

# Community College System of New Hampshire (CCSNH)

## ACCOUNTING POLICIES

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## 1. Background information and CCSNH structure

The Community College System of New Hampshire (CCSNH), an established non-profit 501(c)3 organization, is considered a component unit of the state of New Hampshire rather than a state agency. CCSNH receives a significant portion of its funding from the state of New Hampshire. CCSNH is organized as seven (7) individually accredited Colleges, each with its own management structure and President, and a central System Office.

Overall oversight of CCSNH is the responsibility of the Board of Trustees. The Board delegates certain responsibilities to various committees and to the Chancellor. In turn, the Chancellor delegates certain responsibilities to other individuals within the system, including the various individuals within the accounting function. Those individuals with overall accounting and financial record-keeping responsibilities, in their capacity to ensure the safety of financial resources entrusted to CCSNH, have developed these comprehensive accounting policies.

## 2. Code of ethics

CCSNH is entrusted with great resources and commensurately great responsibilities for creation, dissemination, and preservation of knowledge. Accordingly, all of our accounting and finance staff play a key role in assuring that high standards of ethical practice attend to the custody and use of these resources.

All CCSNH accounting and finance personnel conduct should be characterized by integrity and dignity, and he or she should expect and encourage such conduct by others

## 3. Accounting controls

### 3.01 Segregation of duties

Segregation of duties is critical because it ensures separation of different functions and defines authority and responsibility over transactions. Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions.

The fundamental premise of segregated duties is that an individual should not be in a position to initiate, approve, and review the same action. In addition, the accounting/reconciling function, and the asset (e.g., money, inventory) custody function should be separated among employees. These are incompatible duties when performed by the same individual.

Responsible administrators must consider the principle of segregation of duties when designing and defining job duties. They must implement processes and control procedures that, to the extent feasible, segregate duties among employees and that include effective oversight of activities and transactions.

Maintaining segregation of duties is especially challenging for units with small numbers of employees. When these functions cannot be separated, more reliance must be placed on administrative oversight. A detailed supervisory review of activities involving finances, inventory, and other assets is required as a compensating control activity.

### 3.02 Account reconciliations (GL and cash accounts)

All general ledger accounts will be reconciled to appropriate supporting documentation on a quarterly basis. Some examples of supporting documentation would include bank statements for cash accounts, sub-ledgers for fixed assets and accounts receivable and amortization schedules for debt.

For practical purposes, certain general ledger accounts related to payroll and accruals, including but not limited to compensated absences, pension liability, prepaid expenses, etc. are only recalculated and reconciled annually by the CCSNH Controller.

Many general ledger accounts such as “clearing accounts” may not have supporting documentation that is easily reconcilable to the account itself. In such cases, these accounts will be reviewed for unusual activity and their balances reviewed against prior quarters to ensure reasonableness. Any unexpected balance changes or unusual transactions must be documented.

An individual in the system office who does not have the ability to record cash transactions or receive cash, checks or credit card payments will reconcile all bank accounts monthly to the general ledger. The accountant reconciling the bank accounts will record any necessary entries, including interest earned and service charges.

The system controller will review and approve all general ledger and bank account reconciliations.

#### 4. Revenue and expenses

##### 4.01 Revenue recognition

Revenue is recognized and recorded when earned. State of New Hampshire general fund appropriations are considered earned when approved by the New Hampshire legislature and governor. Tuition and other student fee revenue operate on a term basis and are recognized as earned on July 1<sup>st</sup> for the Fall term and January 1<sup>st</sup> for the Spring term. Since Summer terms generally cross 2 fiscal years, the system controller will determine how much revenue will be recognized within each fiscal year by analyzing the date ranges of all courses crossing fiscal years and determining an overall percentage for each year.

To ensure the accuracy of tuition revenue, management will perform a reasonableness analysis on an annual basis comparing credits sold at applicable rates to the tuition recorded within the general ledger.

Revenue on grants and capital projects are recognized and recorded, as expenses are incurred and reportable. Donated revenue will be recognized and recorded as pledged by the donor.

##### 4.02 Matching revenues and expenses

In order to present accurate and consistent financial statements, the revenues and expenses attributable to each period will be reflected in that period to the degree possible. Therefore, any expenses attributable to a given period will be recognized and recorded in that period in which the expense was incurred.

##### 4.03 Transfer of expenditures

Transfers of expenditures, either actual or budgeted, between individual accounts may be done by each campus Business Affairs officer (BAO) up to \$300 thousand. Transfers in excess of \$300,000 must have the written prior approval

of the campus president or in the case of the Chancellor's office, the CCSNH Controller.

## 5. Chart of accounts

The structure of the CCSNH chart of Accounts has been approved by the Board of Trustees and has been established under the FOAPAL convention:

**Fund**

**Org**

**Account**

**Program**

**Activity (Rarely used)**

**Location (not currently used)**

The maintenance of the chart of accounts is the responsibility of the Chancellor's office. The CCSNH Controller must approve any request for the establishment of new funds, orgs, accounts or activity codes. The Controller will make the ultimate determination if a particular process would be best suited as a fund, org, account or program.

### 5.01 Fund codes

#### 5.01.01 Definition of a fund

A Fund is a self-balancing set of accounts, grouped by major purpose in accordance with current accounting standards. The major fund groups are classified in accordance with activities or objectives, which include funds for CCSNH system operations, grants, financial aid, scholarship, special purpose and capital.

A fund maintains a balance, which is a cumulative record of the activities flowing into and out of the fund since inception.

#### 5.01.02 Fund types and descriptions

Funds are designated as either unrestricted or restricted. Unrestricted funds include all funds received for which no

stipulation was made by a donor or other external party as to the purpose for which they may be expended. They include but are not limited to the operating funds of CCSNH related to its primary mission as well as internally designated funds for auxiliary services. Auxiliary services include housing, dining services, student centers, childcare centers, etc.

Restricted funds, which may be temporarily or permanently restricted, are those limited by donors or external parties for specific purposes, programs, departments, schools, etc. Included in this group are grants and contracts, capital and gifts externally designated as to purpose (EG: scholarships).

#### 5.01.03 Fund coding conventions

All funds have 6 characters

For College operating and auxiliary funds the first 2 characters designate the College:

- (11) Chancellor's office (CO)
- (12) White Mountains Community College (WMCC)
- (13) River Valley Community College (RVCC)
- (14) NHTI-Concord's Community College (NHTI)
- (15) Lakes Region Community College (LRCC)
- (16) Manchester Community College (MCC)
- (17) Nashua Community College (NCC)
- (18) Great Bay Community College (GBCC)

The remaining characters within operating and auxiliary funds are used to designate the type of fund.

Third characters of 1 or 2 indicate a College or academic center

Third characters of 3 through 5 indicate special purpose auxiliary funds such as student wellness and childcare centers and café services.

Third characters of 6 indicate housing funds

Characters 4 through 6 are College defined

Other fund conventions (first character in fund number)

- (2) Grant funds
- (3) Student activities
- (4) Financial aid funds
- (9) Capital funds
- (B) Bank funds

#### 5.01.04 Deficit fund balances

Each fund in the CCSNH general ledger is a separate accounting entity with a self-balancing set of accounts for recording assets, liabilities, fund balance (i.e., net assets), revenues, expenditures, and transfers. Each fund has a source of funding, whether it be revenue from external or internal sources, or a transfer of funds from another fund. If the expenditures within a Banner fund exceed the funding sources, a deficit occurs. Deficits may occur within a particular fiscal year or a fund may have a cumulative deficit incurred over time since the fund's inception.

College Chief Financial Officers (CFO's) are responsible for resolving deficits through their budgetary process. The CCSNH Controller is responsible for monitoring deficits and reporting such deficits to the CCSNH CFO.

If a College is operating at a fiscal year operating deficit in any College funds, the College CFO may either take appropriate budgetary action to resolve the deficit or request permission from the CCSNH Board of Trustees to utilize College reserve cash.

Should a College not have a positive cash reserve balance they must either take appropriate budgetary action to resolve any fiscal year deficit and develop a longer-term strategic plan to resolve their cumulative negative cash reserve position.

If a College believes, it does not have the fiscal capability to resolve their College deficit on their own they may request the preparation of a developmental plan in conjunction with the Chancellor's office to correct their deficit balance.

#### 5.01.05 Fund transfers

Frequently, entries between different funds occur. On these occasions, fund balancing is maintained via the use of an "inter-fund cash" account. Across all funds inter-fund cash nets to a zero balance.

College CFOs have the ability to perform budgetary and actual expense and revenue transfers between their own designated College funds on income statement accounts only. The Chancellor's office has the ability to transfer between any funds within the CCSNH system. Furthermore, in order to maintain control over general ledger account reconciliations, the chancellor's office has the sole ability to perform any transfers involving balance sheet accounts.

Any budgetary transfer, whether inter or intra fund greater than or equal to \$300 thousand must be pre-approved by the CCSNH Board of Trustees.

### 5.02 Organization (ORGN) codes

#### 5.02.01 Definition of an ORGN code

A Banner Org is the institution's organizational structure. To be a Banner Org it would be defined as a department or sub department of the institution. Orgs are used by CCSNH only on income statement accounts and are College-specific.

#### 5.02.02 ORGN coding conventions

All CCSNH orgs have 5 alphanumeric characters with the first 2 characters being the numbers representing the College and the remain 3 alpha characters indicating a College defined descriptor.

5.02.03 ORGN transfers

College CFOs have the ability to perform budgetary and actual expense and revenue transfers between their own designated College orgs by virtue of their only having access to their own designated College funds. The Chancellor's office has the ability to transfer between any orgs within the CCSNH system.

5.03 Account codes

5.03.01 Definition of an account code

An account code is a 4-digit number that is used to identify assets, liabilities, fund balance, revenues and expenses. Account codes are shared across all funds and Colleges within the CCSNH system.

5.03.02 Account coding conventions

(1) Balance sheet assets

- (10) Cash, cash clearing and inter-fund cash
- (12) Accounts receivable and pre-paid expenses
- (14) Notes receivable
- (17) Fixed assets and construction in process
- (18) Other assets

(2) Balance sheet liabilities

- (21) Accounts payable
- (22) Non-payroll clearing accounts
- (23) Other liabilities
- (24-28) Payroll liabilities
- (29) Due to state of NH
- (2B) Long-term debt
- (2C) Compensated absences
- (2D) Deferred inflows
- (2L) Capital leases
- (2N) Notes payable

- (2P) Pension liability
- (3) Balance sheet control accounts
  - (30) Budget control accounts
  - (31) Actual revenue/expense control accounts
  - (32) Reservations control accounts
  - (33) Reserve and encumbrance control accounts
- (4) Balance sheet fund balance accounts
  - (41) Fund additions to net assets
  - (42) Fund deductions to net assets
  - (43) Unrestricted fund balances
  - (44) Temporarily restricted net assets
  - (45) Permanently restricted net assets
- (5) Income statement revenue accounts
  - (51) State appropriations
  - (52) Tuition, fees and auxiliary revenue
  - (53) Federal revenue
  - (54) Grant revenue
  - (55) Other revenue
  - (5A) Gains/losses on sales of equipment
  - (5D) Donation revenue
- (6) Income statement salary and benefit accounts
  - (61) Full time salaries
  - (62) Part time and adjunct salaries
  - (63) Overtime
  - (64) Holiday pay
  - (66) Benefits
- (7) Income statement other expense accounts
  - (71) Current expenses
  - (72) Food expenses
  - (73) Rental expenses
  - (74) Utilities
  - (75) Maintenance-non-building
  - (76) Memberships and accreditation
  - (78) Capitalized equipment
  - (79) Indirect costs
  - (7B) Interest expenses
  - (7C) Consultant expenses
  - (7D) Buildings and land maintenance

(7F)	Travel and conferences
(7G)	Capital projects
(7H)	Employment insurance
(7M)	Marketing
(7O)	Provider training
(7P)	Pass through grant expenses
(7R)	Taxes and CAM charges
(7S)	Scholarships and financial aid expenses
(7T)	Shared service expenses
(7X)	Bad debt expense
(7Z)	Banking service fees

5.03.03 Account transfers

College CFOs have the ability to perform budgetary and actual expense and revenue transfers between their own designated College accounts by virtue of their only having access to their own designated College funds. The Chancellor’s office has the ability to transfer between any accounts within the CCSNH system.

5.04 Program (PROG) codes

5.04.01 Definition of a PROG code

Describes the function being supported by a transaction. Program codes provide a way of classifying transactions across organizations and accounts. Program codes are critical in the annual preparation of the IPEDs reports.

Programs include Instruction, research, public services, academic-support, student services, institutional support, operation and maintenance of plant and auxiliaries

5.04.02 PROG coding conventions

102	Program instruction
110	Instruction
120	Instruction non-credit
130	Instruction distance education
140	Instruction pass through

- 150 Curriculum development
- 200 Research
- 300 Public service
- 400 Academic support
- 500 Student services
- 600 Institutional support
- 700 Operation and maintenance
- 800 Scholarships and fellowships
- 900 Library

## 5.05 Attributes

### 5.05.01 Definition of an attribute

An attribute is an alphanumeric field associated with individual values of an element of the FOAPAL string. They exist to provide flexibility in reporting data from the financial system. Attribute values can be attached to individual FOAPAL element values to tag them as belonging to a particular category. Financial reports are run for selected attribute values. The attributes collect the data in a variety of meaningful ways.

Attributes are attached to FOAPAL element values and therefore are not associated with detailed transactions. Banner neither supports use of attributes as a control or data entry restriction nor are there any on-line forms associating attributes with transaction data. Attributes solely support the reporting environment.

## 6. Non-capital assets

### 6.01 Cash

#### 6.01.01 Receipt and deposit of cash items (cash and checks)

Cash and check receipts must not be commingled with petty cash funds. The receipt and deposit of cash will follow the segregation of duties policy shown in the accounting controls section. No

individual will have the ability to receive, record and reconcile cash.

Receipts must be provided to individuals who make payments in cash. All cash and check receipts will be deposited daily in the system's bank account by an individual independent of the cash receipt or deposit preparation. Funds not deposited in a timely manner will be kept in a locked, fireproof safe or file cabinet.

Cash receipts (physical currency, cashier's checks, bank drafts, traveler's checks or money orders) from one individual of more than \$10,000 must be reported to the Internal Revenue Service as required by federal money laundering laws and regulations.

6.01.02 Cash disbursements

See accounts payable section 8.01

6.01.03 Petty cash and change funds

Departments are encouraged to use petty cash funds to reduce time, paperwork and administrative expense for minor business expenditures. Petty cash may be used to reimburse authorized expenditures up to \$300 per transaction. Amounts in excess of \$300 must be authorized by the campus business affairs officer or designee prior to disbursement.

Each College is responsible for their own petty cash fund. On a quarterly basis, an individual not responsible for the daily management of the fund must verify that the fund reconciles (in cash and receipts) to the designated amount of the fund. A log of such reconciliation must be maintained within the petty cash drawer.

Petty cash funds must be secured in a locked safe or drawer to prevent unauthorized access.

6.01.03 Bank clearing accounts (ACH, cash and checks)

All College bank-clearing accounts for cash and checks and ACH transactions will be reconciled to supporting documentation on a daily basis by each College. The system office will reconcile bank-clearing accounts attributable to the system as a whole.

## 6.02 Receivables

### 6.02.01 Student accounts receivable

Student accounts receivable and related payment clearing accounts are used to record all student revenue as earned. Access to student accounts is limited to those individuals with authorized access to the Banner student module.

### 6.02.02 Due from state

State operating appropriations are recorded as revenue and an associated receivable is recognized once approved by the state legislature and governor. As state payments are made on a monthly basis, the receivable is reduced accordingly.

For capital projects, revenue and an associated receivable are recognized automatically by the system as expenses are incurred.

### 6.02.03 Grants receivable

For grants where funding was not received at grant inception, revenue is recorded and an associated receivable are recognized automatically by the accounting system as grant expenses are incurred.

For grant funds received at grant inception a deferred revenue liability account is recognized and drawn down as expenses are incurred and associated grant revenue is earned.

### 6.02.04 Federal financial aid receivables

Federal receivables related to financial aid are recorded when financial aid is applied to a student's account and removed during periodic drawdowns of federal funds. The CCSNH financial aid accountant will reconcile financial aid federal receivables when drawdowns of federal funds are performed.

6.02.05 Other receivables

An appropriate individual at the system office or applicable College will manually record other miscellaneous types of revenue and receivables, including those associated with notes receivable, corporate partnerships, commissions, etc.

6.02.06 Bad debt expenses

Student accounts receivable that are delinquent for 90 days or more are removed from receivables and recorded as bad debt expense. Subsequent recoveries of previously written off debt will be recorded as credits to bad debt expense. Net bad debt expense for a given year will be bad debt incurred net of any recoveries.

6.02.06 Allowance for doubtful accounts

An allowance for doubtful accounts will be recorded for delinquent loans associated with the Perkins loan program and for any other receivables that management deems prudent. Management's methodology for recording an allowance for doubtful accounts will be documented and maintained in the system Controller's accounting records.

6.03 Other assets

6.03.01 Prepaid expenses

On an annual basis, in preparation for the annual external audit the system Controller, in conjunction with College CFOs, will calculate any expenses paid in excess of \$5,000 in a given fiscal year but applicable to a subsequent year. These expenses will be

recorded as prepaid in the current year and reversed accordingly in following fiscal years.

6.03.02 Deferred outflows

Deferred outflows on pension liabilities are calculated annually upon receipt of annual actuarial reports from the New Hampshire Retirement System

7. Capital assets

7.01 Acquisition of capital assets

7.01.01 Purchased capital assets

Any singular asset with a purchase price greater than or equal to \$5,000 and a useful life greater than one year will be capitalized. All components and add-ons of an acquired asset will be included in the acquisition price of the total asset even if these additions cost less than the capitalization limit.

Grouping purchases of similar items that individually cost less than \$5,000 (such as computers) will not be capitalized but instead expensed in the period acquired.

7.01.02 Fabricated capital assets

Assets acquired through fabrication such as buildings and building improvements will be capitalized based on the total construction cost, including, but not limited to, architectural, construction management, materials and allocated payroll and benefits.

Payroll and benefits for the Director of Capital Planning and Development and associated personnel will be allocated to

individual projects based on each projects relative percentage to total capital projects within a biennium.

Fabricated assets will be placed into depreciable status when they are at least 90% complete and, in the opinion of the system's Director of Capital Planning, are substantially available for use for their intended purpose.

7.01.03 Donated capital assets

Donated assets will be placed in service at their reasonably determined and documented value. Depreciation will not be taken on donated assets. Upon the receipt of donated equipment, revenue will be recognized to record the value of the asset acquired.

7.02 Capital asset categories

7.02.01 Categories and depreciation

CCSNH utilizes the straight-line method of depreciation. When determining annual depreciation expense no salvage value will be considered in the calculation.

<u>Category</u>	<u>Depreciable life</u>
Buildings	40 years
Building & land improvements	20 years
Leasehold improvements	Term of lease or useful life *
All other capital assets	5 years

\* For leasehold improvements with useful lives less than the remaining term of a lease, the appropriate useful life will be utilized. For leasehold improvements with useful lives longer than the remaining lease term, the useful life will be the remaining lease term. Should an extended lease be an option the leasehold improvement life may extend to the extended lease term in cases

where the extension of the lease is reasonably assured by the lessor and lessee.

#### 7.02.02 Depreciation conventions

The full-year depreciation convention will be used whereby a full years' depreciation will be taken on an asset in the year of acquisition regardless of acquisition date.

#### 7.03 Disposal of equipment (donated, scrapped, sold, lost/stolen)

When management determines that, a capital asset is no longer needed and it is determined that the asset has value, it will either be transferred to assets held for sale at the lesser of its fair market value or its net depreciated value (prior to current year depreciation), with any necessary loss recognized at transfer or donated.

When determining whether an asset is no longer needed, management should ensure that the asset would not be useable by another department on a particular College or by another College within CCSNH.

Further, the original funding for an asset must be determined to ensure that the equipment, which may have been purchased using grant or other restricted funds, is saleable without penalty to CCSNH. The sale or disposal of equipment purchased with grant or other restricted funds must be pre-approved in writing from the applicable sponsor or specifically allowable under the original agreement.

Sales of equipment to employees of CCSNH, their family members and any other related parties must be done at a documented independent market value.

When an asset is placed available for sale, it is no longer depreciated. Upon the sale, any further gain or loss would be recognized through the income statement. If an asset held for sale is expected to be sold with one year, it will be classified as a current asset but if the sale is expected to be longer than one year, it will be classified as a non-current asset.

Should an asset be donated rather than sold, its fair market value will be reasonably determined at the time of donation. A loss, if any, will be recognized for the difference between the fair market value and its net depreciated value (prior to current year depreciation). The fair market value of the asset will be shown as donated assets expense on the income statement.

If an asset does not have any value or has been lost or stolen, it will be written off as a loss in the income statement for its undepreciated value prior to current year depreciation.

The applicable College president or the system's associate vice chancellor/CFO must authorize any disposal of a capital asset. The source of the market value must be documented for all sales or donations of capital assets. Sales of assets with market values greater than \$5,000 or for vehicles of any type must be advertised for bid for at least 7 days.

Each College will notify the system office accounting department in writing when an asset has been disposed in order for the asset to be removed from the inventory system. The documentation must include the method of disposal (sale, stolen, lost, etc.), sales price, original funding source, all necessary approvals and buyer (if applicable).

#### 7.04 Impairment of capital assets

The decision regarding the impairment of a capital asset depends upon individual circumstances. If a capital asset is determined to be impaired and the appropriate course of action is repair, management will determine if such repairs should be expensed as incurred or capitalized. The overriding factors that will determine if a repair is to be capitalized is whether such repairs add to the useful life of the asset and meet the capital limit. If the repairs meet the capital limit and add to the useful life, the repair will be capitalized but if such repairs do not add to an asset's useful life the repairs will be expensed as incurred.

If repair on an impaired asset is not deemed the best course of action the asset will be disposed of utilizing the methodology described with the disposal of fixed assets section of this policy.

#### 7.05 Capital asset inventory system

##### 7.05.01 Capital asset sub-ledger and annual physical inventory

The capital asset sub-ledger is the official record of capital assets held by CCSNH. Each capital asset placed in use will have a tag affixed with a unique identifying number. On an annual basis, each College and the chancellor's office will conduct a physical inventory using the fixed asset sub-ledger to ensure all assets are present and in working order.

Should an asset not be present and all efforts have been exhausted to locate it, it will be written off as a loss at its undepreciated value prior to current year depreciation.

#### 7.05.02 Grant-related assets

Many grants require that a record be maintained for assets purchased with grant funds even if the asset does not meet CCSNH capitalization limits. CCSNH will utilize the fixed asset sub-ledger as its record of these assets and such assets shall be subject to the same controls as capitalized assets. These assets, however, will not be depreciated.

## 8 Liabilities

### 8.01 Accounts payable

Accounts payable will be recorded upon receipt of an authorized vendor invoice. Accounts payable are reduced as checks are cut for payment. CCSNH utilizes blank check stock whereby the accounting system designates an automated check number on each printed check. The system bank account utilizes a "positive pay" system whereby the bank will not honor check numbers that have not been issued by the Banner accounting system.

The CCSNH Treasurer's signature is automatically generated on each check printed. Only the system office is authorized to print checks with access to blank check stock and the check printer limited to those individuals without approval and bank reconciliation authority.

### 8.02 Accrued payroll expenses and employee payroll withholdings

Any CCSNH liability for payroll, payroll benefits and employee withholdings will be held within the CCSNH payroll fund. Payments for withholdings and CCSNH

benefit liabilities are paid to applicable entities as required. An outside payroll processor generates checks and ACH payments for employee payroll.

Withheld payroll taxes will be reconciled to form 941 submitted by the CCSNH payroll processor to the Internal Revenue Service on a quarterly basis.

CCSNH is self-insured for employee health reimbursement arrangements (HRA) related to its health insurance and for dental insurance. CCSNH records liabilities at each payroll for these programs and payouts for charges are paid against the applicable liability as incurred. Annually, at fiscal year-end the balance within each liability is adjusted to reflect the estimated remaining liability for lagging claims received after year-end.

Accrued liabilities for vacation and sick time earned by employees will be calculated at fiscal year-end by the system controller and the liabilities for such time will be adjusted accordingly through the income statement as an adjustment to compensated absence expense.

#### 8.03 Deferred revenue

Revenue received but unearned will be recorded as a deferred revenue liability. When such revenue has been earned, the liability will be reduced accordingly.

#### 8.04 Pension obligation

CCSNH utilizes two distinct pension plans. The majority of CCSNH employees are in the state of New Hampshire pension system as group I employees. Some confidential employees (non-covered for union representation) utilize a 403B plan administered by an independent investment firm.

For those employees covered under the state plan, on a bi-ennial basis, the state of New Hampshire determines our employer- and employee-funding percentage. On an annual basis, our pension liability is determined by the New Hampshire retirement system (NHRS) under the Governmental Accounting Standards Board (GASB) statement 68. The system Controller makes all necessary entries to reconcile pension liability to the NHRS report on an annual basis.

There is no liability on the CCSNH general ledger for the 403B plan. CCSNH recognizes only its pension expense obligation for this plan in the income statement.

8.05 Other liabilities (hold for future use)

8.06 Long-term debt obligations

All long-term debt will be segregated into a current portion and a long-term portion. The current portion of long-term debt will be that which is due within 12 months of the CCSNH fiscal year end.

8.06.01 Bond debt

The state of New Hampshire issues all general obligation bonds for capital projects of CCSNH. Applicable state law outlines the portion of any bond debt that would be the obligation of CCSNH. Bond debt that is the obligation of CCSNH must be approved by the Board of Trustees upon completion of a financial feasibility analysis by the applicable CCSNH College.

Bond debt payments are paid by the CCSNH system office to the state of New Hampshire as the original issuer of the bond debt.

The CCSNH Controller is responsible for reconciling the bond debt at least annually with considerations given to any new debt, re-fundings and payments made. Any deferred inflows on bonds resulting from state of New Hampshire bond re-fundings are amortized against applicable interest payments on an annual basis.

8.06.02 Notes payable

All notes obligating CCSNH institutions must be pre-approved by the Board of Trustees. Each request for obligating a CCSNH institution under a note payable must be accompanied by a financial feasibility analysis and a summary of any debt covenants under the proposed note.

8.06.03 Capital leases

Leases in excess of \$100,000 must be pre-approved by the Board of Trustees. College presidents or the CCSNH Chancellor must approve any leases less than \$100,000.

For accounting purposes, a capital lease is a lease that meets the following criteria

- The ownership of the leased equipment transfers to the lessee by the end of the lease period
- The lessee can buy the asset from the lessor at a bargain purchase less than the asset's market value
- The lease term encompasses 75% of the useful life of the asset
- The present value of the lease payments is at least 90% of the fair value of the asset at lease inception

## 9 Net position

### 9.01 Restricted –non-expendable

Restricted non-expendable fund balances are those that prohibit their expenditure in perpetuity. Restrictions exist when creditors, grantors, donors or laws and regulations (such as permanent endowments) externally impose constraints on their use.

Additionally, the CCSNH Board of Trustees may designate a fund as restricted non-expendable. The Board may also remove a fund from restricted status that it had originally designated as restricted.

### 9.02 Restricted-expendable

Restricted expendable fund balances are expendable but subject to imposed restrictions. Restrictions exist when creditors, grantors, donors or laws and regulations (such as income on permanent endowments) externally impose constraints on their use.

Additionally, the CCSNH Board of Trustees may designate a fund as restricted expendable. The Board may also remove a fund from restricted status that it had originally designated as restricted.

### 9.03 Unrestricted

Unrestricted fund balances are those with no external restrictions on their use

9.04 Invested in capital assets

For financial reporting purposes, the portion of net position invested in net assets is defined as total capital assets less any related debt and payables on construction in process.

10 Allocations for shared expenses

CCSNH recognizes that the centralization of certain functions and expenses is more efficient and cost effective. Moreover, since these functions and expenses will be absorbed by the system office without the benefit of offsetting revenue, their allocation to the individual Colleges is necessary.

On an annual basis, the system office will determine its operating budget for the next fiscal year. The budgeted expenses will be allocated out to the Colleges based on each College's relative percentage of payroll expenses for employment insurances and payroll service expense and by each College's percentage of student full time equivalents for all other system office expenses.

11 Allocation of state general funds

Discuss this provision with Charles

12 Purchasing

See separate purchasing policy

13 Budgeting

13.01

