

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

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 1st for the Fall term and January 1st 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

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

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 inter(-)10 (Bpb4k (s)6 (s.1-0.011-4 (al o2pb4k (s)6 S)- ID

All CCSNH orgs have 5 alphanumeric characters with the first 2 characters being the numbers representing the

- (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

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

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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

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

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

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

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

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-

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

