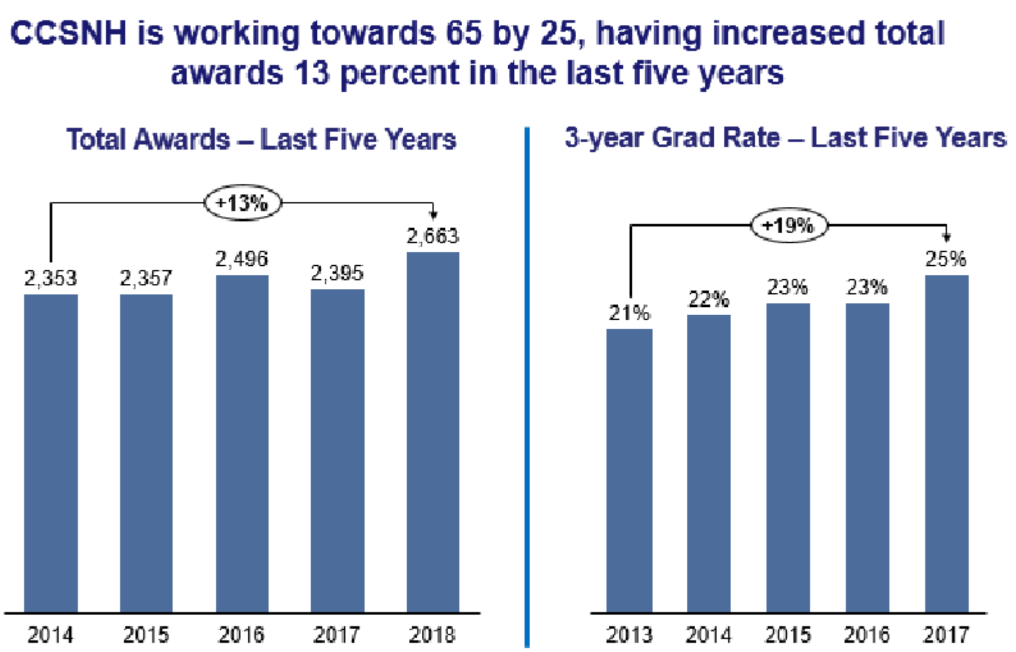


Transfer strategy for CCSNH comprises four components

COMMUNITY COLLEGE system of New Hampshire → University System of New Hampshire

1. **Pathways and articulation:** Create clear, 8-semester, 2+2 maps to every program for which it makes sense at each of USNH's institutions. Course equivalency and bolstering general education transfer across all degree types complements this effort.
2. **Transfer support:** Mitigate transfer shock for students moving from associate's to baccalaureate by creating connections between student services and faculty across CCSNH-USNH.
3. **Data Exchange:** Facilitate information sharing at the transcript level to better understand student readiness for University System, and to bolster reverse transfer of credit efforts.
4. Promote **transfer mindset** across all programs at CCSNH: Through the optimal mix of transfer fair, campus tour, classroom visit, transfer advising and related activity – increase awareness and attainment of baccalaureate success.

If our awards confer economic and transfer value, then we need to increase the rate at which students attain them. Today, CCSNH has seen growth here, across all graduation cohorts and in terms of total awards as presented below:



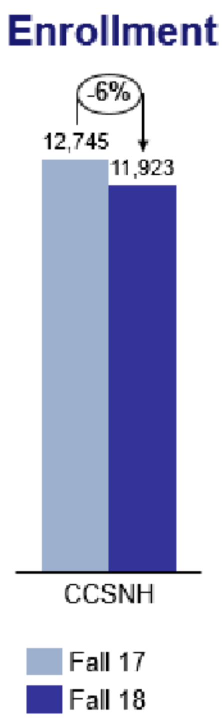
Today, CCSNH leads its New England community college system peers in graduation rate, and in composite graduation-transfer rate. For first-time-to-college students attending full-time who entered CCSNH in 2008, over an eight-year timeframe more than a third received a certificate or degree, and nearly another third transferred on to a four-year institution, leaving about 34 percent without an award and without transfer activity (excluding the one percent still enrolled at CCSNH after eight years). This first-in-the-region ranking extends to six-year and three-year graduation rate cohorts as well. Although CCSNH will grow its graduation rates across all cohorts, in the context of 65 by 25 attainment and the need to increase adult learner enrollment to meet that aim, it is important to note that, relative to other community colleges in the region, New Hampshire community college students are most likely to receive a credential.

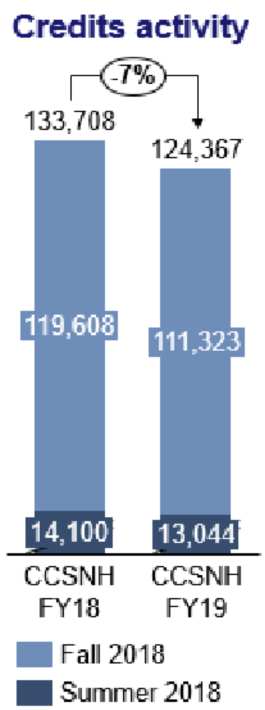
Promoting Student Completions Through More Enrollment

As a highly tuition-driven institution, enrollment pipeline predicts both our number of student completers of degrees and certificates as well as our institutional operating revenue. Students who can enroll are either already enrolled with us, stop-outs (students who left college and the college has made an attempt to get the student to re-enroll), or prospects. Each require separate tactical sets of action, similar for active students and stop-outs in terms of segmentation, if not in accountability, metrics and messages. New students require a diverse set of tactics depending on from where they would arrive at our doors, whether traditional age or adult learner, and then whether in the recruitment stage of the enrollment lifecycle or onto admissions. Whether a prospect, recruit, admit, registrant, present enrollee, stop out, or even graduate – CCSNH has extraordinarily qualified and dedicated staff, armed with enterprise-wide technical systems, to help at each part of student lifecycle.

Any given semester, more than half of enrolled students attended class the prior semester (summer excluded). Improving recruitment from local high schools, particularly of students who would otherwise not attend college, will become increasingly critical if New Hampshire is to meet the 65 by 25 goal. Already, New Hampshire is seeing a downturn in high school graduating class size, and this will likely persist until 2032.

CCSNH continues to see declines in enrollment characteristic of the New England region. Although there is no immediate impact to student success efforts, and financial impact to fiscal years 2019 and 2020 is largely offset by the increase to tuition and conservative budgeting. Continued enrollment decline is something CCSNH is fiercely combating going into the Spring, and, ultimately, into the next academic year.



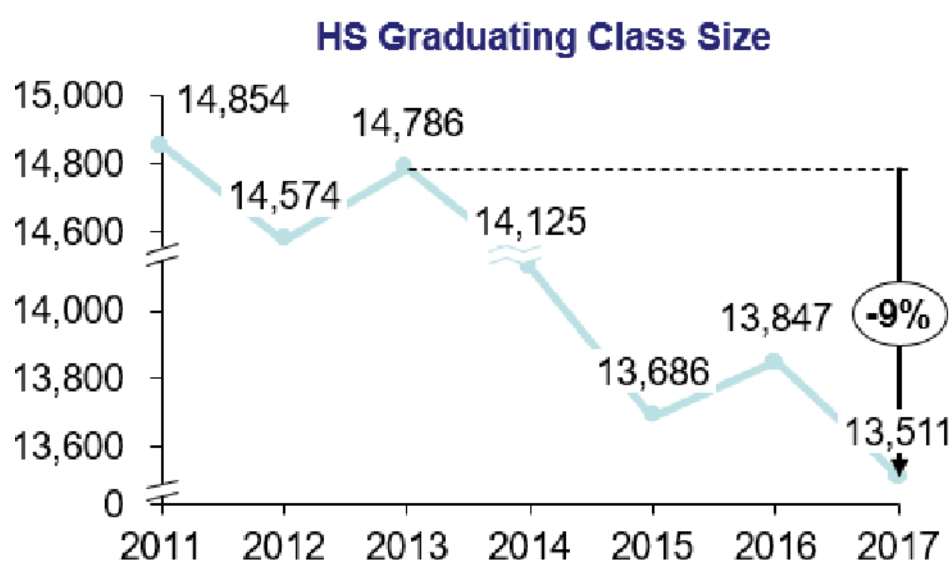


The graphs on the left represent enrollment and credits activity data, excluding Running Start students, as that is still very much in flux. Three primary factors influence enrollment:

1. Unemployment rate. CCSNH enrollment is countercyclical with economic performance – the stronger the economy, the lower our enrollment. For the last six months, NH has had an unemployment rate of 2.7 percent, which has meant more people opting for jobs instead of continuing education.

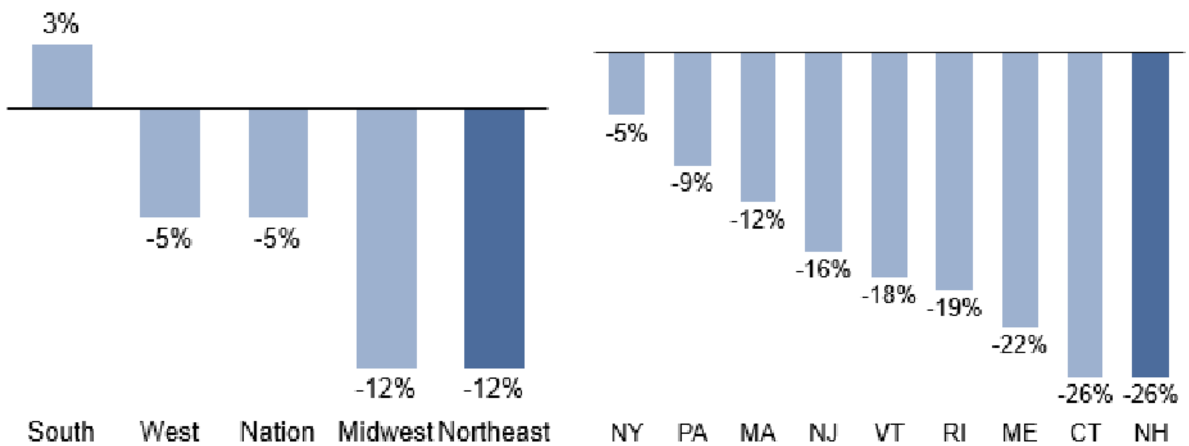
2. Diminishing high school graduating class size. In the last five years, NH high school graduates decreased approximately nine percent, which leads to a decrease in total applicants to CCSNH.

3. Increasing competition from local universities, including those offering associate degree programs, like Southern New Hampshire University (SNHU) advantage, as well as increased attention by four years to affordability.



In the charts below you can see high school graduating classes are decreasing across the country, but most rapidly in the New England region. And, within our region, New Hampshire and Connecticut high school graduating class sizes are projected to diminish 26 percent between now and 2032, a rate of decline more than quintuple that of the country.

Projected growth / decline by US region and northeast states in high school graduates by 2032, i.e., 15 years out (data from 2017)



CCSNH continues to stay strong on retention and work to increase admissions into our Colleges. This involves co-authoring an enrollment management strategy aligned with our mission, and bolstering existing operations with the right tools for broadening outreach, getting more precise at prospective student segmentation, and better tracking of ongoing outreach efforts. Work is underway to come up with precise strategies for dealing with specific student segments. These include high school seniors learning about CCSNH, those high school students already engaged through Running Start and Early College programs, and non-traditional “adult” learners – segmented by those who have completed some credits with us but have not wrapped up their programs of study, versus those who are looking to start or restart higher education with us.

CCSNH, however, has one of the strongest dual-credit and dual-enrollment programs in the country, with more students in dual-credit as a proportion of all new students than any other state. CCSNH should continue to build on this strength by developing a pipeline of these students to enroll in college after they graduate from high school. Dual-credit and dual-enrollment programs offered at CCSNH through collaboration with local high schools include Early College, Running Start, eStart, and CTE.

To recruit all remaining students --- non-CTE, also not in a dual-credit or dual-enrollment program – we promote the value of our colleges in high schools, including with teachers, parents, counselors, administrators, and students themselves. CCSNH targets parents primarily through marketing efforts that make the quality education proposition abundantly clear.

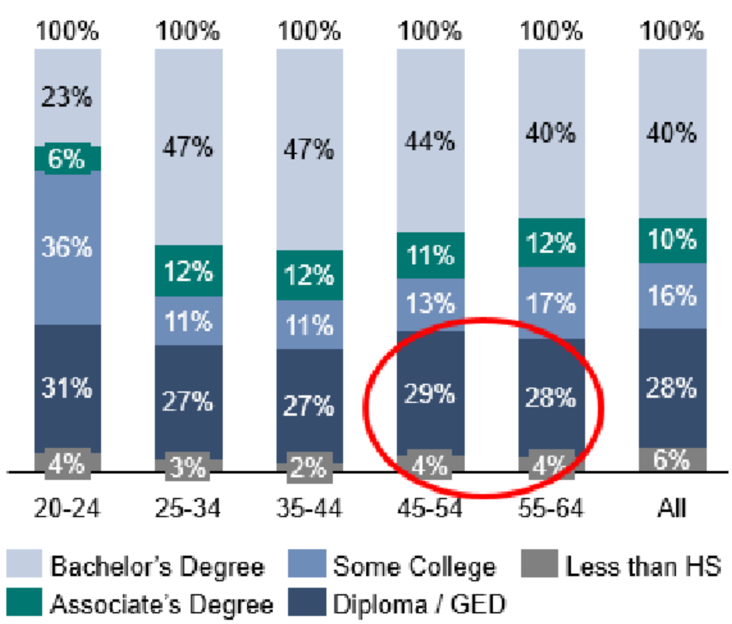
CCSNH administrators and others follow-up with high school counselors, principals, and superintendents in their catchment area to sit with them and explain the transfer and workforce value proposition of our Colleges. Also, collaboration with the Commissioner of the Department of Education has helped tighten partnership with the K-12 system.

Finally, CCSNH is working on attracting more adult learners to our institution. As of February 2018, New Hampshire has the second-lowest unemployment rate in the country at 2.6 percent – the lowest being Hawaii at 2.1 percent. Low unemployment is great, but to whatever extent employed workers, in the aggregate, do not meet 65 by 25 is, in essence, a proxy by which labor growth is hamstrung, alongside our ability to attract new businesses to the state, and to retain existing ones, despite low unemployment.

With a decline in the absolute number of young people in the state, even a dramatic uptick in awards production for the traditional-age college-going population would not move New Hampshire towards 65 by 25. The only way to get there will be by re-engaging adult learners, especially those who presently work in a low unemployment state. This imperative comes when, across the country, according to data calculated by the National Student Clearinghouse Research Center, the proportion of undergraduate students age 24 and over has actually decreased over the last few years as the job market has improved, at precisely the time New Hampshire and other states need more workers with associate's degrees or higher.

The State is trying to get to 65 percent with credentials of economic value in seven years and stands today at only 50 percent – 10 percent with an associate's, plus 40 percent with a bachelor's or higher. This number excludes certificate achievers, which CCSNH estimates as another three percentage points out of the "Some College" segment below.

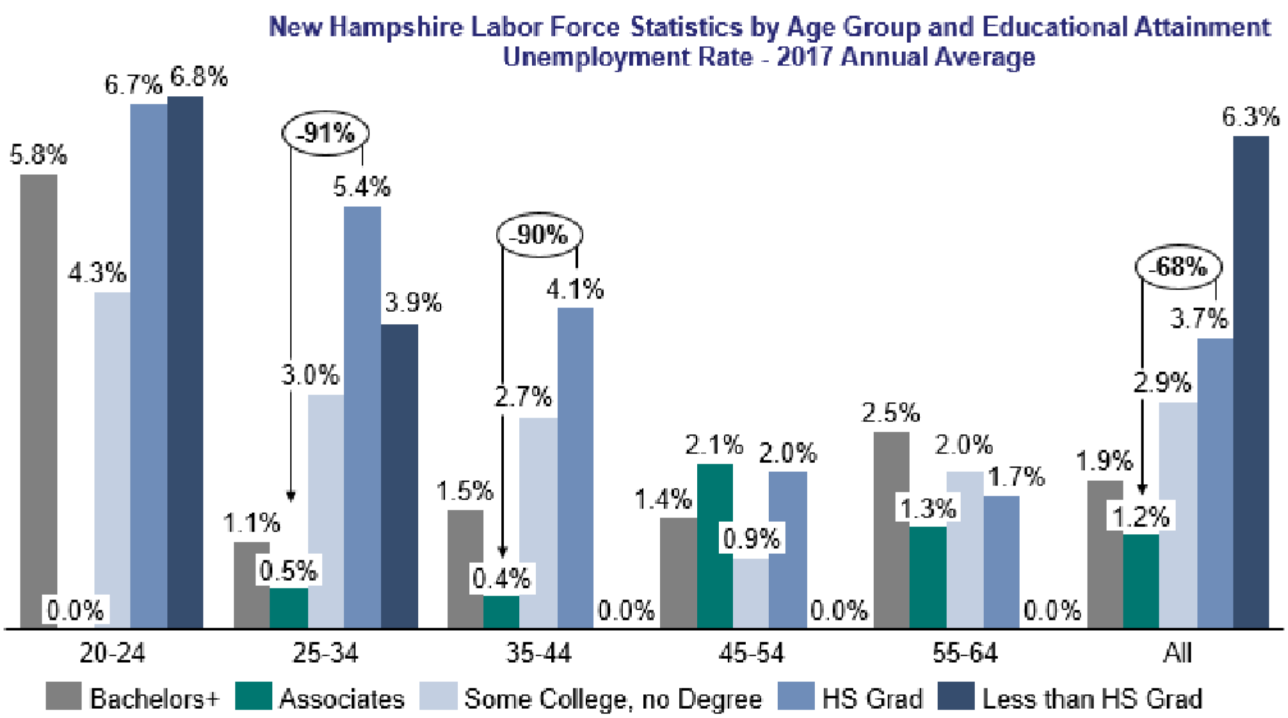
NH Educational Attainment by Age Group, 2016



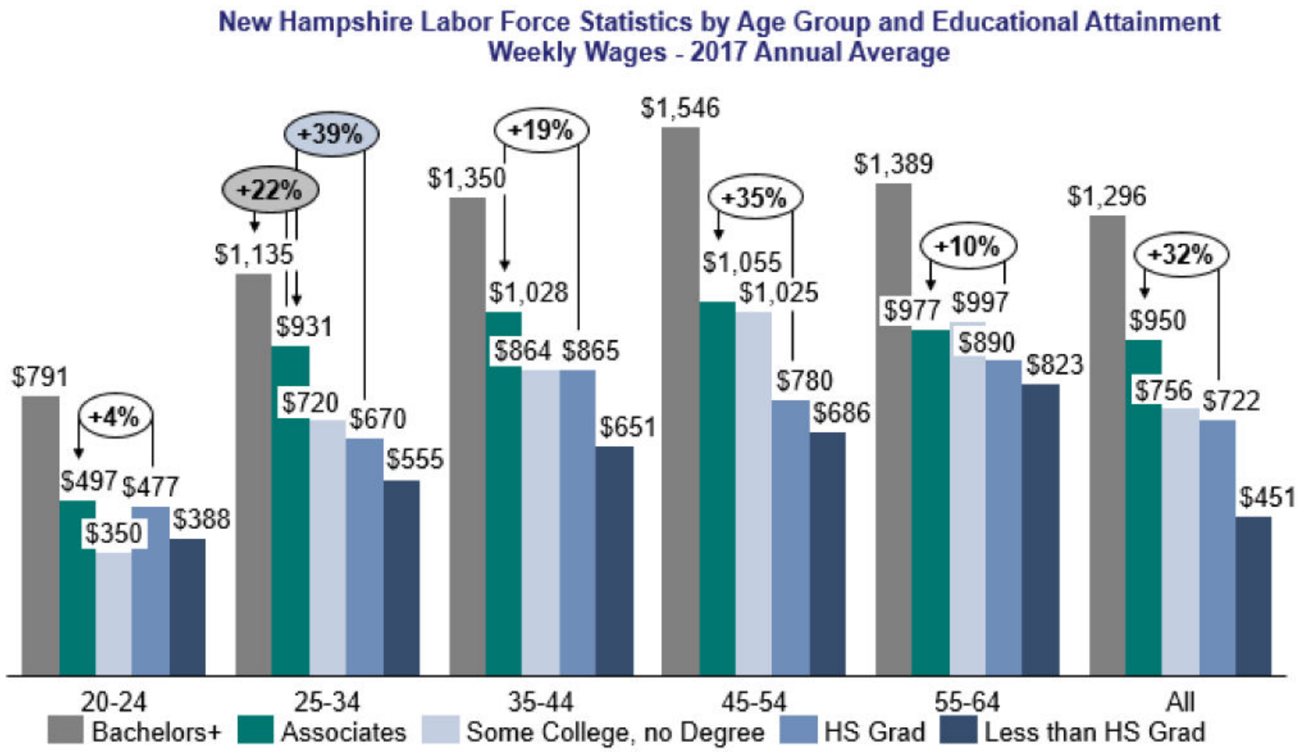
By educational attainment, the highest rates of population with less than a high school diploma, or only high school diploma or GED or some college, are those in the 45 – 64 age group.

As New Hampshire Employment Security notes: "It is important to acknowledge the potential need for training or upskilling of this large cohort of the population, those age 45-64 years with a 'high school diploma' or 'some college, no degree' as the highest level of educational attainment. The majority will still be participating and the labor market will need them. As most of these workers are currently employed, training should be approached from the perspective of finding ways to provide these workers with additional skills and educational enhancement (upskilling) in their field of expertise. Rather than retraining these workers in new fields, efforts should be explored to find ways to build upon the applied knowledge these workers might have and provide additional skills that will be needed in the future labor market."

Across all age groups, an associate's degree – and a bachelor's – correlate to lower unemployment rates, and higher wages. As the chart on the next page demonstrates, New Hampshire residents age 25 – 34 who have an associate's degree have 91 percent less unemployment than those with only a high school diploma – the difference is 90 percent less in the age range of 35-44.



As for wage gaps, across all age groups, weekly wage follows educational attainment. Take for instance the 25-34 age group, where associate's attainment represents a 39 percent increase in wages from high school diploma, and baccalaureate attainment a 22 percent jump from there. Also depicted are gains at associate's level relative to high school diploma across all age groups, and overall.



Indeed, nearly all job growth nationally since the recession of 2007 – 2008 has come from jobs requiring at least some college. As for New Hampshire, according to the Department of Employment Security, "In broad terms, when comparing the occupational employment in 2004 with occupational employment in 2014, New Hampshire's labor market has seen a net loss of approximately 30,000 jobs in occupations that do not require more than a high school diploma to enter."

CCSNH is positioned better than any other higher education institution in New England to seize the opportunity re-engagement of adult learners represents – by virtue of its relatively high awards attainment compared to other community college systems, relatively high social mobility compared to the state and the region, deep partnership with business and philanthropic communities, as well as with other state and higher education agencies and institutions, and the fact that we already enroll an increasingly non-traditional student body across an array of liberal arts, STEM, and trade degree and certificate programs. CCSNH introduced the 65 by 25 Vision and intends to take the lead in realizing it.

New Hampshire – with its economic strength, relatively high attainment rates of its public higher education institutions, its vibrant philanthropic community, its tight collaboration between state institutions and private-sector partners, and its sheer present economic strength – is poised to generate a great return on internal investments in student recruitment: for adult learners, traditional age students, and our dual-credit/dual-enrollment populations.

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.

The three financial statements presented are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position are also presented for June 30, 2018 by individual campus. The assets and liabilities and net position as well as the revenues and expenses of the Chancellor's office are allocated to the individual campuses based on each campus' relative percentage of student full-time equivalents (FTEs).

CHANGE IN ACCOUNTING PRINCIPLE

As disclosed in Note 2 to the basic financial statements, in 2018 CCSNH adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The changes made to the basic financial statements to comply with the new accounting standards have been reported as an adjustment as of the beginning of the year ended June 30, 2018. Because it was not practical for CCSNH to determine the amounts of all deferred inflows of resources and outflows of resources related to the pension plan as of June 30, 2017, the beginning balances of deferred inflows of resources and deferred outflows of resources related to pensions have not been reported. The impact of the adoption of the new accounting standard as of the beginning of the year ended June 30, 2018 was both an increase in long-term liabilities and a decrease in unrestricted net position of $144,602,876.

STATEMENTS OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources and net position of CCSNH at the end of the fiscal year. Net position is a residual amount equal to assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is presented in three categories. The first category, "invested in capital assets, net of related debt," consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. The next category is "restricted net position" which consists of restricted assets reduced by liabilities related to those assets. Restricted net position balances are further classified as nonexpendable or expendable. Nonexpendable balances consist of loan funds and permanent endowments (available for investment purposes only). Expendable balances are available for expenditure by CCSNH, but must be spent for purposes determined by external entities. Unrestricted net position balances are not subject to externally imposed restrictions and may be designated for specific purposes by management of CCSNH.

A summarized Statement of Net Position is as follows:

	June 30,		
	2018	2017	2016
Assets			
Current	**$ 25,627,298**	$ 22,580,348	$ 21,086,491
Capital assets, net	**117,002,778**	119,330,044	121,715,102
Other noncurrent assets	**20,175,210**	18,124,201	15,640,572
Total assets	**162,805,286**	160,034,593	158,442,165
Deferred outflows of resources	**16,176,551**	20,060,746	6,992,021
Liabilities			
Current	**11,340,440**	11,968,455	11,936,559
Noncurrent	**198,811,673**	95,421,210	85,397,470
Total liabilities	**210,152,113**	107,389,665	97,334,029
Deferred inflows of resources	**42,292,467**	7,609,348	4,396,230
Net position			
Invested in capital assets, net of related debt	**99,114,610**	97,239,205	102,031,934
Restricted nonexpendable	**14,429,385**	12,873,853	11,519,279
Restricted expendable	**3,991,013**	4,041,565	4,147,691
Unrestricted	**(190,997,751)**	(49,058,297)	(53,994,977)
Total net position	**$ (73,462,743)**	$ 65,096,326	$ 63,703,927

Current assets

Current assets consist of $23.07 million in cash, cash equivalents, and short-term investments, $1.75 million in accounts, notes, and contracts receivable, $360 thousand due from the state of New Hampshire and $445 thousand in prepaid expenses. The $3.05 million increase in current assets was primarily attributable to a $4.47 million increase in cash, cash equivalents, and short-term investments.

The increase in cash, cash equivalents, and short-term investments represents a 24% increase as compared to the prior year and was principally attributable to net cash flows from operations, investing and financing activities.

In 2017, overall assets increased by $1.59 million due to an increase in the amount due from the State of New Hampshire for capital appropriations, a strong market performance in the investments, net of depreciation on capital assets in excess of additions to those capital assets.

The increase in assets from 2016 to 2017 was primarily attributable to an increase in cash of $724 thousand and in increase in the amounts due from the State of New Hampshire for capital appropriations of $1.2 million, in addition to an increase in investments of $2.9 million due to strong market performance, net of depreciation on capital assets in excess of additions to those capital assets.

<u>Capital assets, net of accumulated depreciation</u>

The overall decrease in net capital assets of $2.3 million for 2018 was mainly attributable to a net increase in buildings and improvements and associated construction in process (CIP) of $5.1 million net of a net increase in accumulated depreciation of $7.4 million.

The net increase in buildings and improvements and decrease in CIP was due to the movement of the HVAC building previously under construction from CIP starting in fiscal year 2017 to a depreciable asset in fiscal year 2018.

The decrease in capital assets from 2016 to 2017 was due to projects at RVCC, MCC, GBCC, and LRCC being placed into service in the current year, netted with annual depreciation expense.

<u>Other noncurrent assets</u>

Other noncurrent assets consist of $18.2 million in long-term investments, $1.52 million in the long term portion of a note receivable taken on property in Stratham New Hampshire sold in fiscal year 2015 and $456 thousand long-term portion of student loans receivable.

The increase in noncurrent assets from the prior year of $2 million is mainly attributable to an increase in long-term investments. This increase is attributable to invested excess cash received from the State of New Hampshire under the UNIQUE scholarship program. Under this program the State of New Hampshire remits cash to CCSNH of which a portion is paid out to students, using a defined formula, for tuition expenses and the remainder is re-invested for future use. Only the earnings on the re-invested funds may be used for future use. The principal portion is held within the restricted nonexpendable portion of net position.

The increase in other noncurrent assets from 2016 to 2017 is primarily attributable to an increase in investments of $2.8 million due to a strong market performance in the investments and invested cash received in 2017 from the State for the UNIQUE program as described above.

<u>Deferred outflows of resources</u>

The financial statement deferred outflows of resources category is used to report consumption of resources applicable to a future reporting period. The balance reported for fiscal year 2018 includes amounts for certain pension and other postemployment benefit changes while fiscal years 2017 and 2016 included amounts only for certain pension changes. The fiscal year 2018 includes other post-employment benefit changes due to the implementation of GASB 75 described earlier. These changes will be recognized as pension and other postemployment benefit expenses in future fiscal years.

Current liabilities

Current liabilities include accounts payable and accrued liabilities of $1.03 million, deferred revenue of $1.2 million, current portions of long-term debt of $2.15 million, and accrued salaries and benefits of $6.96 million.

Current liabilities decreased by $630 thousand during fiscal year 2018. The decrease was primarily attributable to a decrease in accounts payable on CIP. The decline was due to a significant decline in CIP projects open at the end of fiscal year 2018 relative to fiscal year 2017.

Noncurrent liabilities

Noncurrent liabilities include liabilities for unfunded pension obligations and unfunded other post-employment benefit (OPEB) obligations of $62.95 million and $116.18 million respectively. Also included in noncurrent liabilities are noncurrent portions of long-term debt of $15.3 million, long-term employee benefits accruals of $3.89 million, and other long-term liabilities of $490 thousand.

Noncurrent liabilities increased by $103.4 million during fiscal year 2018. The implementation of GASB Statement No. 75 on postemployment benefits resulted in a negative cumulative effect adjustment of $144.6 million as of July 1, 2017, however the liability for OPEB decreased to $116.2 million by year-end. In addition, CCSNH experienced an overall decline in our unfunded pension liability of $9.3 million. Last, our long-term debt obligations decreased by $3.5 million due to normal amortization of the bonds payable along with an adjustment by the State of New Hampshire for existing bond debt in the amount of $1.5 million for a misallocation of bond debt to CCSNH.

In 2017, the overall liabilities increased by $10.1 million related primarily to the current year activity associated with the net pension liability along with an increase in bonds payable of $940 thousand due to an advance refunding through the issuance of new general obligation refunding bonds with an original principal amount of $4.9 million. In 2016, liabilities increased by $707 thousand due to the net pension liability recorded in connection with the adoption of the new accounting standard that year.

The increase in noncurrent liabilities from 2016 to 2017 was due to the increase in the net pension liability of $11.9 million.

Deferred inflows of resources

Deferred inflows of resources are used to report acquisition of resources applicable to a future reporting period. The balance in fiscal year 2018 reflects certain amounts related to other post-employment benefits, pensions, and re-funding of bond debt.

Net position

Overall net position decreased by $138.56 million during the fiscal year. The decrease is primarily due to the recording of the other postemployment benefit liability as of July 1, 2017.

CCSNH's net investment in capital assets increased by $1.88 million during the fiscal year. The increase was attributable to an overall decline in net capital assets of $2.33 million netted against a decrease in capital asset related debt of $4.2 million.

Lastly, CCSNH ended fiscal year 2018 with an increase in net position, after restatement of the beginning balance for GASB Statement No. 75, of $6.0 million and ended fiscal year 2017 with an increase in net position of $1.4 million.

Statements of Net Position - 2018

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Assets								
Current assets								
Cash and cash equivalents	$ 14,285,430	$ 1,736,948	$ 2,732,437	$ 2,506,642	$ 1,251,829	$ 1,053,058	$ (1,489,822)	$ 6,494,338
Other current assets	604,723	172,696	81,065	255,924	96,279	(7,075)	(33,579)	39,413
Current portion of notes receivable	187,418	12,322	11,268	58,028	13,926	38,642	26,080	27,152
Grants and contracts receivable	457,052	29,032	60,935	66,209	25,678	119,987	34,615	120,596
Operating investments	8,788,529	577,808	528,371	2,721,102	653,011	1,812,040	1,222,975	1,273,222
Receivable on forgiveness of debt	944,215	-	-	944,215	-	-	-	-
Due from state of NH for capital appropriations	359,931	97,932	3,883	79,841	6,729	33,733	126,518	11,295
Total current assets	25,627,298	2,626,738	3,417,959	6,631,961	2,047,452	3,050,385	(113,213)	7,966,016
Noncurrent assets								
Student loans receivable, net	455,570	24,051	55,296	151,425	20,372	112,048	68,655	23,723
Note receivable, net	1,518,136	99,935	91,384	468,750	112,941	313,399	211,518	220,209
Investments	18,201,504	1,196,671	1,094,284	5,635,545	1,352,420	3,752,829	2,532,846	2,636,909
Capital assets, net	117,002,778	4,679,721	9,747,560	22,600,423	15,060,018	29,613,015	18,794,415	16,507,626
Total noncurrent assets	137,177,988	6,000,378	10,988,524	28,856,143	16,545,751	33,791,291	21,607,434	19,388,467
Total assets	162,805,286	8,627,116	14,406,483	35,488,104	18,593,203	36,841,676	21,494,221	27,354,483
Deferred outflows of resources								
Pension	$ 12,185,635	$ 801,153	$ 732,607	$ 3,772,913	$ 905,425	$ 2,512,463	$ 1,695,703	$ 1,765,371
Other post employment benefits	3,990,916	262,386	239,936	1,235,666	296,536	822,856	555,359	578,177
Total deferred outflows of resources	16,176,551	1,063,539	972,543	5,008,579	1,201,961	3,335,319	2,251,062	2,343,548

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

Management's Discussion and Analysis (Unaudited)

June 30, 2018 and 2017

Statements of Net Position - 2018 (Concluded)

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Liabilities								
Current liabilities								
Accounts payable and accrued expenses	951,094	83,234	78,661	257,772	75,207	138,545	149,365	168,310
Accounts payable for capital assets	75,039	13,245	-	21,553	-	-	40,241	-
Accrued salaries and benefits	6,960,961	479,576	408,996	2,286,482	497,981	1,375,419	897,031	1,015,476
Deferred revenue and deposits	1,201,188	157,936	59,974	374,284	101,621	207,466	138,816	161,091
Current portion of bonds payable	2,040,332	47,219	-	471,402	-	385,593	497,465	638,653
Current portion of other long-term liabilities	111,826	-	20,098	8,407	77,602	-	-	5,719
Total current liabilities	11,340,440	781,210	567,729	3,419,900	752,411	2,107,023	1,722,918	1,989,249
Noncurrent liabilities								
Due to state of New Hampshire	-	-	-	-	-	-	-	-
Accrued salaries and benefits	3,888,764	262,303	178,053	1,419,121	426,565	675,972	424,990	501,760
Refundable advances	490,447	6,656	58,713	191,824	46,482	154,645	41,916	(9,789)
Net pension liability	62,952,418	4,138,854	3,784,731	19,491,310	4,677,531	12,979,677	8,760,199	9,120,116
Bonds payable	13,607,237	443,423	-	1,828,174	-	3,376,335	1,982,546	5,976,759
Other post employment benefits	116,176,993	7,638,143	6,984,620	35,970,688	8,632,258	23,953,645	16,166,711	16,830,928
Other long-term liabilities	1,695,814	-	1,526,752	25,220	143,842	-	-	-
Total noncurrent liabilities	198,811,673	12,489,379	12,532,869	58,926,337	13,926,678	41,140,274	27,376,362	32,419,774
Total liabilities	210,152,113	13,270,589	13,100,598	62,346,237	14,679,089	43,247,297	29,099,280	34,409,023
Deferred inflows of resources								
Pension	9,034,945	594,010	543,185	2,797,397	671,320	1,862,846	1,257,266	1,308,921
Other post employment benefits	32,899,601	2,163,008	1,977,941	10,186,365	2,444,528	6,783,317	4,578,173	4,766,269
Deferred gain from advance bond refunding	357,921	11,819	-	165,390	-	5,012	174,758	942
Total deferred inflows of resources	42,292,467	2,768,837	2,521,126	13,149,152	3,115,848	8,651,175	6,010,197	6,076,132
Net position								
Invested in capital assets net of related debt	99,114,610	4,164,013	8,200,709	20,080,278	14,838,575	25,846,076	16,099,405	9,885,554
Restricted nonexpendable	14,429,385	947,341	886,510	4,461,360	1,070,639	2,970,915	2,005,119	2,087,501
Restricted expendable	3,991,013	254,579	232,797	1,198,903	287,713	798,375	538,836	679,810
Unrestricted	(190,997,751)	(11,714,704)	(9,562,714)	(60,739,247)	(14,196,700)	(41,336,843)	(30,007,554)	(23,439,989)
Total net position	$ (73,462,743)	$ (6,348,771)	$ (242,698)	$ (34,998,706)	$ 2,000,227	$ (11,721,477)	$ (11,364,194)	$ (10,787,124)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to present operating and nonoperating revenues received by the institution, operating and nonoperating expenses incurred and any other revenues, expenses, gains and losses. Changes in net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position.

A summarized statement of Revenues, Expenses, and Changes in Net Position follows:

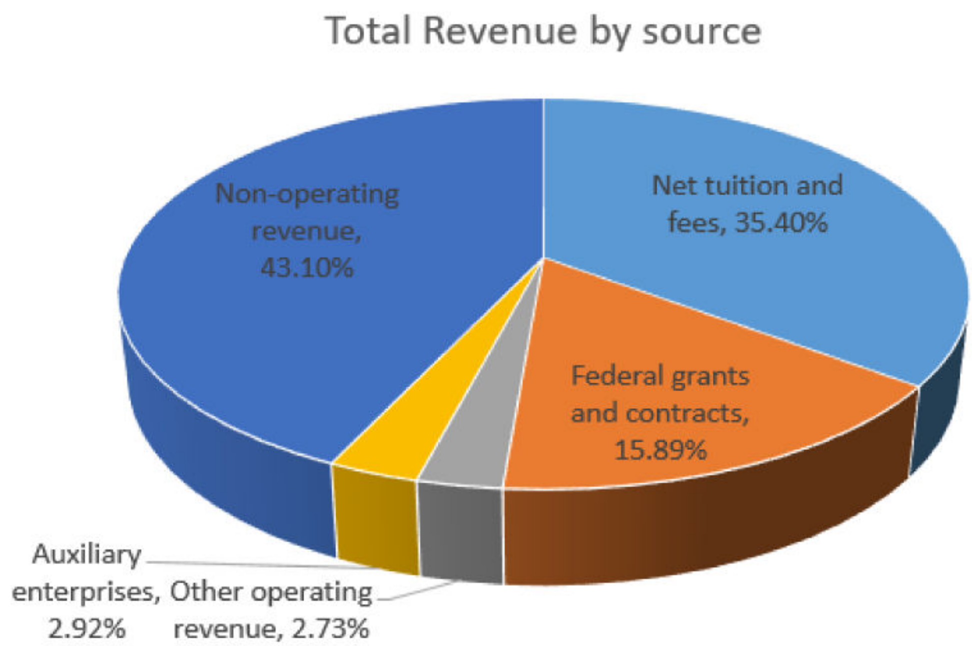
	Years Ended June 30,		
	2018	2017	2016 Restated
Operating revenues			
Net tuition and fees	**$ 47,195,936**	$ 47,931,119	$ 47,074,334
Other revenue	**29,166,007**	29,093,622	33,721,163
Total operating revenue	**76,361,943**	77,024,741	80,795,497
Operating expenses			
Employee compensation and benefits	**92,108,312**	93,526,097	91,802,705
Other operating expenses	**35,016,849**	34,501,951	35,486,621
Total operating expenses	**127,125,161**	128,028,048	127,289,326
Operating loss	**(50,763,218)**	(51,003,307)	(46,493,829)
Nonoperating revenues (expenses) and other changes			
State appropriations - operating	**46,475,000**	43,775,000	42,500,000
State appropriations - capital	**5,542,772**	5,421,823	7,727,797
Capital grants and contracts	**212,103**	661,185	1,506,179
Write-down of note receivable	**-**	-	(398,310)
Investment return used for operations	**833,048**	616,433	481,301
Investment return net of amount used for operations	**709,761**	1,384,227	(848,639)
Nonexpendable contributions	**1,537,430**	1,385,195	1,425,313
Interest expense on capital debt	**(853,582)**	(848,157)	(886,692)
Gain on forgiveness of debt	**2,350,493**	-	-
Nonoperating revenues and other changes, net	**56,807,025**	52,395,706	51,506,949
Increase in net position	**6,043,807**	1,392,399	5,013,120
Net position, beginning of year, as previously stated	**65,096,326**	63,703,927	58,690,807
Cumulative effect of change in accounting principle	**(144,602,876)**	-	-
Net position, beginning of year, as restated	**(79,506,550)**	63,703,927	58,690,807
Net position, end of year	**$ (73,462,743)**	$ 65,096,326	$ 63,703,927

Statements of Revenues, Expenses, and Changes in Net Position - 2018

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Operating revenues								
Net tuition and fees	$ 67,582,763	$ 4,658,075	$ 3,849,876	$ 20,263,525	$ 5,143,378	$ 12,954,113	$ 9,103,770	$ 11,610,026
Less scholarships	(20,386,827)	(2,034,691)	(1,486,443)	(5,880,116)	(1,855,534)	(3,905,298)	(2,486,921)	(2,737,824)
Net tuition and fees	47,195,936	2,623,384	2,363,433	14,383,409	3,287,844	9,048,815	6,616,849	8,872,202
Grants and contracts	21,596,642	2,186,003	1,663,150	6,391,186	1,799,456	4,214,077	2,482,294	2,860,476
Other auxiliary enterprises	3,915,777	105,646	-	2,898,895	806,461	-	104,775	-
Other operating revenue	3,653,588	448,534	183,569	1,738,501	210,805	428,244	311,556	332,379
Total operating revenue	76,361,943	5,363,567	4,210,152	25,411,991	6,104,566	13,691,136	9,515,474	12,065,057
Operating expenses								
Employee compensation and benefits	92,108,312	7,795,084	6,695,454	28,487,261	8,250,280	16,284,161	11,720,688	12,875,384
Other operating expenses	23,950,884	1,707,246	1,499,053	5,852,571	2,391,009	5,956,610	2,576,107	3,968,288
Utilities	2,865,398	142,379	226,721	783,662	416,062	513,160	373,804	409,610
Depreciation	8,200,567	539,153	493,022	2,539,057	609,324	1,690,812	1,141,157	1,188,042
Total operating expenses	127,125,161	10,183,862	8,914,250	37,662,551	11,666,675	24,444,743	15,811,756	18,441,324
Operating loss	(50,763,218)	(4,820,295)	(4,704,098)	(12,250,560)	(5,562,109)	(10,753,607)	(6,296,282)	(6,376,267)

Statements of Revenues, Expenses, and Changes in Net Position - 2018 (Concluded)

	Consolidated	WMCC	RVCC	NHTI	LRCC	MCC	NCC	GBCC
Nonoperating revenues (expenses) and other changes								
State appropriations - operating	46,475,000	5,224,887	5,593,353	11,702,444	5,546,469	6,750,929	5,816,899	5,840,019
Investment return used for operations	833,048	55,241	49,768	257,393	61,302	171,199	116,628	121,517
Investment return excluding amount used for operations	709,761	46,665	42,671	219,756	52,737	146,340	98,767	102,825
Interest expense on capital debt	(853,582)	(24,866)	(56,456)	(97,381)	(14,259)	(202,302)	(107,907)	(350,411)
Nonoperating revenues, net	47,164,227	5,301,927	5,629,336	12,082,212	5,646,249	6,866,166	5,924,387	5,713,950
Income (loss) before other changes in net position	(3,598,991)	481,632	925,238	(168,348)	84,140	(3,887,441)	(371,895)	(662,317)
Other changes in net position								
State appropriations - capital	5,542,772	351,058	277,718	326,004	99,538	3,516,699	798,649	173,106
Capital grants and contracts	212,103	13,945	12,752	65,671	15,760	43,732	29,515	30,728
Non-expendable contributions	1,537,430	101,080	92,431	476,019	114,235	316,991	213,942	222,732
Gain on forgiveness of debt	2,350,493	67,653	-	1,346,767	-	550,497	608	384,968
Total other changes in net position	9,642,798	533,736	382,901	2,214,461	229,533	4,427,919	1,042,714	811,534
Increase in net position	6,043,807	1,015,368	1,308,139	2,046,113	313,673	540,478	670,819	149,217
Net position beginning of year	65,096,326	3,536,868	2,526,605	14,692,041	8,438,928	12,474,149	10,747,893	12,679,842
Cumulative effect of a change in accounting principle	(144,602,876)	(10,901,007)	(4,077,442)	(51,736,860)	(6,752,374)	(24,736,104)	(22,782,906)	(23,616,183)
Net position end of year	$ (73,462,743)	$ (6,348,771)	$ (242,698)	$ (34,998,706)	$ 2,000,227	$ (11,721,477)	$ (11,364,194)	$ (10,787,124)



<u>Operating revenues</u>

Fiscal year 2018 net tuition and fees decreased by $735 thousand relative to fiscal year 2017. Gross tuition decreased in fiscal year 2018 by approximately $1.1 million (2.1%) relative to fiscal year 2017. The decrease is attributable to a decline in credits sold of 5.3% offset by an increase in tuition rates of 5% and slight changes in the mix of credits sold from higher rate credits to lower rate credits.

Gross fees increased by $1.4 million (16%) mainly due to an increase in academic instruction fees of $50 per credit effective fiscal year 2018. The system also saw a slight increase in non-credit revenue of about $100 thousand due to an increase in volume.

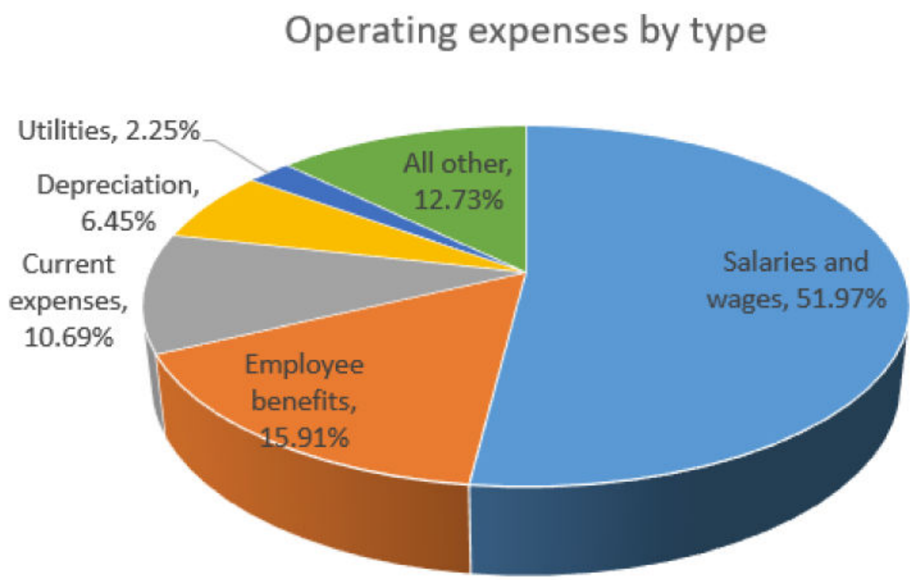
Fiscal year 2018 saw an increase in scholarship expenses of about $1.14 million relative to fiscal year 2017.

Operating revenues decreased by $3.8 million between 2016 and 2017. This is primarily due to a decrease in federal grants and contracts. During 2017, the H-1B Job Training Grant and U.S. Department of Labor Trade Adjustment Act were in their final years of significant funding.

<u>Nonoperating revenues and other changes</u>

Total nonoperating revenues increased by $4.4 million in fiscal year 2018 relative to fiscal year 2017. This increase is primarily attributable to an increase in operating state appropriations of $2.7 million and the recognition of a gain of $2.35 million to correct a State of New Hampshire error on bond debt that had been incorrectly allocated to CCSNH, offset by a decrease in investment income of $458 thousand.

Nonoperating revenues and other changes in net position increased by $889 thousand in 2017 driven by strong market performance, which offset some decreased revenue in capital appropriations.



Operating expenses

Fiscal year 2018 operating expenses remained relatively stable to fiscal year 2017, increasing by about $216 thousand (.17%).

Salaries and benefits declined by approximately $1.42 million. This decrease was due primarily to an overall decline in pension expense for FY18 of $1.58 million relative to fiscal year 2017. OPEB expense increased $382 thousand, due mainly to the adoption of GASB 75. Overall salaries and wages stayed relatively stable, increasing by only $325 thousand (.50%), and employee benefits decreased by about $544 thousand (3.1%) mostly due to decreases in health insurance and HRA account utilization. These decreases were the result of a change in the mix of full time to part time employees, who are not eligible for health insurance.

The system experienced increases in computer and software related expenses of $876 thousand due to investments in new technologies to help support student success. We also saw an overall increase in bad debt expense in fiscal year 2018 of $701 thousand. The increase in 2018 was due to a one-time write down to correct certain accounts within the system and an increase of approximately $260 thousand in bad debt at MCC. However, the increase for MCC in 2018 was due only to the fact that MCC had net recoveries in fiscal year 2017 but normal debt charge offs in 2018.

Fiscal year 2018 saw a decrease in consulting expenses of $483 thousand due to reductions in enrollment for certain courses that utilize outside consultants for instruction. Additional decreases were seen in marketing of $462 thousand (19%) due to some centralization of expenses at the system level instead of individual campuses.

In 2017, salaries and benefits were up $1.7 million, primarily due to increased pension expense. Other operating expenses decreased by $1.0 million due primarily to nonrecurring 2016 software implementation costs and less maintenance fees.

STATEMENTS OF CASH FLOWS

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

	Years Ended June 30,		
	2018	2017	2016
Net cash used - operating activities	**$ (40,750,651)**	$ (39,829,026)	$ (38,342,641)
Net cash provided - noncapital financing activities	**48,012,430**	45,160,195	43,925,313
Net cash used - capital and related financing activities	**(2,089,292)**	(3,734,746)	(731,827)
Net cash provided (used) - investing activities	**(842,682)**	(872,188)	125,173
Net increase in cash and cash equivalents	**4,329,805**	724,235	4,976,018
Cash and cash equivalents, beginning of year	**9,955,625**	9,231,390	4,255,372
Cash and cash equivalents, end of year	**$ 14,285,430**	$ 9,955,625	$ 9,231,390

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

Cash and cash equivalents increased by $4.3 million during 2018 and $724 thousand during 2017 primarily due to an increase in the appropriations from the State of New Hampshire.

Cash and cash equivalents increased by $5.0 million during 2016 due to lower compensation and benefit expenses netted with a decrease of tuition and fees and grant revenue. In addition, net cash used by capital and related financing activities decreased as more projects, including the student center at GBCC and the automotive building at LRCC, were funded through State capital appropriations.

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

Statements of Net Position

June 30, 2018 and 2017

	Community College System of New Hampshire		Community Colleges of New Hampshire Foundation	
	2018	2017	**2018**	2017
Assets				
Current assets				
Cash and cash equivalents	**$ 14,285,430**	$ 9,955,625	**$ 564**	$ 28,715
Other current assets	**604,723**	1,147,151	**-**	-
Current portion of note and contributions receivable	**187,418**	133,268	**50,222**	40,113
Grants and contracts receivable	**457,052**	697,948	**-**	-
Operating investments	**8,788,529**	8,650,231	**-**	-
Receivable on forgiveness of debt	**944,215**	-	**-**	-
Due from State of New Hampshire for capital appropriations	**359,931**	1,996,125	**-**	-
Total current assets	**25,627,298**	22,580,348	**50,786**	68,828
Noncurrent assets				
Student loans receivable, net	**455,570**	546,375	**-**	-
Note and contributions receivable, net	**1,518,136**	1,623,514	**12,000**	10,000
Investments	**18,201,504**	15,954,312	**4,132,068**	3,843,742
Capital assets, net	**117,002,778**	119,330,044	**-**	-
Total noncurrent assets	**137,177,988**	137,454,245	**4,144,068**	3,853,742
Total assets	**162,805,286**	160,034,593	**4,194,854**	3,922,570
Deferred outflows of resources				
Pension	**12,185,635**	20,060,746	-	-
Other postemployment benefits	**3,990,916**	-	-	-
Total deferred outflows of resources	**16,176,551**	20,060,746	-	-
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	**951,094**	1,193,203	**39,063**	-
Accounts payable for capital assets	**75,039**	670,933	**-**	-
Accrued salaries and benefits	**6,960,961**	6,490,908	**-**	-
Unearned revenue and deposits	**1,201,188**	1,376,151	**-**	-
Current portion of bonds payable	**2,040,332**	2,122,925	**-**	-
Current portion of other long-term liabilities	**111,826**	114,335	**-**	-
Total current liabilities	**11,340,440**	11,968,455	**39,063**	-
Noncurrent liabilities				
Due to the State of New Hampshire	**-**	6,438	**-**	-
Accrued salaries and benefits	**3,888,764**	3,882,090	**-**	-
Refundable advances	**490,447**	554,950	**-**	-
Net pension liability	**62,952,418**	72,213,216	**-**	-
Bonds payable	**13,607,237**	17,053,847	**-**	-
Other postemployment benefits	**116,176,993**	-	**-**	-
Other long-term liabilities	**1,695,814**	1,710,669	**-**	-
Total noncurrent liabilities	**198,811,673**	95,421,210	**-**	-
Total liabilities	**210,152,113**	107,389,665	**39,063**	-
Deferred inflows of resources				
Pension	**9,034,945**	7,191,217	**-**	-
Other postemployment benefits	**32,899,601**	-	**-**	-
Deferred gain from advance bond refunding	**357,921**	418,131	**-**	-
Total deferred inflows of resources	**42,292,467**	7,609,348	**-**	-
Net position, as restated				
Invested in capital assets, net of related debt	**99,114,610**	97,239,205	**-**	-
Restricted nonexpendable	**14,429,385**	12,873,853	**1,574,158**	1,545,356
Restricted expendable	**3,991,013**	4,041,565	**2,088,979**	1,985,184
Unrestricted	**(190,997,751)**	(49,058,297)	**492,654**	392,030
Total net position	**$ (73,462,743)**	$ 65,096,326	**$ 4,155,791**	$ 3,922,570

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, 2018 and 2017

	Community College System of New Hampshire		Community Colleges of New Hampshire Foundation	
	2018	2017	**2018**	2017
Operating revenues				
Tuition and fees	**$ 67,582,763**	$ 67,178,863	**$ -**	$ -
Less scholarships	**(20,386,827)**	(19,247,744)	**-**	-
Net tuition and fees	**47,195,936**	47,931,119	**-**	-
Grants and contracts	**21,596,642**	21,345,849	**-**	-
Contributions	**-**	-	**755,068**	608,595
Other auxiliary enterprises	**3,915,777**	3,578,354	**-**	-
Other operating revenue	**3,653,588**	4,169,419	**-**	-
Total operating revenues	**76,361,943**	77,024,741	**755,068**	608,595
Operating expenses				
Employee compensation and benefits	**92,108,312**	93,526,097	**-**	-
Other operating expenses	**23,950,884**	23,219,908	**918,444**	710,711
Utilities	**2,865,398**	2,898,154	**-**	-
Depreciation	**8,200,567**	8,383,889	**-**	-
Total operating expenses	**127,125,161**	128,028,048	**918,444**	710,711
Operating loss	**(50,763,218)**	(51,003,307)	**(163,376)**	(102,116)
Nonoperating revenues (expenses)				
State of New Hampshire appropriations	**46,475,000**	43,775,000	**-**	-
Contributions for long-term purposes	**-**	-	**28,802**	46,881
Investment return used for operations	**833,048**	616,433	**113,178**	121,241
Investment return excluding amount used for operations	**709,761**	1,384,227	**254,617**	415,451
Interest expense on capital debt	**(853,582)**	(848,157)	**-**	-
Nonoperating revenues, net	**47,164,227**	44,927,503	**396,597**	583,573
(Loss) income before other changes in net position	**(3,598,991)**	(6,075,804)	**233,221**	481,457
Other changes in net position				
State of New Hampshire capital appropriation	**5,542,772**	5,421,823	**-**	-
Capital grants and contracts	**212,103**	661,185	**-**	-
Nonexpendable contributions	**1,537,430**	1,385,195	**-**	-
Gain on forgiveness of debt	**2,350,493**	-	**-**	-
Total other changes in net position	**9,642,798**	7,468,203	**-**	-
Increase in net position	**6,043,807**	1,392,399	**233,221**	481,457
Net position, beginning of year, as previously stated	**65,096,326**	63,703,927	**3,922,570**	3,441,113
Cumulative effect of change in accounting principle	**(144,602,876)**	-	**-**	-
Net position, beginning of year, as restated	**(79,506,550)**	63,703,927	**3,922,570**	3,441,113
Net position, end of year	**$ (73,462,743)**	$ 65,096,326	**$ 4,155,791**	$ 3,922,570

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, 2018 and 2017

	Community College System of New Hampshire	
	2018	2017
Cash flows from operating activities		
Receipts from tuition and fees	**$ 46,781,939**	$ 48,078,384
Receipts from grants and contracts	**22,147,874**	22,136,326
Receipts from auxiliary enterprises	**3,915,777**	3,578,354
Payments to suppliers	**(27,056,515)**	(26,125,361)
Payments to employees	**(90,690,742)**	(91,444,221)
Other cash receipts	**4,151,016**	3,947,492
Net cash used for operating activities	**(40,750,651)**	(39,829,026)
Cash flows from noncapital financing activities		
State of New Hampshire appropriations	**46,475,000**	43,775,000
Contributions for long-term purposes	**1,537,430**	1,385,195
Net cash provided by noncapital financing activities	**48,012,430**	45,160,195
Cash flows from capital and related financing activities		
Appropriations from the State of New Hampshire for capital expenditures	**7,178,966**	4,204,533
Payments made to the State of New Hampshire for capital accounts payable	**(6,438)**	(3,333,064)
Capital grants and contracts received	**212,103**	661,185
Purchase of capital assets	**(6,469,195)**	(5,622,915)
Payments received on notes receivable	**49,353**	88,581
Proceeds from borrowing on other long-term liabilities	**-**	4,936,671
Principal on bonds payable and other liabilities	**(2,140,289)**	(3,783,878)
Interest on bonds payable and other liabilities	**(913,792)**	(885,859)
Net cash used for capital and related financing activities	**(2,089,292)**	(3,734,746)
Cash flows from investing activities		
Receipt of assets held by Foundation	**-**	13,757,410
Proceeds from sales and maturities of investments	**19,500,000**	-
Purchase of investments	**(20,716,349)**	(14,948,458)
Interest and dividends received	**373,667**	318,860
Net cash used for investing activities	**(842,682)**	(872,188)
Net increase in cash and cash equivalents	**4,329,805**	724,235
Cash and cash equivalents, beginning of year	**9,955,625**	9,231,390
Cash and cash equivalents, end of year	**$ 14,285,430**	$ 9,955,625

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, 2018 and 2017

	Community College System of New Hampshire	
	2018	2017
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	**$ (50,763,218)**	$ (51,003,307)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	**8,200,567**	8,383,889
Change in allowance`	**-**	121,233
Write down of note receivable	**1,875**	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
Other current assets	**542,428**	17,019
Student loans receivable	**90,805**	65,113
Grants receivable	**240,896**	544,941
Deferred outflows of resources - pension	**7,875,111**	(13,068,725)
Deferred outflows of resources - OPEB	**(830,762)**	-
Accounts payable and accrued expenses	**(242,108)**	(191,215)
Accrued salaries and benefits	**476,727**	20,719
Deferred revenue and deposits	**(174,963)**	280,728
OPEB liability	**(31,586,037)**	-
Net pension liability	**(9,260,798)**	11,879,062
Refundable advances	**(64,503)**	(129,303)
Deferred inflows of resources - pension	**1,843,728**	-
Deferred inflows of resources - OPEB	**32,899,601**	3,250,820
Net cash used for operating activities	**$ (40,750,651)**	$ (39,829,026)
Reconciliation of noncash activity		
Acquisition of capital assets	**$ 5,873,301**	$ 5,998,831
Less: Acquisition of capital assets included in accounts payable at year-end	**(75,039)**	(670,933)
Add: Payments on short-term trade accounts used to finance acquisition of capital assets	**670,933**	295,017
Payments for the acquisition of capital assets	**$ 6,469,195**	$ 5,622,915

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

Nature of Business

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

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

CCSNH's main purpose is to provide a well-coordinated system of public community college education. CCSNH is governed by a single board of trustees with 22 voting members appointed by the Governor and Executive Council and 2 voting members who are full time students enrolled within CCSNH and are elected by the student body. CCSNH funds its operations through tuition, room and board, fees, grants, legacies and gifts, and State of New Hampshire (State) appropriations.

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

1. Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

Cash and Cash Equivalents

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

Student Loans Receivable

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

Student loans receivable are stated at their unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Interest income on student loans receivable is recorded when received. CCSNH provides for probable uncollectible amounts through a charge to expense and a credit to the allowance for loan losses based on its assessment of the current status of individual accounts. Balances that are still outstanding after the College has used reasonable collection efforts are written off through a charge to the allowance for loan losses and a credit to student loans receivable. Student loans receivable at June 30, 2018 and 2017 net of an allowance for loan losses was $524,473.

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

Investments

CCSNH and the Foundation carry investments at their fair value. Fair value is estimated using the methods described in Note 10. Purchased and gifted securities are recorded at fair value on the date of the acquisition or gift, net of any brokerage fees. Realized and unrealized gains and losses in the investment portfolio are allocated on a specific-identification basis.

Capital Assets

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

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

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

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

Note Receivable

During the year ended June 30, 2015, GBCC sold its former Stratham, New Hampshire Campus for $2,750,000. The buyer paid cash of $250,000 at closing and signed a note receivable to CCSNH for $2,500,000. The note receivable is expected to be paid in monthly installments of $13,865, including interest at 3%, through September 14, 2024. All outstanding principal and interest is expected to be repaid on October 14, 2024, which is expected to amount to approximately $1,500,000. The note receivable balance as of June 30, 2018 and 2017 was $1,705,554 and $1,756,782, respectively. The balance at June 30, 2018 and 2017 is shown net of an allowance for loan losses of approximately $521,000 and $520,000, respectively.

Unearned Revenue and Deposits

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

Compensated Absences

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

Refundable Advances

CCSNH participates in the Federal Perkins Loan Program, which is funded through a combination of federal and institutional resources. The portion of this program that has been funded with federal funds is ultimately refundable to the U.S. Government upon termination of CCSNH's participation in the program. The portion that would be refundable if the programs were terminated as of June 30, 2018 and 2017 has been included in the accompanying statements of net position as a noncurrent liability. The portion of this program that has been funded with institutional funds has been classified as restricted - nonexpendable since these funds can only be used on a revolving basis for loans during the time CCSNH participates in the Federal Perkins Loan Program.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS), and additions to/deductions from the NHRS's fiduciary net position has been determined on the same basis as it is reported by the NHRS. Detailed information about the Pension Plan's fiduciary net position is available in the separately issued NHRS annual report available from the NHRS website at https://www.nhrs.org. NHRS's financial statements are prepared using the accrual basis of accounting. Both plan member and employer contributions are recognized in the period in which contributions are legally due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for these investments. Investments in non-registered commingled funds are valued at net asset value as a practical expedient to estimate fair value.

Other Postemployment Benefits

For the purposes of measuring the net liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits (OPEB), and OPEB expense, information about the fiduciary net position of the NHRS OPEB Plan and the State of New Hampshire OPEB Plan ("the State OPEB Plan") has been determined on the same basis as it is reported by NHRS and the State OPEB Plan.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Net Position

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

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets, and increased or reduced by deferred inflows and deferred outflows related to those assets.

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

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

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

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

Net Student Fees

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

Contributions

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

Operating Revenues and Expenses

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

Income Taxes

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

If an exempt organization regularly carries on a trade or business not substantially related to its exempt purpose, except that it provides funds to carry out that purpose, the organization is subject to tax on its income from that unrelated trade or business. The System has evaluated the positions taken on its business activities and has concluded no unrelated business income tax exists at June 30, 2018 and 2017.

Use of Estimates in Financial Statement Preparation

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

2. Change in Accounting Principle

During the year ended June 30, 2018, CCSNH adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The changes made to the basic financial statements to comply with the new accounting standard have been reported as an adjustment as of the beginning of the year ended June 30, 2018. Because it was not practical for CCSNH to determine the amounts of all deferred inflows of resources and outflows of resources related to the NHRS OPEB Plan and the State OPEB Plan as of June 30, 2016, the beginning balances of deferred inflows of resources and deferred outflows of resources related to pensions have not been reported. The impact of the adoption of the new accounting standards as of the beginning of the year ended June 30, 2018 was $144,602,876 and is reported as a cumulative effect of change in accounting principle.

3. Cash and Cash Equivalents

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

As of June 30, 2018 and 2017, CCSNH's uncollateralized uninsured cash and cash equivalents were approximately $14,120,000 and $9,580,000, 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.

4. Capital Assets

Capital asset activity for the year ended June 30, 2018 is summarized below:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	**$ 924,340**	**$ -**	**$ -**	**$ -**	**$ 924,340**
Construction-in-process	**4,134,600**	**4,828,973**	**-**	**(7,772,164)**	**1,191,409**
Total non-depreciable assets	**5,058,940**	**4,828,973**	**-**	**(7,772,164)**	**2,115,749**
Land improvements	**6,754,210**	**-**	**-**	**-**	**6,754,210**
Buildings and improvements	**186,208,384**	**55,623**	**-**	**7,772,164**	**194,036,171**
Equipment and vehicles	**18,617,757**	**988,705**	**(839,359)**	**-**	**18,767,103**
Total depreciable assets	**211,580,351**	**1,044,328**	**(839,359)**	**7,772,164**	**219,557,484**
Accumulated depreciation	**(97,309,247)**	**(8,200,567)**	**839,359**	**-**	**(104,670,455)**
Capital assets, net	**$119,330,044**	**$ (2,327,266)**	**$ -**	**$ -**	**$ 117,002,778**

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

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

5. Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued salaries and benefits	**$ 10,372,998**	**$ 476,727**	**$ -**	**$ 10,849,725**	**$6,960,961**
Due to the State	**6,438**	**-**	**(6,438)**	**-**	**-**
Refundable advances	**554,950**	**-**	**(64,503)**	**490,447**	**-**
Net pension liability	**72,213,216**	**-**	**(9,260,798)**	**62,952,418**	**-**
Bonds payable	**19,176,772**	**-**	**(3,529,203)**	**15,647,569**	**2,040,332**
OPEB	**-**	**116,176,993**	**-**	**116,176,993**	**-**
Other long-term liabilities	**1,825,004**	**107,201**	**(124,565)**	**1,807,640**	**111,826**
Long-term liabilities	**$ 104,149,378**	**$ 116,760,921**	**$ (12,985,507)**	**$ 207,924,792**	**$ 9,113,119**

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

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

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

During the year ended June 30, 2017, the amounts previously received from the State for the project were converted to a bond payable. During the year ended June 30, 2018, the amounts were repaid in full to the State.

Other Long-Term Liabilities

Future minimum payments under other long-term liabilities, which include capital leases and a note payable to U.S. Department of Agriculture (USDA), as of June 30, 2018 are as follows:

Year ending June 30,	Principal	Interest	Total
2019	$ 111,826	$ 67,988	$ 179,814
2020	88,140	62,592	150,732
2021	86,648	57,741	144,389
2022	44,563	54,697	99,260
2023	46,195	53,065	99,260
2019 - 2023	129,639	249,561	379,200
2020 - 2024	155,358	223,842	379,200
2025 - 2029	186,179	193,021	379,200
2030 - 2034	223,115	156,085	379,200
2035 - 2039	267,378	111,822	379,200
2040 - 2044	320,422	58,778	379,200
2021 - 2023	148,177	6,417	154,594
	$ 1,807,640	$ 1,295,609	$ 3,103,249

During 2016, RVCC entered into an agreement with USDA in the amount of $1,600,000 to finance the purchase a building in Lebanon, New Hampshire. The note payable is to be repaid over 40 years at a fixed interest rate of 3.625%. As of June 30, 2018 and 2017, the balance due to USDA was $1,538,444 and $1,566,235, respectively.

The original cost basis of leased capital assets as of June 30, 2018 and 2017 was $279,734. Accumulated depreciation includes $167,840 and $111,894 as of June 30, 2018 and 2017 for the leased capital assets, respectively.

6. Bonds Payable

Bonds payable consisted of the following at June 30:

	2018	2017
2008 Series A General Obligation Bonds (original principal of $7,732,622) Serial bonds maturing through 2027 with annual principal payments from $309,305 to $463,960 and interest rates from 3.375% to 4.00%.	**$ -**	$ 463,957
2008 Series C General Obligation Bonds (original principal of $2,141,678) Serial bonds maturing through 2028 with annual principal payments from $0 to $128,504 and interest rates from 4.00% to 5.00%.	**-**	128,504
2009 Series A General Obligation Bonds (original principal of $5,000,000) Serial bonds maturing through 2029 with annual principal payments from $200,000 to $300,000 and interest rates from 4.00% to 5.50%.	**2,600,000**	2,900,000
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%.	**1,730,748**	1,790,892
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%.	**295,312**	434,476
2012 Series B General Obligation Bonds (original principal of $6,000,000) Serial bonds maturing through 2032 with annual principal payments from $160,000 to $240,000 and interest rates from 2.64% to 4.15%. A portion of these bonds were refunded as part of the issuance of the 2017 Series A General Obligation bonds.*	**2,553,722**	4,320,000
2013 Series B General Obligation Bonds (original principal of $2,000,000) Serial bonds maturing through 2033 with annual principal payments from $79,763 to $133,446 and interest rates from 4.00% to 4.68%. A portion of these bonds were refunded as part of the issuance of the 2017 Series A General Obligation bonds.	**1,306,012**	1,439,458
2014 Series A General Obligation Refunding Bonds (original principal of $2,762,813) maturing through 2028 with annual principal payments beginning in 2018 ranging from $34,564 to $102,325 and interest rates from 1.50% to 5.00%.	**2,652,823**	2,762,813
2016 Series A General Obligation Refunding Bonds (original principal of $921,602) maturing through 2028 with annual principal payments beginning in 2018 ranging from $36,734 to $192,626 and interest rates from 1.88% to 2.50%.	**761,638**	921,602
2017 Series A General Obligation Bonds (original principal of $4,015,070) maturing through 2036 with annual principal payments beginning in 2018 ranging from $160,464 to $267,756 and interest rates from 2.25% to 4.80%.	**3,747,314**	4,015,070
	$ 15,647,569	$ 19,176,772

** During the year ended June 30, 2018, $1,406,278 of the outstanding principal on this bond along with $944,215 of debt service previously paid, was forgiven by the State of New Hampshire due to a clerical error made by the State in previous years.*

The debt service previously paid has been reflected as a receivable from the State on forgiveness of debt. The State has agreed to reduce debt service for this amount in 2019. The bonds principal and interest payable table below does not reflect this reduction.

During the year ended June 30, 2015, CCSNH advance refunded selected bonds. The difference between the reacquisition price and the net carrying amount of the old debt of approximately $523,000 was recorded as a deferred inflow of resources and will be recognized in the statement of revenues, expenses, and changes in net position on an annual basis through the year 2028 using the effective-interest method. At June 30, 2018 and 2017, the unamortized deferred gain from advance refunding of the bonds was $357,921 and $418,131, respectively.

Principal and interest payments on bonds payable for the next five years and in subsequent five-year periods are as follows at June 30, 2018:

Year ending June 30,	Principal	Interest	Total
2019	$ 2,040,332	$ 687,598	$ 2,727,930
2020	1,984,141	587,092	2,571,233
2021	1,451,074	504,418	1,955,492
2022	1,329,918	443,573	1,773,491
2023	1,337,951	374,508	1,712,459
2019 - 2023	4,822,746	1,102,697	5,925,443
2020 - 2024	2,200,016	273,039	2,473,055
2025 - 2027	481,391	31,290	512,681
	$ 15,647,569	$ 4,004,215	$ 19,651,784

Interest expense related to the bonds for the years ended June 30, 2018 and 2017 was $781,546 and $768,390, respectively.

7. Defined Benefit Pension Plan

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

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

To qualify for a normal service retirement, members must have attained 60 years of age. However, a member who commenced service on or after July 1, 2011 shall not receive a service retirement allowance until attaining 65 years of age. The member may receive a reduced allowance after age 60 if the member has at least 30 years of creditable service. The allowance shall be reduced based, for each month by which the date on which benefits commence precedes the month after which the member attains 65 years of age, by ¼ of one percent.

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

Contributions Required and Made

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

Commencing July 1, 2011, all Group I employees are responsible to accrue contributions at 7.00% of covered payroll.

In terms of the employer share of contributions made to the Pension Plan, the pension contribution rate for Group I employees was 12.50% of covered payroll for the two-year period ended June 30, 2017. Effective July 1, 2017, the contribution rate decreased to 12.15% and will remain fixed through June 30, 2019.

For the years ended June 30, 2018 and 2017, CCSNH contributions to the Pension Plan were $4,874,343 and $5,080,526, respectively.

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

At June 30, 2018 and 2017, respectively, CCSNH reported a liability of $62,952,418 and $72,213,216 for its proportionate share of the net pension liability. The 2018 net pension liability is based on an actuarial valuation performed as of June 30, 2016 and a measurement date of June 30, 2017. The net pension liability was rolled forward from June 30, 2016 to June 30, 2017. CCSNH's proportion of the net pension liability was based on a projection of CCSNH's long-term share of contributions to the Pension Plan relative to the projected contributions of all participating employers, as actuarially determined. At June 30, 2018 and 2017, CCSNH's proportion of the net pension liability was 1.2800% and 1.3580%, respectively.

During the years ended June 30, 2018 and 2017, CCSNH recognized pension expense of $5,332,383 and $6,913,814, respectively.

At June 30, 2018, CCSNH reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 142,739	$ 801,203
Changes in assumptions	6,321,254	-
Net difference between projected and actual investment earnings on pension plan investments	-	801,731
Changes in proportion and differences between employer contributions and share of contributions	847,299	7,432,011
Contributions subsequent to the measurement date	4,874,343	-
Balances as of June 30, 2018	$ 12,185,635	$ 9,034,945

Amounts reported as deferred outflows related to pensions resulting from CCSNH contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2019	$ (524,712)
2020	677,355
2021	(186,234)
2022	(1,690,062)
	$ (1,723,653)

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

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

The total pension liability was determined by a roll-forward of the actuarial valuations as of June 30, 2017 and 2016 using the following actuarial assumptions, which, accordingly, apply to 2018 and 2017 measurements:

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

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

The actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015.

Long-Term Rates of Return

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

The following table presents target allocations and the geometric real rates of return for 2017 and 2016:

Asset Class	Target Allocation 2017	Target Allocation 2016	Weighted Average Long-Term Expected Real Rate of Return 2017	Weighted Average Long-Term Expected Real Rate of Return 2016
Large cap equities	22.50 %	22.50 %	4.25 %	4.25 %
Small/mid cap equities	7.50	7.50	4.50	4.50
Total domestic equity	30.00	30.00		
International equities (unhedged)	13.00	13.00	4.50	4.75
Emerging international equities	7.00	7.00	6.25	6.25
Total international equities	20.00	20.00		
Core bonds	5.00	5.00	0.75	0.64
Short duration	2.00	2.00	(0.25)	(0.25)
Global multi-sector fixed income	11.00	11.00	2.11	1.71
Absolute return fixed income	7.00	7.00	1.26	1.08
Total fixed income	25.00	25.00		
Private equity	5.00	5.00	6.25	6.25
Private debt	5.00	5.00	4.75	4.75
Opportunistic	5.00	5.00	2.84	3.68
Total alternative investments	15.00	15.00		
Real estate	10.00	10.00	3.25	3.25
Total	100.00 %	100.00 %		

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2017 and 2016 was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following presents CCSNH's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what CCSNH's proportionate share of the pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
CCSNH's proportionate share of the net pension liability	$ 82,936,650	$ 62,952,418	$ 46,576,130

8. Other Post-Employment Benefits

Plan Description - NHRS

In addition to providing pension benefits, NHRS administers a cost-sharing multiple-employer defined benefit postemployment medical subsidy healthcare plan designated in statute (RSA 100-A:52, RSA 100-A:52a and RSA 100-A:52-b) by membership type. The membership types are Group I Teachers, Group I Political Subdivision Employees, Group I State Employees, and Group II Police Officer and Firefighters. All CCSNH employees are Group I participants. The NHRS OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified 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. For qualified retirees not eligible for Medicare the subsidy amounts were $375.56 for a single-person plan and $751.12 for a two-person plan. For those qualified retirees eligible for Medicare, the amounts were $236.84 for a single-person plan and $473.68 for a two-person plan. There have been no increases in the monthly maximum subsidy amounts since July 1, 2007. The plan is closed to new entrants.

The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. For CCSNH (Group) I members, substantially all employees who were hired on or before June 30, 2003 and have 10 years of service may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of State service in order to qualify for health coverage benefits. These and similar benefits for active employees are authorized by state law and administered through the Employee and Retiree Benefit Risk Management Fund (the Fund), which is the State's self-insurance fund implemented in October 2003 for active State employees and retirees.

Contributions Required and Made

The State Legislature has indicated it plans to only partially fund (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate.

Plan members are not required to contribute to the OPEB Plan. CCSNH makes annual contributions to the OPEB Plan equal to the amount required by RSA 100-A:52, which, for all Group I employees, was 1.64% of covered compensation during the year ended June 30, 2017. Effective July 1, 2017 the annual contribution rate was decreased to 1.07% and will remain fixed through June 30, 2019. CCSNH's contributions to NHRS for the OPEB Plan for the years ended June 30, 2018 and 2017 were $456,916 and $694,802, respectively, which were equal to its ARC.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, CCSNH reported a liability of $5,462,993 for its proportionate share of the net OPEB liability. The net OPEB liability is based on an actuarial valuation performed as of June 30, 2016 and a measurement date of June 30, 2017. The net OPEB liability was rolled forward from June 30, 2016 to June 30, 2017. CCSNH's proportion of the net OPEB liability was based on a projection of the CCSNH's long-term share of contributions to NHRS relative to the projected contributions of all participating employers as actuarially determined. At June 30, 2017 and 2016, CCSNH's proportion of the net OPEB liability was 1.19479% and 1.26378%, respectively.

For the year ended June 30, 2018 and 2017, CCSNH recognized OPEB expense of $170,718 and $694,802, respectively.

At June 30, 2018, CCSNH reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on OPEB plan investments	$ -	$ 17,239
Changes in proportion	-	100,362
Contributions subsequent to the measurement date	456,916	-
Balances as of June 30, 2018	$ 456,916	$ 117,601

Amounts reported as deferred outflows related to pensions resulting from CCSNH contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	
2019	$ (74,513)
2020	(34,469)
2021	(4,310)
2022	(4,309)
	$ (117,601)

Actuarial Assumptions

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

Actuarial cost method	Entry-age normal
Amortization method	Level percentage-of-payroll, closed
Remaining amortization period	Not applicable, under statutory funding
Investment rate of return	7.25% net of investment expenses, include inflation
Salary rate increase	5.60% average, including inflation
Inflation	2.50% per year
Healthcare cost trend rates	Not applicable, given the benefits are fixed stipends
Aging factors	Not applicable, given the benefits are fixed stipends

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 – June 30, 2015.

Long-Term Rates of Return

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

Following is a table presenting target allocations and the geometric real rates of return for each asset class:

	Target Allocation		Weighted Average Long-Term Expected Real Rate of Return	
Asset Class	2017	2016	2017	2016
Large cap equities	22.50 %	22.50 %	4.25 %	4.25 %
Small/mid cap equities	7.50	7.50	4.50	4.50
Total domestic equity	30.00	30.00		
International equities (unhedged)	13.00	13.00	4.50	4.75
Emerging international equities	7.00	7.00	6.25	6.25
Total international equities	20.00	20.00		
Core bonds	5.00	5.00	0.75	0.64
Short duration	2.00	2.00	(0.25)	(0.25)
Global multi-sector fixed income	11.00	11.00	2.11	1.71
Absolute return fixed income	7.00	7.00	1.26	1.08
Total fixed income	25.00	25.00		
Private equity	5.00	5.00	6.25	6.25
Private debt	5.00	5.00	4.75	4.75
Opportunistic	5.00	5.00	2.84	3.68
Total alternative investments	15.00	15.00		
Real estate	10.00	10.00	3.25	3.25
Total	100.00 %	100.00 %		

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made under the current statute by RSA 100-A:16. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity Analysis

The following presents CCSNH's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what CCSNH's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CCSNH's proportionate share of the net OPEB liability	$ 5,945,361	$ 5,462,993	$ 5,045,058

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plans' fiduciary net position is available in the separately issued NHRS annual report available from NHRS' website at https://www.nhrs.org.

The OPEB plan's fiduciary net position has been determined on the same basis used by NHRS. NHRS's financial statements are prepared using the accrual basis of accounting. Both plan member and employer contributions are recognized in the period in which contributions are legally due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Investments in both domestic and non-U.S. securities are valued at current market prices and expressed in U.S. dollars. NHRS uses a trade-date accounting basis for these investments. Investments in non-registered commingled funds are valued at net asset value as a practical expedient to estimate fair value.

Plan Description - State Plan

RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses through a single-employer (primary government and component units) defined benefit plan. These benefits include group hospitalization, hospital medical care, surgical care, and other medical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than in a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for retiree health benefits. All CCSNH employees fall into the Group I category. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of State service and increased the normal retirement age for Group I employees hired after July 1, 2011.

These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund which is the state's self-insurance internal service fund. The Plan funds the cost of medical and prescription drug claims by charging actuarially developed working rates to State agencies for participating employees, retirees, and eligible spouses. An additional major source of funding for retiree benefits is from the NHRS medical subsidy payment described previously in this footnote. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The State administers the plan. It does not issue a separate stand-alone financial report.

Contributions Required and Made

The State Legislature has indicated it currently plans to only partially fund (on a pay-as-you-go basis) the ARC, an actuarially determined rate. CCSNH's contributions to the State for the years ended June 30, 2018 and 2017 were $1,465,752 and $1,328,959, respectively.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, CCSNH reported a liability of $110,714,000 for its proportionate share of the State OPEB Plan liability. The OPEB liability was determined by an actuarial valuation as of December 31, 2016 adjusted forward to a measurement date of June 30, 2017. The OPEB liability was rolled forward from December 31, 2016 to June 30, 2017. CCSNH's proportion of the OPEB liability was based on a projection of CCSNH's long-term share of contributions to the State relative to the projected contributions of all participating employers as actuarially determined. At June 30, 2017, CCSNH's proportion of the State OPEB Plan's liability was 4.966020%.

For the year ended June 30, 2018, CCSNH recognized OPEB expense of $2,234,752.

At June 30, 2018, CCSNH reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 32,456,000
Differences between expected and actual experience	-	326,000
Changes in proportion	970,000	-
Differences between employer contributions and proportionate share of contributions	1,098,248	-
Contributions subsequent to the measurement date	1,465,752	-
Balances as of June 30, 2018	$ 3,534,000	$ 32,782,000

Amounts reported as deferred outflows related to pensions resulting from CCSNH contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	
2019	$ (6,179,518)
2020	(6,179,518)
2021	(6,179,518)
2022	(6,179,518)
2023	(6,178,723)
2024	183,043
	$ (30,713,752)

Actuarial Assumptions

The collective total OPEB liability was determined by a roll forward of the actuarial valuation as of December 31, 2016, using the following actuarial assumptions, which apply to 2017 measurements:

Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Investment rate of return	Not applicable as there are no invested assets
Salary rate increase - Group I	13.25% decreasing over 9 years to an ultimate level of 3.75%
Discount rate	3.58% as of June 30, 2017 and 2.85% as of June 30, 2016
Inflation	3.25% per year

Healthcare trend rates are based on the following:

Medical:

- Under 65: 7.4% for one year then 4.5% per year.
- Over 65: 1.4% for one year then 4.5% per year.

Prescription Drug:

- Under 65: 12.8% for one year then 9% decreasing by .5% each year to an ultimate level of 4.5% per year.
- Over 65: (6.1%) for one year then 9% decreasing by .5% each year to an ultimate level of 4.5% per year.
- Contributions – Retiree contributions are expected to increase with a blended medical and prescription drug trend.

Mortality rates were based on the following:

- Pre-retirement mortality rates – Healthy: RP-2014 employee mortality table projected generationally for males and females with Scale MP-2015.

Postretirement mortality rates:

- Healthy: RP-2014 healthy annuitant mortality table projected generationally for males and females with Scale MP-2015.
- Disabled: RP-2014 disabled annuitant mortality table projected generationally for males and females with Scale MP-2015.

- The following scale factors for each member classification are applied to all mortality tables:

	Group I	Group II - Police	Group II - Fire
Scale - Male	116 %	99 %	100 %
Scale - Female	124 %	106 %	101 %

The actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of the most recent actuarial experience study, which was for the period of July 1, 2010 to June 30, 2015.

Effective January 1, 2019, the State implemented a Medicare Advantage plan which is anticipated to reduce the overall plan liability in the year of implementation.

Discount Rate

Because the State OPEB Plan is not funded, the discount rate is based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index.

Changes in Assumptions

The trend assumptions were revised from the 2016 measurements to the 2017 measurements to reflect current and future expectations. In addition, the discount rate used to measure the total OPEB liability was increased from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Sensitivity Analysis

The following presents CCSNH's proportionate share of the net OPEB liability calculated using the discount rate of 3.58%, as well as what CCSNH's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CCSNH's proportionate share of the net OPEB liability	$ 126,794,800	$ 110,713,469	$ 96,978,044

The following presents CCSNH's proportionate share of the net OPEB liability calculated using the current trend rates, as well as what CCSNH's proportionate share of the OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease	Current Trend Rate	1% Increase
CCSNH's proportionate share of the net OPEB liability	$ 95,264,012	$ 110,713,469	$ 130,459,490

9. 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, 2018 are as follows:

Year ending June 30,	
2019	$ 739,700
2020	712,000
2021	383,300
2022	206,200
2023	182,700
2024 to 2028	833,600
2029 to 2033	833,600
2034 to 2038	833,600
2039 to 2043	833,600
2044 to 2048	833,600
2049 to 2053	833,600
2054 to 2057	666,880
	$ 7,892,380

Total expense related to operating leases (with initial or remaining lease terms in excess of one year) amounted to $1,531,171 and $1,231,181 for the years ended June 30, 2018 and 2017, respectively. CCSNH signed additional operating leases after June 30, 2018 with total commitments of approximately $250,000 with various expiration dates ranging through the year ending June 30, 2023.

Union Contracts

Substantially all of CCSNH's employees are covered by a collective bargaining agreement, except for executive officers and confidential personnel. As of March 2017, CCSNH full-time faculty were represented by the NH Higher Education Union, which is part of the International Brotherhood of Electrical Workers, 2320. CCSNH staff are currently represented by the State Employees' Association of New Hampshire, Inc., which is part of the Service Employees International Union Local 1984, CTW, CLC (SEIU). The current collective bargaining agreement for full-time and part-time staff has a period of October 25, 2017 through September 30, 2019.

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 SEIU 1984, CTW, CLC. The current collective bargaining agreement has a period of October 25, 2017 through December 31, 2018.

Contingencies

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

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

Commitments

CCSNH has entered into various construction contracts. The following commitments are ongoing projects at June 30, 2018:

	Expended through June 30, 2018	Committed Future Costs	Total Committed Costs of Project
NHTI	$ 7,278	$ 87,700	$ 94,978
NCC	875,338	67,770	943,108
WMCC	308,793	37,966	346,759
Total	$ 1,191,409	$ 193,436	$ 1,384,845

At June 30, 2018 and 2017, invoices related to construction projects of $75,039 and $670,933, respectively, were included in accounts payable.

10. Investments

Fair Value Measurement

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

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

- Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are securities listed in active markets. The Foundation has valued its investments, listed on national exchanges, at the last sales price as of the day of the valuation.
- Level 2: Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets which are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the asset of liability. The fair values are therefore determined using model-based techniques that incorporate these inputs.
- Level 3: Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include discounted cash flow models and similar techniques.

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

CCSNH Investments

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

Long-term investments include the UNIQUE endowment funds assets and other unrestricted investments. The State Uniform Prudent Management of Institutional Funds Act (the Act) requires the preservation of the original gift (corpus value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The System classifies as permanently restricted net position: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Subject to the intent of a donor expressed in the gift instrument, the System may appropriate for expenditure or accumulate so much of an endowment fund as the System determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. 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. Cumulative appreciation on these funds was $3,872,147 and $3,162,386 at June 30, 2018 and 2017, respectively and is reported in restricted expendable net position.

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

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, CCSNH will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of CCSNH, and are held by either the counterparty or the counterparty's trust department or agency, but not in CCSNH's name. As of June 30, 2018 and 2017, CCSNH's investments included in the statements of net position were not exposed to custodial credit risk. The investments were held by the counterparty, in the name of CCSNH.

Investments held by CCSNH were comprised of the following at June 30, 2018:

	Level 1	**Level 2**	**Level 3**
Equity mutual funds	**$ 11,522,367**	**$ -**	**$ -**
Fixed-income mutual funds	**15,467,666**	**-**	**-**
Total	**$ 26,990,033**	**$ -**	**$ -**

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

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

A summary of fixed-income mutual fund maturities as of June 30, 2018 and 2017 is as follows:

2018 Amount	2018 Maturities	2017 Amount	2017 Maturities
$ 88,862	**2.7 years**	**$ 4,202,850**	**5.4 years**
226,041	**2.5 years**	**315,543**	**3.5 years**
8,788,528	**Less than a year**	**179,276**	**3.0 years**
6,364,235	**N/A**	**9,668,807**	**Less than a year**
$ 15,467,666		**$ 14,366,476**	

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

CCSNH has not defined a limit in its investment policies regarding the amount that can be placed with one issuer. However, the investment policy defines that the portfolio should be well diversified as to limit exposure to one issuer or security. As of June 30, 2018, individual investments representing more than 5% of the CCSNH's investments were as follows:

	Percentage of Investments	
Fidelity Conservative Income Bond	32.5	%
Strategic Advisors Core Fund	12.2	
Strategic Advisors Growth Fund	5.5	
Strategic Advisors Value Fund	5.6	
Strategic Advisors International Fund	8.1	
Strategic Advisors Core Income Fund	19.4	

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

Community Colleges of New Hampshire Foundation

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

Investments held by the Foundation were comprised of the following at June 30, 2018:

	Level 1	**Level 2**	**Level 3**
Cash and cash equivalents	**$ 237,393**	**$ -**	**$ -**
Equities	**3,082,399**	**-**	**-**
Fixed-income	**812,276**	**-**	**-**
Total	**$ 4,132,068**	**$ -**	**$ -**

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

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 111,001	$ -	$ -
Equities	2,892,038	-	-
Fixed-income	840,703	-	-
Total	$ 3,843,742	$ -	$ -

11. Risk Management

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

CCSNH has insurance coverage that includes automotive, crime, employment practices, fire, general liability, pollution, theft, and workers' compensation. There have been no significant changes in insurance coverage during the past fiscal year. Settlements did not exceed coverage amounts during fiscal years 2018 and 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Collective Net Pension Liability *

	June 30, 2018	2017	2016	2015	2014
Employer proportion of the collective net pension liability	1.2800 %	1.3580 %	1.5230 %	1.5521 %	1.4834 %
Employer's proportionate share of the collective net pension liability	$62,952,418	$72,213,216	$60,334,154	$58,259,797	$63,843,950
Employer's covered-employee payroll	$35,391,000	$39,462,000	$38,603,000	$47,442,000	$43,413,000
Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered employee-payroll	178 %	183 %	156 %	123 %	147 %
Plan fiduciary net position as a percentage of the total pension liability	56.22 %	58.30 %	65.47 %	66.32 %	59.81 %

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

Schedule of Employer Contributions *

	June 30 2018	2017	2016	2015	2014
Required employer contribution**	$ 5,080,526	$ 5,090,600	$ 5,109,493	$ 4,923,636	$ 3,688,122
Actual employer contribution**	$ 5,080,526	$ 5,090,600	$ 5,109,493	$ 4,923,636	$ 3,688,122
Employer's covered-employee payroll	$35,391,000	$39,462,000	$38,603,000	$47,442,000	$43,413,000
Employer contribution as a percentage of the employer's covered-employee payroll	14.36 %	12.90 %	13.24 %	10.38 %	8.50 %

** Schedule is intended to show 10 years. Additional years will be added as they become available.*
*** Contributions above are annual contributions during the measurement period.*

Notes to the Required Supplementary Information-Pension

Changes of assumptions:	Actuarial determined contribution rates for the 2012-2013 biennium were determined based on the June 30, 2009 actuarial valuation.
	Actuarial determined contribution rates for the 2014-2015 biennium were determined based on the June 30, 2011 actuarial valuation.
	Actuarial determined contribution rates for the 2016-2017 biennium were determined based on the June 30, 2013 actuarial valuation.
	Actuarial determined contribution rates for the 2018-2019 biennium were determined based on the June 30, 2015 actuarial valuation.
	For amounts reported in 2016 and later, the mortality table used was changed from RP-2000 Mortality Table projected to 2020 with Scale AA used in 2015 and 2014 to RPH-2014 Employee Generational Mortality Table adjusted for mortality improvements using Scale MP-2015.
	For amounts reported in 2016 and later, the discount rate as well as the investment rate of return used to measure the total pension liability were decreased to 7.25% from the rates of 7.75% used in 2015, 2014, and 2013.
	For amounts reported in 2016 and later, the assumed inflation rate used to measure the total pension liability was decreased to 2.5% from the rates of 3.0% used in 2015, 2014, and 2013.
	For amounts reported in 2016 and later, the assumed salary increase rate used to measure the total pension liability was changed to 5.60% from the rates of 3.75% to 3.8% used in 2015, and 3.75% to 5.8% used in 2014 and 2013.

Schedule of Collective Net OPEB Liability (NHRS OPEB Plan)*

	June 30, 2018	June 30, 2017
Employer proportion of the collective net OPEB liability	1.194792 %	1.263781 %
Employer's proportionate share of the collective net OPEB liability	$ 5,462,993	$ 6,118,030
Employer's covered-employee payroll	$31,872,400	$32,876,046
Employer's proportionate share of the collective net OPEB liability as a percentage of the employer's covered employee-payroll	17.14 %	18.61 %
Plan fiduciary net position as a percentage of the total OPEB liability	7.91 %	5.21 %

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

Schedule of Employer Contributions*

	June 30 2018	June 30 2017
Required employer contributions**	$ 694,802	$ 738,178
Actual employer contributions**	$ 694,802	$ 738,178
Employer's covered-employee payroll	$31,872,400	$32,876,046
Employer contribution as a percentage of the employer's covered-employee payroll	2.18 %	2.25 %

** Schedule is intended to show 10 years. Additional years will be added as they become available.*
*** Contributions above are annual contributions during the measurement period.*

Notes to the Required Supplementary Information (NHRS OPEB Plan)

There were no changes of assumptions in 2018 or 2017.

Schedule of Collective Net OPEB Liability (State OPEB Plan)*

	June 30, 2018	June 30, 2017
Employer proportion of the collective total OPEB liability	4.9660 %	4.9255 %
Employer's proportionate share of the collective total OPEB liability	$ 110,713,469	$ 141,644,569
Employer's covered-employee payroll	$ 35,835,065	$ 34,568,382
Employer's proportionate share of the collective total OPEB liability as a percentage of its covered employee-payroll	309 %	410 %

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

Notes to the Required Supplementary Information (State OPEB Plan)

There are no assets accumulated in a trust that meets the criteria in GASB 75 paragraph 4 to pay related benefits.

Changes of assumptions:	Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations. The discount rate increased from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely-presented component unit of the Community College System of New Hampshire (a Component Unit of the State of New Hampshire) (CCSNH), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements, and have issued our report thereon dated December 7, 2018. We did not audit the financial statements of the discretely-presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the discretely-presented component unit, was based solely on the report of the other auditor. The financial statements of the discretely-presented component unit were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance associated with the discretely-presented component unit.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CCSNH's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCSNH's internal control. Accordingly, we do not express an opinion on the effectiveness of CCSNH's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCSNH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
December 7, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Community College System of New Hampshire's (CCSNH) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CCSNH's major federal programs for the year ended June 30, 2018. CCSNH's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CCSNH’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CCSNH’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

ECSI's compliance with the requirements governing the functions that it performs for CCSNH was examined by other independent accountants whose report has been furnished to us. The report of the other independent accountants indicates that compliance with those requirements was examined in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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

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

Opinion on Each Major Federal Program

In our opinion, based on our audit and the report of the other independent accountants, CCSNH complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

We did not consider internal control over compliance with the billing, collections, and due-diligence compliance requirements specified by the Federal Perkins Loan Program and described in the Uniform Guidance. Internal control over these compliance requirements was considered by the other independent accountants referred to above, and our report, insofar as it relates to CCSNH's internal control over those compliance requirements, is based solely upon the report of the other independent accountants.

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

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

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

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

We have audited the financial statements of the business-type activities and the discretely-presented component unit of CCSNH as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise CCSNH's basic financial statements. We issued our report thereon dated December 7, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
December 7, 2018

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, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of Education			
Student Financial Assistance Cluster - Direct			
Federal Supplemental Educational Opportunity Grants	84.007		$ 390,397
Federal Work-Study Program	84.033		260,229
Federal Perkins Loan Program	84.038		1,061,558
Federal Pell Grant Program	84.063		15,909,713
Federal Direct Student Loans	84.268		36,999,754
Total Student Financial Assistance Cluster			54,621,651
New Hampshire Department of Education - Passed-Through			
Career and Technical Education - Basic Grants to States			
	84.048	75000	12,409
	84.048	75039	79,289
	84.048	85000	81,134
	84.048	85039	920,580
Total CFDA number 84.048			1,093,412
Mathematics and Science Partnerships	84.366	S366B140030	3,999
Total United States Department of Education			55,719,062
United States Department of Labor			
Apprenticeship USA Expansion Grants	17.201		636,045
WIA Dislocated Worker Formula Grants	17.278		128,333
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282		746,252
Apprenticeship Grants	17.285		74,693
Total United States Department of Labor			1,585,323

Schedule of Expenditures of Federal Awards (Concluded)

Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of Agriculture			
Rural Energy for America Program	10.868		47,269
United States Environmental Protection Agency			
Environmental Education Grants	66.951		1,958
Research and Development Cluster			
National Science Foundation			
Direct			
Advanced Manufacturing Partnership Grant	47.073		4,414
Education and Human Resources	47.076		1,797
Total National Science Foundation			6,211
United States Department of Health and Human Services			
Trustees of Dartmouth College - Passed-Through			
Biomedical Research and Research Training	93.859	8P20GM103506	90,029
Total Research and Development Cluster			96,240
United States Department of Health and Human Services - Passed Through			
New Hampshire Department of Health and Human Services - Passed-Through			
Child Care and Development Block Grant	93.575	G1401NHCCDF	149,975
Health Resources and Services Administration - Health Workforce - Passed-Through			
Behavioral Health Grant	93.732	M01HP31271	23,780
Total Expenditures of Federal Awards			$ 57,623,607

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the Community College System of New Hampshire (CCSNH) for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the audit requirements of Title 2 U.S *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)*.* Because the Schedule presents only a portion of the operations of CCSNH, it is not intended to, and does not, present the financial position, changes in net position or cash flows of CCSNH.

2. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Office of Management and Budget Circular A-21*, Cost Principles for Educational Institutions,* for federal agreements entered into before December 26, 2014, and the Uniform Guidance for federal agreements entered into on or after December 26, 2014, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

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

4. Federal Perkins Loan Program

The federal Perkins loan program is administered directly by CCSNH and balances and transactions relating to the program are included in the System's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of Perkins loans outstanding at June 30, 2018 was $954,109.

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, 2018

Section I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268	U.S. Department of Education Student Financial Assistance Cluster
84.048	U.S. Department of Education Career and Technical Education - Basic Grants to States

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2018

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

NONE

Section III. Findings and Questioned Costs for Federal Awards

NONE

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2018

Finding Number

2017-001

Condition Found

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

Recommendation

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

Action Taken

CCSNH changed the individual in the Finance Department's access rights to read only in ADP. This allows the Finance Department individual to continue to download the payroll change report for review independently of the Payroll Manager.

Status

Corrected