

WARREN COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

WARREN COUNTY COMMUNITY COLLEGE
TABLE OF CONTENTS
JUNE 30, 2011

PART I

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-15
Financial Statements:	
Statement of Net Assets	16
Statement of Revenue, Expenses and Changes in Net Assets	17
Statement of Cash Flows	18
Notes to Financial Statements	19-31

PART II

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditors' Report on Compliance with Requirements That Could have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04	3-4
Schedule of Findings and Questioned Costs	5-6
Summary Schedule of Prior Audit Findings	7
Schedule of Expenditures of Federal Awards	8
Schedule of Expenditures of State Awards	9
Notes to the Schedules of Expenditures of Federal and State Awards	10

Independent Auditors' Report

The Honorable Chairman and
Members of the Board of Trustees
Warren County Community College
Washington, New Jersey

We have audited the accompanying financial statements of the Warren County Community College (the "College"), a component unit of the County of Warren, as of and for the fiscal years ended June 30, 2011 and 2010, which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Office of Management and Budget, Department of the Treasury, State of New Jersey, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2011 and 2010, and the changes in financial position and cash flows thereof for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3-15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Chairman and
Members of the Board of Trustees
Warren County Community College

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey OMB's Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mt. Arlington, New Jersey
November 21, 2011



NISIVOCIA LLP

FY11 MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

This Management Discussion and Analysis (MD & A) of Warren County Community College's ("College" or "WCCC") financial performance provides an overall review of the College's financial activities for the fiscal year ending June 30, 2011. The intent of this discussion and analysis is to look at the College's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements and management recommendations to enhance their understanding of the College's financial performance. This document is prepared by the College and represents management's interpretation of the financial data. It has not been audited by Nisivoccia LLP.

Overview of the Financial Statements

The College's audit is prepared under the standards prescribed by the Governmental Accounting Standards Board (GASB), which sets guidelines for financial reports prepared for public entities. The financial statements prescribed by GASB incorporate three statements:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

These statements, which follow in the presentation, demonstrate the net value of assets and the results of the College's operations, respectively, on a college-wide basis. All statements are prepared using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. The audit performed by Nisivoccia LLP also includes a series of notes to accompany the financial data, and an audit of federal awards and state financial assistance (referred to as the A-133 Audit), which is required by both federal and state entities.

Below is a discussion of each of the main components of the financial report.

Statement of Net Assets: College Funds

The Statement of Net Assets includes assets, liabilities and net assets for the College. WCCC's assets are classified as either current or non-current (capital) assets. Liabilities represent commitments of the College that will be liquidated in a subsequent year.

Net assets represent the difference between the total assets less liabilities. In the case of the College, these assets are both capital assets and non-capital assets. As the WCCC Foundation does not hold capital assets, the Foundation's net assets represent fund assets only.

The chart on the next page shows total and net assets for the College (exclusive of its component group, the WCCC Foundation), which indicates that the overall college net assets as of June 30, 2011 were just under \$15.1 million.

FY11 MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)
(Unaudited)

Statement of Net Assets: College Funds

	<u>FY11</u>	<u>FY10</u>	<u>1 Year Change</u>	<u>FY09</u>	<u>2 Year Change</u>
<u>Total Assets</u>					
Current Assets	4,821,605	3,420,581	1,401,024	3,218,819	1,602,787
Capital Assets	<u>12,190,021</u>	<u>11,900,040</u>	<u>289,981</u>	<u>11,217,710</u>	<u>972,311</u>
Total Assets	17,011,626	15,320,621	1,691,005	14,436,529	2,575,098
Current Liabilities	1,851,845	1,412,925	438,920	1,307,415	544,430
Non-Current Liabilities	88,000	88,000	0	0	88,000
<u>Net Assets</u>					
Investment in Capital	12,190,021	11,900,040	289,981	11,217,710	972,311
Restricted	26,647	20,454	6,193	35,962	(9,315)
Designated	1,692,400	881,070	811,330	876,362	816,038
Unrestricted	<u>1,162,713</u>	<u>1,018,133</u>	<u>144,580</u>	<u>999,080</u>	<u>163,634</u>
Total Net Assets	15,071,781	13,819,697	1,252,085	13,129,114	1,942,668

In order to understand the College's financial position, it is important to understand each category of assets: current assets, capital assets, liabilities and net assets. There were some significant changes that took place in FY11, particularly related to the College's library renovation project and the acquisition of the Phillipsburg property, which took place just after the fiscal year ended.

Current Assets

Current assets include cash and cash equivalents, accounts receivable, inventory and prepaid expenses. As the chart above indicates, the College's current assets increased significantly to \$4.8 million in FY11. This increase is largely due to funds that were acquired or set aside for the two capital projects that were subsequently completed in Fall 2011.

Capital Assets

Capital assets include facilities, building improvements, computers, furnishings and equipment and fixtures. The College's capital assets grew to just under \$12.2 million by the end of FY11, an increase of \$289,981 from the prior year. The increase in capital assets reflects the net difference between additions and depreciation. The additions for FY11 included the completion of Phase I of the Library Addition, partial payments for Phillipsburg infrastructure needs (security systems, handicapped access, telecommunications system) plus the acquisition of some computers, computer equipment and furnishings related to both the Phase II library and the Phillipsburg project. Equipment additions also include various health science equipment, including a pediatric simulator model, nursing beds as well as new dental equipment purchased through a federal Health Care and Other Facilities (HCOF) grant.

FY11 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

(Unaudited)

The change in capital assets by category is shown below.

<u>Capital Assets</u>	<u>FY11</u>	<u>FY10</u>	<u>FY10-11 Change</u>
Computers & Equipment	1,348,113	1,070,296	277,817
Furniture & Fixtures	578,888	404,075	174,813
Building Improvements	1,090,971	701,093	389,878
Building	14,341,674	14,341,674	0
Total	17,359,646	16,517,138	842,508
Less Accumulated Depreciation	(5,169,625)	(4,617,098)	552,527
Net Capital Assets	12,190,021	11,900,040	289,981

Liabilities

Also displayed in the *Statement of Net Assets* are liabilities. Liabilities include salary and vendor payables for services incurred during the fiscal year, as well as deferred revenue and outstanding student payables. College current liabilities as of June 30, 2011 were \$1,851,845, reflecting a significant purchase order accrual for projects/activities undertaken during summer 2011 for the two capital projects (Library and Phillipsburg). Even with these increases, current assets exceeded current liabilities in FY11 by a 2.6:1 basis, indicative of the College's relatively strong financial position.

Post retirement benefits for WCCC employees are paid through the State of New Jersey. The only post-retirement benefit offered through WCCC is a sick leave payout of up to \$8,000 for faculty members meeting certain criteria contained in the faculty contract, including ten years of service and one year's advance notice of retirement. The total set aside for this liability for FY11 remains at \$88,000.

Net Assets

The final component of the *Statement of Net Assets* is the total net assets. Conceptually, total net assets are equivalent to the College's capital assets plus the college's fund balances (net of the future commitments already accounted for under liabilities).

Net assets comprise capital assets, such as buildings and equipment, as well as non-capital assets that are classified as restricted, designated or unrestricted funds. Restricted net assets pertain to those funds received with donor-imposed restrictions; designated funds refer to funds where the Board of Trustees has designated fund balances for a specific use; and unrestricted net assets pertain to the aggregate of residual funds that are not restricted nor designated.

The table below indicates the College net assets, exclusive of capital assets, by category.

FY11 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

(Unaudited)

College Net Assets (Excluding Capital Assets)

	<u>FY11</u>	<u>FY10</u>	<u>1 Year Change</u>	<u>FY09</u>	<u>2 Year Change</u>
Unrestricted	1,162,713	1,018,133	144,580	999,080	163,634
Designated:					
Capital R & R	125,000	0	125,000	0	125,000
Computers/Technology	275,000	201,670	73,330	201,670	73,330
Health Sciences Center	300,000	300,000	0	0	300,000
Board Priorities	0	154,400	(154,400)	112,000	(112,000)
East Wing	0	0	0	562,692	(562,692)
Library (Phase I & II)	550,000	175,000	375,000	0	550,000
Phillipsburg Start-Up	240,000	0	240,000	0	240,000
Scholarships	42,400	50,000	(7,600)	0	42,400
FY12 Budget	<u>160,000</u>	<u>0</u>	<u>160,000</u>	<u>0</u>	<u>160,000</u>
Total Designated	1,692,400	881,070	811,330	876,362	846,038
Restricted	26,647	20,454	6,193	35,962	(9,315)
Total	2,881,760	1,919,657	962,104	1,911,403	540,649

Non-capital assets as of June 30, 2011 increased to \$2.88 million in FY11, primarily reflecting funds set-aside for FY12 capital needs. Uncommitted funds as of June 30, 2011 were \$1,162,713, representing 9.9% of FY11 expenditures. This is consistent with the Board's annual goal of a 10% for unrestricted/uncommitted funds.

Designated funds as of June 30, 2011 were \$1,692,400. These represent previous set-asides established by the Board of Trustees for various upcoming projects, including the replacement of computer labs. Computer lab replacements will be needed as early as summer 2012. Other assigned funds include funds set aside for capital needs, including the amphitheatre project, as well as resources set-aside for the design of the Health Sciences Center in Hackettstown. This also includes the completion of the Library project as well as the Phillipsburg start-up expense of the Small Business Growth Center.

The \$26,647 in restricted funds represents student club funds, which vary annually due to various club activities.

FY11 MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)
(Unaudited)

Statement of Net Assets: WCCC Foundation

The Statement of Net Assets for the WCCC Foundation component unit is as follows:

	<u>WCCC Foundation Net Assets</u>				
	<u>FY11</u>	<u>FY10</u>	<u>1 Year Change</u>	<u>FY09</u>	<u>2 Year Change</u>
Total Assets	701,996	594,939	107,057	513,477	188,519
Liabilities	49,834	28,940	20,894	13,729	36,105
<u>Net Assets</u>					
Restricted	349,789	336,899	12,890	289,192	60,597
Unrestricted	<u>302,373</u>	<u>229,100</u>	<u>73,273</u>	<u>210,556</u>	<u>91,817</u>
Total Net Assets	652,162	565,999	86,163	499,748	152,414

Total Foundation assets increased by \$107,057 from FY10 to FY11. Liabilities increased reflecting a scholarship payable to the College. The net result of these two changes is that the net assets of the WCCC Foundation rose by \$86,163, to \$652,162, by the end of FY2011. This increase primarily reflects gains from fundraising activities as well as investment gains.

Statement of Revenues, Expenses and Change in Net Assets: College Funds

The next statement in the financial report is the Statement of Revenues, Expenses and Changes in Net Assets (SRECNA). College and Foundation funds are shown separately in this section.

FY11 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

(Unaudited)

SRECNA--College Funds (\$000)

<u>In \$000</u>	<u>FY11</u>	<u>FY10</u>	<u>1 Year Change</u>	<u>FY09</u>	<u>2 Year Change</u>
<u>Operating Revenues</u>					
Student tuition and fees	5,797	4,302	1,494	3,630	2,167
Federal grants and contracts	1,553	1,320	233	582	971
State and local grants and contracts	611	849	(238)	754	(142)
Other	<u>140</u>	<u>140</u>	<u>(0)</u>	<u>147</u>	<u>(7)</u>
Total Operating Revenues	8,100	6,612	1,489	5,112	2,988
<u>Non-Operating Revenues</u>					
Federal Appropriations-ARRA	0	91	(91)	0	0
State appropriations	2,227	2,118	109	2,293	(175)
County appropriations	2,033	2,188	(155)	2,250	(63)
County capital appropriations	328	120	208	3,635	(3,515)
Other Capital	285	0	285	0	0
Investment income	<u>8</u>	<u>12</u>	<u>(4)</u>	<u>29</u>	<u>(18)</u>
Total Non-Operating Revenues	4,881	4,438	443	8,208	(3,770)
Total Revenues	<u>12,981</u>	<u>11,049</u>	<u>1,932</u>	<u>13,320</u>	<u>(2,271)</u>
Total Expenses	<u>11,729</u>	<u>10,434</u>	<u>1,295</u>	<u>9,436</u>	<u>998</u>
Change in Net Assets	1,252	616	637	3,884	(1,273)

Operating Revenues

College operating revenues increased from \$6.6 million in FY10 to \$8.1 million in FY11. The largest category of this revenue is student tuition and fees, which represented \$5.8 million of the total operating revenue in FY11. This category increased by just under \$1.5 million. Much of this increase (\$1.1 million) is related to Customized Training programs.

Note that in the SRECNA, student tuition and fees paid through federal or state financial aid funds are shown as grants and contract revenues. Total (gross) tuition and fee revenues, representing revenues received either through student payments or financial aid revenues, are shown in the next chart.

FY11 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

(Unaudited)

Gross Tuition and Fees (\$000)	<u>FY11</u>	<u>FY10</u>	<u>1 Year</u> <u>Change</u>	<u>FY10</u>	<u>2 Year</u> <u>Change</u>
Credit Programs	\$5,361	\$5,088	\$ 273	\$3,757	\$ 1,331
Non-Credit Programs	<u>2,139</u>	<u>1,037</u>	<u>1,103</u>	<u>775</u>	<u>262</u>
Total	\$ 7,500	\$ 6,125	\$1,375	\$4,533	\$1,593

	<u>FY11</u>	<u>FY10</u>	<u>1 Year</u> <u>Change (%)</u>	<u>FY09</u>	<u>2 Year</u> <u>Change (%)</u>
Audited Credit Hours	44,577	42,868	4%	35,082	27%
Per Credit Charges	\$126.00	\$121.00	4%	\$114.75	10%

In FY11, \$7.5 million was collected in tuition and fee revenues for students attending both credit and non-credit programs. The increase in tuition and fee revenue is a function of both enrollment growth and student charge increases. Credit enrollment increased by 4% from FY10 to FY11, continuing a pattern of enrollment growth that has occurred over the past decade. Since FY02, audited credit enrollment for credit programs has increased by 131% from 19,266 to 44,577. Because non-credit programs consist of a broad spectrum of offerings with varied program lengths, it is difficult to calculate credit hour equivalency enrollment. However, the significant revenue increase in non-credit revenue is indicative of enrollment increases in this area as well.

The balance of federal and state grants and contracts received under operating revenues include Perkins Grant funds (federal) and Educational Opportunity Fund revenues (state). Also during FY11, the College received \$206,020 from the Health Care and Other Facilities (HCOF) grant. This one-time grant has helped to support the equipping of health science classrooms and labs.

Other operating revenues include funds from several smaller grants plus auxiliary revenues and student club revenues. The largest single revenue source under this category is commission revenue from the College's bookstore, which totaled \$105,006 in FY11.

Non-Operating Revenues

State and county appropriations, along with investment income, are classified as non-operating revenue. As a public county college, the College relies on these annual subsidies to meet its operating needs.

For FY11, County funding was \$2,032,535, a decrease of \$155,429 from FY10. However, this was a planned reduction agreed to between the County and the College so that funds could be reallocated from County operating support to Chapter 12 debt service.

In addition to operating funds, Warren County issued \$7.3 million in Chapter 12 bonds for the College in July 2010. The bond funds have been designated to support the College's acquisition

FY11 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

(Unaudited)

of the Phillipsburg Education Center plus the equipping and renovating of the Washington campus. A total of \$327,527 in Chapter 12 proceeds were received by the College in FY11 (with the balance allocated for early FY12).

State funding is determined through a sector-wide funding formula that considers several factors, including enrollment. WCCC's allocation of state operating funds reflected a slight increase from FY10. However, taken with the decrease in federal ARRA funds, the net change in non-operating state/federal support is a decrease of \$72,654 from FY10 to FY11. This decrease is due to the loss of the one-time ARRA funding to New Jersey Community Colleges.

Operating Expenses by Functional Spending Categories

Expenses related to the operation of the College can be displayed by the functional categories unique to college and universities. The chart on the next page shows expenses by category for College funds only for the period FY09 through FY11.

Functional Spending Categories--College Funds (Rounded \$000)

<u>Expenses By Function (\$000)</u>	<u>FY11</u>	<u>FY10</u>	<u>1 Year</u>		<u>2 Year</u>	
			<u>Change</u>	<u>FY09</u>	<u>Change</u>	
Instruction	5,337	4,236	1,101	3,698	1,639	
Institutional Support	1,875	1,864	10	1,739	136	
Public Service	436	392	44	340	95	
Academic Support	1,063	1,026	37	948	115	
Plant	1,134	1,078	56	992	141	
Student Support	1,140	1,127	13	905	235	
Capital Expense	13	9	5	389	(375)	
Scholarships/Aid	179	222	(43)	120	59	
Depreciation	<u>553</u>	<u>480</u>	<u>72</u>	<u>304</u>	<u>249</u>	
Total	11,729	10,434	1,295	9,436	2,293	

Total College expenses increased by \$1,295,000 from FY10 to FY11. A discussion of changes by function is included below.

Within the function of **Instruction** had most of this increase (\$1.1 million), reflecting customized training programs offered through the Division of Corporate and Continuing Education. These expenses were fully offset by customized training revenues.

Other functions with relative increases include Plant and Depreciation. **Plant** expense increases reflect utilities, insurance, maintenance and non-capitalized services (including virtualization software) related to the preparation of the Phillipsburg Education Center and the library renovation. **Depreciation** reflects the increase in assets acquired during FY09, which were initially capitalized in FY10.

Public Service expense increases primarily reflect the expansion of non-credit program offerings. Increases in **Academic Support** primarily reflect additional technology expenses.

FY11 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

(Unaudited)

Although Institutional Support expenses remained relatively level, there were some reallocation of funds, including an increase of \$61,169 in mandated pension contributions compensated by other spending reductions.

Scholarships/Aid reflects a decrease in FY11, reflecting a reduction in mandatory tuition waivers in FY11. We believe this reduction is due to the fact that more students are eligible for federal financial aid (Pell Grants) and are using these resources in place of college tuition waiver funds. It is worth noting that Pell Grant expenditures (shown in Part II section of this audit report) increased by nearly \$305,000. The other decrease in scholarships reflects the one-time FY10 Board of Trustee's allocation of \$30,000 in funds toward future student scholarship needs.

Expenditures by Natural Spending Categories

Expenditures also can be categorized by "natural" groupings that reflect spending type. These expenses for College funds (excluding the WCCC Foundation) are shown below.

Natural Spending Categories--College Funds (Rounded \$000)

<u>Expenses by Category</u>	<u>FY11</u>	<u>FY10</u>	<u>1 Year Change</u>	<u>FY09</u>	<u>2 Year Change</u>
Employee Salaries	5,613	5,519	93	5,050	563
Employee Fringe Benefits	<u>1,505</u>	<u>1,359</u>	<u>146</u>	<u>1,261</u>	<u>244</u>
Employee Salaries & Benefits	7,118	6,878	239	6,311	807
Non-Salaries					
<i>Materials and Supplies</i>	503	569	(66)	490	13
<i>Services</i>	462	507	(45)	537	(75)
<i>Customized Training Services</i>	1,317	194	1,123	16	1,301
<i>Computing/Equipment</i>	482	466	16	328	154
<i>Utilities/Insurance/Maintenance</i>	1,016	985	31	825	191
<i>Scholarships</i>	179	222	(43)	120	59
<i>Other</i>	<u>104</u>	<u>123</u>	<u>(19)</u>	<u>118</u>	<u>(14)</u>
Subtotal, Non-Salaries	<u>4,062</u>	<u>3,066</u>	<u>996</u>	<u>2,433</u>	<u>1,629</u>
Total, Operating Expenses	11,180	9,945	1,235	8,744	2,436
Capital/Depreciation	<u>549</u>	<u>489</u>	<u>60</u>	<u>692</u>	<u>(143)</u>
Total	11,729	10,434	1,295	9,436	2,293

An analysis of spending by function shows that the largest segment of operating costs relate to employee costs. *Salaries* increased by 1.7% during this period, reflecting faculty negotiated salary increases. Non-faculty salary levels were frozen for most of FY11. The FY11 level also reflects the annualizing cost of several positions added during FY10. Fringe Benefits increased

FY11 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

(Unaudited)

by \$145,688 from FY10, reflecting both health benefit cost increases and a significant increase in pension expenses for FY11 (particularly for the College's Public Employee Retirement System contribution, which increased by 40% or \$55,738).

Non-salary operating expenses increased by \$995,994, reflecting a \$1.2 million increase in customized training expenses. Absent customized training, non-salary expenses actually declined, although there were variations in several categories. *Computer and Equipment* expenses reflect additional supplies/software purchased through Perkins funds as well as virtualization licensing costs related to the library expansion project. *Utilities/Insurance and Maintenance*, reflect increased insurance expenses along with start-up costs associated with the library renovation project and 445 Marshall Street.

Conversely, there were several decreases in non-salary expenses. *Materials and Supplies* had the largest decline, reflecting a reduction in printing and related promotional information in addition to a number of other small changes. Spending in the category of *Services* decreased by \$45,449, primarily reflecting lower legal and strategic planning expenses.¹

Changes in the categories of *Scholarships* and *Capital /Depreciation* were discussed previously under functional expenses.

Statement of Revenues and Expenses: WCCC Foundation

Revenues and expenses for the WCCC Foundation, a component unit within the College's financial statement, are shown below.

	<u>FY11</u>	<u>FY10</u>	<u>1 Year Change</u>	<u>FY09</u>	<u>2 Year Change</u>
Foundation Revenues					
Fundraising	111,438	100,902	10,536	169,159	(57,721)
Other	<u>80,838</u>	<u>78,938</u>	<u>1,900</u>	<u>109,205</u>	<u>(28,367)</u>
Total Revenues	192,276	179,840	12,436	278,364	(86,088)
Foundation Expenses	106,113	113,590	(7,477)	129,205	(23,092)
Increase in Net Assets	86,163	66,250	19,913	149,159	(62,996)

Total Foundation revenues for FY11 were \$192,276, including \$111,438 in fundraising revenues from various events. The balance of income represents investment income and realized/unrealized gains. Expenses of \$106,113 include \$72,405 in direct and indirect

¹ In accordance with NJSA 18A:3B-6(k), the College is required to report expenses for government relations, public relations or legal services completed either in-house or through external consultants. WCCC does not have employees that provide these functions. For FY11, the College did not hire any government relations agencies, but paid \$22,123 in dues to the Council of County Colleges which engages in functions including government relations. WCCC does use a local vendor to assist with public relations activities. These services totaled \$15,000 in FY11. The College used external firms for legal services. Legal expenses for FY10 totaled \$119,748.

FY11 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

(Unaudited)

fundraising costs and \$16,813 in scholarship payments. Revenue and expenses together resulted in a total increase in net assets of \$86,163 for the year.

Statement of Cash Flows

The third financial statement included in the audit is the Statement of Cash Flows. This statement documents the actual outlay and receipt of cash assets of the College and reconciles the decreases in cash in accordance with GASB reporting. As this schedule notes, the overall cash position increased by \$1.1 million to \$3,787,850. This increase represents capital funds that were set aside to support the library expansion and the Phillipsburg Education Center start-up expenses. As noted previously a total of \$992,000 has been set aside for FY12 projects, primarily the completion of the library addition and the Phillipsburg site.

Future Developments

The final requirement of the MD & A discusses current or proposed developments from the College's prospective that may affect the financial statements in future years. There are five issues of note.

Phillipsburg Education Center

In July 2010, the Warren County Board of Chosen Freeholders issued \$7.3 million in Chapter 12 bonded debt to support the College's acquisition of a new facility in Phillipsburg, NJ and selected enhancements at the Washington, NJ site. Under the Chapter 12 program, the State of New Jersey pays for half of the debt service under this project. In an agreement with the Freeholder Board, the Warren County Board of Trustees has agreed to cover the county share of the debt on this bond through a reduction in future county operating subsidies. The County's share of this debt is approximately \$310,000 annually for a period of 15 years. Semi-annual debt payments for this facility began in January 2011, so the College assumed a County budget reduction effective mid-way through FY11 (County FY11 budget). The College planned this reduction in its FY11 and FY12 budgets.

The facility in Phillipsburg consists of a 51,000 sq. ft. facility. Approximately half of the space will continue to be occupied by a current tenant, the Phillipsburg Board of Education. The balance of the space will primarily support college instructional activities and a business incubator. WCCC's Continuing Education activities, including the job training career programs, will be relocated to this site to allow for an expansion of these programs.

The cost for the acquisition of this facility was \$6.75 million based on a contract negotiated with the facility owners. Prior to acquisition (closing was July 6, 2011), the owners completed renovations that allowed the College to move into the site by August 2011. WCCC has implemented a business plan to cover the anticipated costs for operations of this facility and has set aside funds to cover various start-up costs in FY11 and the FY12 budget.

Library Redesign Project

FY11 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

(Unaudited)

During FY11, WCCC began the library redesign project. Phase I was completed in Summer 2010, and included construction of a new wall to divide the main corridor and library space in order to improve ADA access to the East Wing and to reduce external noise in the library. An external awning for glare reduction and outdoor seating were also included in this phase, along with new computers for the Instructional Support Center. Phase II, completed in Fall 2011, included the addition of a second floor mezzanine, a new circulation desk, and quiet study areas as well as a doubling of computer workstations, new carpeting and furnishings. The total cost for both phases of the Library Renovations (which are still being finalized at the time of the audit) are anticipated to be approximately \$975,000.

Enrollment Changes

WCCC has experienced significant annual enrollment growth since fall 2003. During FY10, the College experienced unprecedented enrollment growth, with annualized FY10 enrollment representing an increase of 22% from FY09 levels. Enrollment in FY11 increased by approximately 4%, again resulting in a record enrollment level for WCCC.

Enrollment increases over the past two years are undoubtedly related to the weakened overall economic conditions. When the economy worsens, people tend to return to community colleges for education and job re-training to develop new career options. Increases in federal Pell grant funds make community colleges very attractive to citizens of limited means as the maximum Pell grant can cover virtually all of the educational costs at a community college.

Enrollment growth has a significant impact on the programs and activities of the College. Not only are there additional costs for direct instructional services (as new class sections are added to accommodate student demand), but ancillary student services also must be enhanced. These include provisions for additional tutoring, advising and student technology.

An enrollment correction appears to be on the horizon in FY12. Although WCCC's fall 2011 enrollment remained stable with the College's Fall 2010 enrollment, most other community colleges experienced significant enrollment drops this fall. The College will need to monitor its revenue and expenses in FY12 and FY13 to ensure that it can accommodate level or reduced enrollment levels in each year.

Continuing Education, Grant and Customized Training Initiatives

WCCC significantly increased its customized training activities in FY11. Customized training revenues totaled \$1.5 million in FY11, while direct customized training expenses resulted in expenditures of \$1.32 million. Net revenues from these activities were used to help support start-up expenses related to the Phillipsburg Educational Center, which houses the staff responsible for customized training services. Customized training is an activity that can vary dramatically from year to year, depending on the availability of federal and state grants and the needs of corporate clientele. Therefore, the College is conservatively projecting net customized training revenues for FY12 and beyond.

FY11 MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

(Unaudited)

During FY10, the College was awarded a \$346,500 federal grant for equipment. These funds were used for one-time equipment needs for various health science programs. As of September, 2011, the College had expended just under \$286,000 in grant funds. Over half of these funds were used to procure a juvenile patient simulator for the nursing program. Funds were also used for set-up expenses for the Phillipsburg Education Center. The balance of grant funds will be expended during FY12.

Limited Public Sector Support

Finally, state and county funding will be an uncertainty for WCCC over the next few years. Although the FY12 state appropriation was level from FY11 to FY12 (which is an improvement from prior years when the sector support had been reduced), there are still uncertainties for FY12, including the possibility of mid-year budget cuts. For this reason, the College has conservatively planned revenues for FY12 to ensure that sufficient resources are available to support contingencies. Additionally, the new county/municipal 2% budget cap restrictions also will be a factor for subsequent operating support from the Warren County Board of Chosen Freeholders. For these reasons, the College will need to consider alternate funding options to government funding to ensure that it can continue to maintain quality services for students.

FINANCIAL STATEMENTS

WARREN COUNTY COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 3,768,836	\$ 2,666,968
Investments	402,273	308,125
Restricted cash and cash equivalents	19,014	19,171
Receivables:		
Student accounts receivable (net of allowance for doubtful accounts of \$260,865 for 2011 and \$145,081 for 2010)	533,424	449,179
Grants and awards	57,109	162,242
Third-party receivables	629,409	316,952
Other restricted receivables	1,500	5,000
Prepaid expenses	112,036	87,883
Total Current Assets	5,523,601	4,015,520
Noncurrent Assets:		
Capital Assets:		
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	12,190,021	11,900,040
Total Noncurrent Assets	12,190,021	11,900,040
TOTAL ASSETS	17,713,622	15,915,560
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	1,568,054	1,174,482
Scholarship payable	38,262	25,890
Accrued compensated absences payable	138,686	123,069
Deferred revenue	156,677	118,424
Total Current Liabilities	1,901,679	1,441,865
Non-Current Liabilities	88,000	88,000
TOTAL LIABILITIES	1,989,679	1,441,865
<u>NET ASSETS</u>		
Invested in capital assets	12,190,021	11,900,040
Restricted	376,436	357,353
Unrestricted (Note 18)	3,157,486	2,128,302
TOTAL NET ASSETS	\$ 15,723,943	\$ 14,385,695

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

WARREN COUNTY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Revenue:		
Student tuition and fees	\$ 5,796,595	\$ 4,302,450
Federal grants and contracts	1,552,535	1,229,278
State and local grants and contracts	611,293	848,937
Foundation revenue	192,276	179,840
Other	139,904	140,322
	<u>8,292,603</u>	<u>6,700,827</u>
Operating Expenses:		
Instruction	5,337,089	4,236,224
Institutional support	1,874,686	1,864,301
Public service	435,607	391,892
Academic support	1,063,044	1,025,557
Operation and maintenance of plant	1,133,801	1,077,788
Student support	1,140,399	1,127,481
Capital expenses	13,261	8,712
Scholarships and student aid	178,527	221,566
Foundation expenses	106,113	113,590
Depreciation	552,527	480,104
Total Operating Expenses	<u>11,835,054</u>	<u>10,547,215</u>
Operating Loss	<u>(3,542,451)</u>	<u>(3,846,388)</u>
Nonoperating Revenue:		
Federal appropriations - ARRA		90,721
State appropriations	2,227,409	2,209,342
County appropriations	2,032,535	2,187,964
County Chapter 12 Funding	327,527	119,519
Insurance settlement	285,000	
Investment income	8,228	11,746
Total Nonoperating Revenue	<u>4,880,699</u>	<u>4,619,292</u>
Increase in Net Assets	1,338,248	772,904
Prior Year Educational Opportunity Fund Expense		(16,071)
Net Assets- Beginning of Year	<u>14,385,695</u>	<u>13,628,862</u>
Net Assets - End of Year	<u>\$ 15,723,943</u>	<u>\$ 14,385,695</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS FINANCIAL STATEMENT

WARREN COUNTY COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 7,500,439	\$ 6,125,170
Grants and contracts received	565,117	254,088
Payments to suppliers	(3,946,793)	(3,129,445)
Payment for employee salaries and benefits	(7,100,999)	(6,896,599)
Other receipts	139,904	125,088
Net Cash Used for Operating Activities	(2,842,332)	(3,521,698)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from federal appropriations - ARRA		90,721
Cash received from state appropriations	2,227,409	2,209,342
Cash received from county appropriations	2,032,535	2,187,964
Cash received from insurance settlement	285,000	
Net Cash Provided by Noncapital Financing Activities	4,544,944	4,488,027
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from county chapter 12 funding	327,527	119,519
Purchase of capital assets	(842,508)	(1,162,434)
Net Cash Used for Capital and Related Financing Activities	(514,981)	(1,042,915)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	8,228	11,746
Purchases of investments	(174,552)	(526,035)
Proceeds from sales of investments	132,157	461,516
Interest and dividends - reinvested	(9,445)	(8,802)
Unrealized gains/losses	(42,308)	(18,046)
Net Cash Provided by Investing Activities	(85,920)	(79,621)
Net Increase/(Decrease) in Cash and Cash Equivalents	1,101,711	(156,207)
Cash and Cash Equivalents - Beginning of Year	2,686,139	2,842,346
Cash and Cash Equivalents - End of Year	\$ 3,787,850	\$ 2,686,139
Reconciliation of operating loss to net cash used for operating activities:		
Operating Loss	\$ (3,542,451)	\$ (3,846,388)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	552,527	480,104
Prior Year Educational Opportunity Fund expense		(16,071)
Changes in assets:		
(Increase)/decrease in:		
Student accounts receivable	(84,245)	(36,864)
Grant receivables	105,133	(16,641)
Third-party receivables	(312,457)	(221,501)
Other restricted receivables	3,500	1,500
Prepayments and other assets	(24,153)	(74,558)
Accounts payable	393,572	148,824
Scholarships payable	12,372	10,402
Accrued compensated absences payable	15,617	(10,540)
Deferred revenue	38,253	(27,965)
Non current liabilities payable		88,000
Net Cash Used for Operating Activities	\$ (2,842,332)	\$ (3,521,698)

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1: Organization and Summary of Significant Accounting Policies

Warren County Community College (the "College") is an institution of higher education and a governmental unit and instrumentality of the State of New Jersey as provided by the County College Act, N.J.S.A. 18A:64A.

Basis of Accounting

The Warren County Community College's financial statements are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies.

The College makes a distinction between operating and nonoperating revenues and expenses. The College's policy for defining operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 34, including state and county appropriations as well as investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the College within the guidelines of donor restrictions, if any.

Reporting Entity

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. Accordingly, the Warren County Community College is a component unit of the County of Warren under the provisions of Governmental Accounting Standard Board Codification Section 2100.

The Warren County College Foundation (the Foundation) is a legally separate, tax-exempt entity that was established exclusively to carry out charitable, educational functions that benefit the College, its students, faculty and staff. The College appoints a voting majority of the Foundation's board. All financial resources of the Foundation are held for the direct benefit of the College or its constituents and the College has the ability to access these significant resources. As a result, the Foundation is considered a component unit of the College and is blended into the financial statements accordingly.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

Measurement Focus

The financial statements of the College have been prepared using the total economic resources measurement focus and the accrual basis of accounting, and conform to generally accepted accounting principles in the United States of America as applicable to colleges and universities. For financial reporting purposes, the College utilizes the business-type activities model.

Under the terms of grant and other agreements, the College may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, other restricted funds and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net assets may be available to finance the program. It is the College's policy to first apply cost-reimbursement grant and other restricted resources to such programs, followed by general revenue.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and internal reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds have been combined in order to comply with the requirements of eliminating internal revenue and expense charges and to meet the financial reporting requirements under accounting principles generally accepted in the United States of America as promulgated by GASB.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from Unrestricted Funds allocated to specific purposes by action of the governing board. Restricted Funds may only be utilized in accordance with the purposes established by the donor or grantor of such funds, and are in contrast with Unrestricted Funds over which the governing board retains full control to use in achieving any of its institutional purposes.

The College accounts for its financial transactions through the following separate funds:

Operating Fund – to account for funds which are expendable for any purpose in performing the primary objectives of the College, including tuition and student fees funds.

Restricted Fund – to account for those funds expendable for operating purposes, but restricted by donors and other outside agencies, as to the specific purposes for which they may be expended.

Accounts included in the Restricted Funds are:

College Funds – to account for state and local grant revenue and expenses as well as student club activities.

Foundation Funds – to account for receipts and disbursements of funds for the Warren County Community College Foundation.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

Plant Fund – to account for funds expended for property and equipment.

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The College's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the College and that are due within one year. The College had no short-term interfund receivables/payables at June 30, 2011 or 2010.

Compensated Absences:

The College accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB Statement No. 16, *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

College employees are granted varying amounts of vacation and sick leave in accordance with the College's personnel policy or appropriate labor contract. Employees can accrue up to a one-year allocation of vacation leave. Upon termination, employees are paid for accrued vacation. The College's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, faculty who have worked at the College for 10 or more years shall be paid by the College for up to \$8,000 in unused sick leave in accordance with their contract. The College has established a long-term liability equivalent to the number of faculty with 10 or more years of service.

Inventory

The College had no inventory at June 30, 2011 or 2010.

Income Taxes

The College, as an instrumentality of the State of New Jersey and therefore a governmental entity, has determined itself to be a tax-exempt organization and not subject to either federal or state income taxes.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

Allowance for Uncollectible Accounts:

The College had an allowance for uncollectible accounts of \$260,865 and \$145,081 at June 30, 2011 and 2010, respectively. The allowance for uncollectible accounts consists of all items that are currently 361 days overdue and over as well as a portion of the receivables over 180 days.

Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Cash, Cash Equivalents, and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with maturities of three months or less.

Investments are presented in the financial statements in the aggregate at fair value based on quoted market prices. The College's investments for the years ended June 30, 2011 and 2010 consisted of investments with the New Jersey Cash Management Fund.

GASB statement #40 requires disclosure of the level of custodial credit risk assumed by the College in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned.

Interest Rate Risk – In accordance with its formal cash management plan, the College ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The College limits its investments to those authorized in its formal cash management plan which are those permitted under state statute as detailed on the following pages.

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds; and

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 2: Cash, Cash Equivalents, and Investments (Cont'd)

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Cash and cash equivalents of the College as of June 30, 2011 consisted of the following:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
Cash, Checking and Cash Equivalents	\$ 1,470,360	\$ 298,223	\$ 1,768,583
New Jersey Cash Management Fund	<u>2,019,267</u>		<u>2,019,267</u>
	<u>\$ 3,489,627</u>	<u>\$ 298,223</u>	<u>\$ 3,787,850</u>

Cash and cash equivalents of the College as of June 30, 2010 consisted of the following:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
Cash, Checking and Cash Equivalents	\$ 833,658	\$ 281,814	\$ 1,115,472
New Jersey Cash Management Fund	<u>1,570,667</u>		<u>1,570,667</u>
	<u>\$ 2,404,325</u>	<u>\$ 281,814</u>	<u>\$ 2,686,139</u>

The carrying amount of the College's cash and cash equivalents at cost at June 30, 2011 was \$3,787,850 and the bank balance was \$3,812,366. The \$2,019,267 with the New Jersey Cash Management Fund was uninsured and unregistered. The carrying amount of the College's cash and cash equivalents at cost at June 30, 2010 was \$2,686,139 and the bank balance was \$2,749,180. The \$1,570,667 with the New Jersey Cash Management Fund was uninsured and unregistered.

Investments

New Jersey statutes permit the College to purchase the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 2: Cash, Cash Equivalents, and Investments (Cont'd)

Investments (Cont'd)

5. Local government investment pools;
6. Deposits with the State of New Jersey Cash Management Fund; or
7. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs 1 and 3 above;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in statute; and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, investments reflected in the College's financial statements pertain to those of the Foundation, investment factors analysis of which follows:

	2011	2010
Balance July 1	\$ 308,125	\$ 216,758
Investment activity:		
Realized gain/(loss) on investments	\$ 42,308	\$ 18,046
Dividend and Interest Income	9,445	8,802
Sale of Investments	(132,157)	(461,516)
Purchase of Investments	174,552	526,035
	94,148	91,367
Balance June 30	\$ 402,273	\$ 308,125

	June 30, 2011		June 30, 2010	
	Cost Value	Fair Value	Cost Value	Fair Value
Bonds	\$ 16,146	\$ 16,612	\$ 15,000	\$ 15,914
Equities	127,247	161,590	71,225	70,200
Mutual Funds	221,577	224,071	219,244	222,011
	\$ 364,970	\$ 402,273	\$ 305,469	\$ 308,125

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 3: Student Accounts Receivable

Unpaid student accounts are charged to student accounts receivable, and students are notified of payments due to the College. No provision for delinquent penalty interest is provided. However, any grade or transcript release or future registration will be denied to any student with an unpaid obligation due to the College. The College does pursue collection through an agency, including litigation, if payment is not received during the next semester. During the fiscal year ended June 30, 2011, the College used the services of two collection agents. Fees charged by these agents ranged from 25% to 35% of the amount collected.

As of June 30, 2011 and 2010, accounts receivable from students amounted to \$794,289 and \$594,261, respectively, excluding the allowance for doubtful accounts in the amount of \$260,865 for the fiscal year ending 2011 and \$145,081 in 2010. The allowance for doubtful accounts recorded for the fiscal year ended 2011 amounted to \$260,865 as a result of the following provision rates applied to the receivable balance per receivable aging category.

<u>Age in Days</u>	<u>Provision Rate</u>
181-240	50%
241-360	75%
361 and over	100%

The College's policy is to write off any student accounts that have been outstanding for more than three years.

Note 4: Financial Awards and Grants

As of June 30, the College's grants receivable consists of:

	<u>2011</u>	<u>2010</u>
State of NJ (Operating)		\$ 80,000
Federal PELL Grant and SEOG	\$ 57,109	76,519
Federal Perkins Grant		<u>5,723</u>
	<u>\$ 57,109</u>	<u>\$ 162,242</u>

In addition, as of June 30, 2011 and 2010, the College had third party receivables in the amounts of \$629,409 and \$316,952, respectively. Much of this represents a \$563,381 receivable for customized training programs.

Note 5: Prepaid Expenses

Prepaid expenses at June 30, 2011 total \$112,036, and are primarily software license fees which total \$70,173. The balance of these expenses consists of memberships, registrations, library subscriptions and other fees.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 6: Capital Assets

Capital assets include property, plant equipment, and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the College as assets with an initial unit cost of \$1,500 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The County of Warren is responsible for the issuance of bonds and notes for the College's capital expenditures which are financed by bond ordinances. The County is also responsible for the payment of interest on issued debt and the retirement of such obligations. Accordingly, the debt is reported in the financial statements of the County of Warren. Donated fixed assets are recorded based on estimated fair market value at the time received. Capital assets were reviewed for impairment.

Capital assets are recorded at cost and consisted of the following, as of June 30, 2011 and 2010:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Being Depreciated:				
Building	\$ 14,341,674			\$ 14,341,674
Building Improvements	701,093	\$ 389,878		1,090,971
Furniture and Fixtures	404,075	174,813		578,888
Computer and Equipment	1,070,296	277,817		1,348,113
	<u>16,517,138</u>	<u>842,508</u>	<u>-</u>	<u>17,359,646</u>
Less Accumulated Depreciation for:				
Building	(3,829,400)	(287,705)		(4,117,105)
Building Improvements	(206,474)	(46,143)		(252,617)
Furniture and Fixtures	(67,354)	(57,082)		(124,436)
Computer and Equipment	(513,870)	(161,597)		(675,467)
	<u>(4,617,098)</u>	<u>(552,527)</u>	<u>-</u>	<u>(5,169,625)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation				
	<u>\$ 11,900,040</u>	<u>\$ 289,981</u>	<u>\$ -</u>	<u>\$ 12,190,021</u>

The College did not have active construction projects as of June 30, 2011.

Depreciation is recognized on a straight-line basis over the estimated useful life of the asset as follows:

<u>Classification</u>	<u>Life</u>
Buildings	50 years
Building Improvements	15 years
Furniture and Fixtures	7 years
Computers and Equipment	5 years

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(Continued)

Note 7: Accrued Expenses

As of June 30, accrued expenses consisted of the following:

	June 30,	
	2011	2010
Compensated Absences Payable - Current Portion	\$ 138,686	\$ 123,069
Compensated Absences - Long Term Portion	88,000	88,000
	\$ 226,686	\$ 211,069

The only post retirement benefit offered through the College is a sick leave payout of up to \$8,000 for faculty members meeting criteria contained within the faculty contract, including one year's advance notice of retirement. Fiscal 2010 was the first year that this liability has been completely funded by the recognition of an \$88,000 long-term liability.

Note 8: Pension Plans

College employees are enrolled in the Public Employees' Retirement System (PERS) of New Jersey, a cost-sharing multiple employer public retirement system administered by the New Jersey Division of Pensions and Benefits. As a general rule, all full-time employees are eligible to join the Public Employees' Retirement System.

Employees who are members of PERS and retire at a specified age or after age 55 according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of credible service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above system. The financial report may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, NJ, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are based on a percentage of 5.50% for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

College contributions to PERS amounts to \$196,231, \$140,493 and \$106,505 for the fiscal years ended June 30, 2011, 2010 and 2009 respectively.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 8: Pension Plans (Cont'd)

All faculty as well as certain administrative and professional employees of New Jersey Public Colleges and Universities may enroll in an alternative retirement plan through the Alternate Benefits Program (ABP) which includes providers such as Teachers Insurance and Annuity Association College Retirement Equity Fund (TIAA-CREF) and other comparable investment vehicles. This retirement plan option is in lieu of participation in PERS detailed on the prior page. ABP is a defined contribution plan. Accordingly, benefits depend solely on contributions to the provider plus investment gains or losses.

ABP contributions are based on an employee's annual salary. Employees contribute 5% of salary and the State of New Jersey contributes 8% of salary, for a total contribution of 13%. Contributions are made on base salary excluding overtime and other forms of extra compensation. The College is responsible for paying for any employees in "non-educational" titles (some administrative positions). Commencing in March 2009, the College also was responsible for paying for any adjunct faculty enrolled into the ABP program. The College paid \$66,651, \$31,929, and \$31,929 for 2011, 2010 and 2009 respectively, in non-reimbursable ABP expenses. The ABP plan provides for immediate vesting as the participants have personal contracts with the plans and personally own the annuities.

Note 9: Deferred Revenue

Deferred revenue consists of the unearned portion of tuition and fees for courses offered during the summer and fall, as well as advanced funding for summer courses. All tuition received for courses that were not more than 50% complete as of June 30 are recognized as tuition revenue in the subsequent fiscal year. As of June 30, 2011 and 2010, deferred revenue is a total of \$156,677 and \$118,424, respectively.

Note 10: Economic Dependency

The College receives a substantial amount of its support from federal, state and county governments. A significant reduction in the level of support, if this were to occur, may have an effect on the College's programs and activities.

Note 11: Post-Employment Benefits

Chapter 6 of Public Laws 1990 required Public Employees' Retirement System (P.E.R.S.), respectively, to fund post retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you go basis beginning in fiscal year 1994.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 11: Post-Employment Benefits (Cont'd)

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

Note 12: Risk Management

The College maintains commercial insurance coverage for property, liability, student accident and surety bonds. The College is a member of a joint insurance Pool for workers' compensation. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

The College is a member of the New Jersey Community College Insurance Pool Worker's Compensation Fund (the "Pool"). The Pool provides the College with workers' compensation insurance. The Pool is a risk-sharing public entity risk pool that is both an insured and self-administered group of school Colleges established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective College for the purpose of creating a governing body from which officers for the Pool are elected.

As a member of the Pool, the College could be subject to supplemental assessments in the event of deficiencies. If the assets of the Pool were to be exhausted, members would become responsible for their respective shares of the Pool's liabilities.

The Pool can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Selected summarized financial information for the Pool at June 30, 2011 and 2010 is as follows:

	New Jersey Community College Insurance Pool Worker's Compensation Fund	
	2011	2010
Total Assets	\$ 10,378,385	\$ 10,106,886
Net Assets	\$ 2,230,733	\$ 2,917,877
Operating Revenue	\$ 1,105,241	\$ 1,048,409
Total Expenditures and Adjustments	\$ 1,203,280	\$ 1,218,997
Nonoperating Revenue	\$ (32,731)	\$ 72,309
Change in Net Assets	\$ (130,770)	\$ (98,279)
Distributions to Participating Members	\$ -0-	\$ -0-

Financial statements for the Pool are available at the Pool's Executive Director's Office:

New Jersey Community College Insurance Pool
PO Box B
Trenton, NJ 08690

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011
 (Continued)

Note 13: Contingent Liabilities

The College is periodically involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters would not have a material adverse effect on the financial position or operations of the College.

The College participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The College is potentially liable for expenses which may be disallowed pursuant to the terms of these grant programs. Management of the College is not aware of any material items of noncompliance which would result in the disallowance of grant program expenses.

Note 14: Accounts Payable

The College's accounts payable as of June 30 consists of:

	<u>2011</u>	<u>2010</u>
Trade payable, including accruals	\$ 1,124,163	\$ 755,633
Payroll liabilities	432,319	415,799
	<u>\$ 1,556,482</u>	<u>\$ 1,171,432</u>

The Foundation's accounts payable as of June 30 consists of:

	<u>2011</u>	<u>2010</u>
Trade payable, including accruals	\$ 11,572	\$ 3,050
	<u>\$ 11,572</u>	<u>\$ 3,050</u>

Note 15: Operating Leases

The College did not have any operating leases as of June 30, 2011, or June 30, 2010.

Note 16: Restricted Net Assets

There were restricted net assets of the College of \$376,436 and \$357,353 as of June 30, 2011 and June 30, 2010, respectively. The restricted net assets of the College are for student group funds. The restricted net assets of the Foundation are for permanently restricted awards.

Note 17: Related Party Transactions

During the years ended June 30, 2011 and 2010, the College recognized \$2,360,061 and \$2,307,483, respectively, of financial aid and grants from the County of Warren for current operations and various capital projects.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 18: Unrestricted Net Assets

Of the total Unrestricted Net Assets at June 30, 2011 and 2010, \$3,157,486 and \$2,218,302 respectively, have been designated for various future capital projects. Of these amounts, the following have been appropriated by the Board of Trustees as of June 30, 2011:

	<u>2011</u>	<u>2010</u>
Designated for Future Projects	\$ 742,400	\$ 201,670
Designated for Building Projects	790,000	562,592
Designated for Subsequent Fiscal Year	<u>160,000</u>	<u>112,000</u>
	<u>\$ 1,692,400</u>	<u>\$ 876,262</u>

Note 19: Subsequent Events

There were bonds issued on July 8, 2010 pursuant to the County College Bond Act, P.L., 1971, c. 12(NJSA 18A:64A-22.1 et. seq.). The bonds were issued to support two initiatives for Warren County Community College. One of the initiatives was the acquisition of a building in Phillipsburg, New Jersey, which included the furnishing, equipment and telecommunications equipment. On July 6, 2011, Warren County Community College acquired a facility at 445 Marshall Street in Phillipsburg, NJ. This 51,000 sq. ft. facility will house the College's division of Corporate and Continuing Education, as well as selected credit program classes. The facility also will be home to the Small Business Growth Center, a business incubator operated by Warren County Community College. The Phillipsburg Board of Education (PBOA) will continue to lease a portion of this facility for administrative offices as the College is assuming a multi-year lease with this entity. The Phillipsburg Alternative Middle School also will be housed in this location.

PART II

WARREN COUNTY COMMUNITY COLLEGE

YEAR ENDED JUNE 30, 2011

Independent Auditors' 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*

The Honorable Chairman and
Members of the Board of Trustees
Warren County Community College
Washington, New Jersey

We have audited the financial statements of the Warren County Community College (the "College") as of, and for the fiscal years ended June 30, 2011 and 2010 and have issued our report thereon dated November 21, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Office of Management and Budget, Department of the Treasury, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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 College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable Chairman and
Members of the Board of Trustees
Warren County Community College
Page 2

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Trustees and to meet the requirements for filing with the New Jersey Department of the Treasury, Office of Management and Budget, and other federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Mount Arlington, New Jersey
November 21, 2011



NISIVOC CIA LLP

Independent Auditors' Report on Compliance with Requirements That Could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with in Accordance with OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04

The Honorable Chairman and
Members of the Board of Trustees
Warren County Community College
Washington, New Jersey

Compliance

We have audited the compliance of the Warren County Community College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (the "OMB") *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011. The College's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements prescribed by the Office of Management and Budget, Department of the Treasury, State of New Jersey; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04 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 or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2011.

The Honorable Chairman and
Members of the Board of Trustees
Warren County Community College
Page 2

Internal Control Over Compliance

The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *New Jersey State Aid/Grant Compliance Supplement*, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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 or state 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 or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, the Board of Trustees and to meet the requirements for filing with the New Jersey Department of the Treasury, Office of Management and Budget, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mount Arlington, New Jersey
November 21, 2011



NISIVOCIA LLP

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Summary of Auditors' Results:

- An unqualified report was issued on the College's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the College.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the College.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the College's major federal and state programs.
- An unqualified report was issued on the College's compliance for major programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with OMB Circular A-133 or New Jersey's OMB Circular NJOMB 04-04.
- The College's major programs for the current fiscal year consisted of the following federal and state awards:

	<u>State Grant/CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
State Support:				
Operational Costs	11-100-082-2155-015	7/1/10-6/30/11	\$ 2,227,409	\$ 2,227,409
NJ Tuition Aid Grant Program	11-100-074-2405-007	7/1/10-6/30/11	335,094	335,094
<u>Federal:</u>				
Federal Pell Grant	84.063	7/1/10-6/30/11	2,359,275	2,359,275
Federal Family Education Loan	84.032	7/1/10-6/30/11	636,572	636,572
Subsidized Federal Family Educational Loan	84.032	7/1/10-6/30/11	460,189	460,189
Supplemental Education Opportunity Grant	84.007	7/1/10-6/30/11	42,650	42,650
Academic Competitiveness Grant	84.375	7/1/10-6/30/11	16,832	16,832
College Work Study	84.003	7/1/10-6/30/11	33,000	33,000

- The threshold for distinguishing Type A and B programs was \$300,000.
- The College qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

The audit did not disclose any findings or questioned costs for federal awards as defined in section 510(a) of the Federal Circular.

Findings and Questioned Costs for State Awards:

The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the Federal Circular and New Jersey OMB Circular NJOMB 04-04.

WARREN COUNTY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Status of Prior Year Findings:

There were no findings or questioned costs noted during the audit of the year ended June 30, 2010.

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Name of Federal Agency/ Passthrough Grantor/Cluster Title	C.F.D.A. Account No.	Name of Grant	Grant I.D. No.	Grant Period	Award Authorizations	Amount Received Fiscal Year 2011	Grant Expenditures Fiscal Year 2011
Pass-Through Funds-Operating							
U.S. Department of Education via NJ Department of Education	84.048A	Carl D. Perkins Vocational and Technical Education	PSFS718007	7/1/10-6/30/11	\$ 91,765	\$ 91,765	\$ 91,765
U.S. Department of Education via NJ Department of State: CHE	84.378A	College Access Challenge	N/A	7/1/10-6/30/11	7,500	3,750	7,500
						<u>95,515</u>	<u>99,265</u>
Student Financial Assistance Program Cluster:							
U.S. Department of Education	84.063	Federal Pell Grant	P063P004578	7/1/10-6/30/11	2,359,275	2,359,275	2,359,275
U.S. Department of Education	84.032	Unsubsidized FFELP	N/A	7/1/10-6/30/11	636,572	636,572	636,572
U.S. Department of Education	84.032	Subsidized FFELP	N/A	7/1/10-6/30/11	460,189	460,189	460,189
U.S. Department of Education	84.375	Academic Competitiveness Grant	P063P004578	7/1/10-6/30/11	16,832	16,832	16,832
U.S. Department of Education	84.007	Supplemental Education Opportunity Grant	P007A007578	7/1/10-6/30/11	42,650	31,988	42,650
U.S. Department of Education	84.033	College Work Study	P033A007578	7/1/10-6/30/11	33,000	24,750	33,000
Total Student Financial Assistance Program Cluster						<u>3,529,606</u>	<u>3,548,518</u>
Total U.S. Department of Education						<u>3,625,121</u>	<u>3,647,783</u>
Department of Health and Human Services:	93.887	Health Care and Other Facilities	C76HF19309	8/1/10-7/31/12	346,500	206,020	218,860
Total Department of Health and Human Services						<u>206,020</u>	<u>218,860</u>
Total Federal Awards						<u>\$ 3,831,141</u>	<u>\$ 3,866,643</u>

N/A - Not Available.

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2011

<u>Name of State Agency or Department</u>	<u>Name of Grant</u>	<u>Account I.D. #</u>	<u>Grant Period</u>	<u>Award Authorizations</u>	<u>Amount Received Fiscal Year 2011</u>	<u>Grant Expenditures Fiscal Year 2011</u>	<u>Cumulative Total Expenditures</u>
New Jersey Department of Treasury							
	State Support Operational Costs	11-100-082-2155-015	7/1/10-6/30/11	\$ 2,227,409	\$ 2,227,409	\$ 2,227,409	\$ 2,227,409
	Alternate Benefit Plan	11-100-082-2155-017	7/1/10-6/30/11	160,513	160,513	160,513	160,513
					<u>2,387,922</u>	<u>2,387,922</u>	<u>2,387,922</u>
Department of State - Commission on Higher Education							
	Educational Opportunity Fund Article III	11-100-074-1401-001	7/1/10-6/30/11	50,270	42,659	42,659	42,659
	Educational Opportunity Fund Article IV - Summer and Academic Year	11-100-074-1401-002	7/1/10-6/30/11	107,028	106,450	106,450	106,450
					<u>149,109</u>	<u>149,109</u>	<u>149,109</u>
Department of State -Higher Education Assistance Authority							
	Tuition Aid Grant	11-100-074-2405-007	7/1/10-6/30/11	335,094	335,094	335,094	335,094
	NJ STARS	11-100-074-2405-313	7/1/10-6/30/11	118,736	118,736	118,736	118,736
	Garden State Scholarships	11-100-074-2405-278	7/1/10-6/30/11	1,860	1,860	1,860	1,860
					<u>455,690</u>	<u>455,690</u>	<u>455,690</u>
Total State Awards					<u>\$ 2,992,721</u>	<u>\$ 2,992,721</u>	<u>\$ 2,992,721</u>

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2011

Note 1: General

The accompanying schedules of expenditures of federal and state awards present the activity of federal and state award programs of the Warren County Community College (the "College"). Federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedule of expenditures of federal and state awards.

Note 2: Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented using the accrual basis of accounting. The information in these schedules of presented in accordance with the requirements of federal OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.

Note 3: Relationship to Basic Financial Statements

There is an adjustment needed to reconcile the Schedule of Expenditures of Federal and State Awards to the basic financial statements. The adjustment for federal awards is (\$2,314,108) and the adjustment for state awards is (\$154,019). The adjustment is necessary because the College must reflect the entire drawdown amounts on the Schedules of Expenditures of Federal and State Awards. In the basic financial statements, the College is only reflecting the revenue and expenses pertaining to the College, and is not accounting for awards that pass through the College and are refunded to the students.

Note 4: Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.