

WARREN COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

WARREN COUNTY COMMUNITY COLLEGE
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JUNE 30, 2012

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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, 2012 and 2011, 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 *Government 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, 2012 and 2011, 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 December 1, 2012 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 Honorable Chairman and
Members of the Board of Trustees
Warren County Community College

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was 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, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole.

Mt. Arlington, New Jersey
December 1, 2012



NISIVOCIA LLP

FY12 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This Management's 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, 2012. 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 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 Single 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 future commitments that the College has made that must be recognized as a future expense.

Net assets represent total assets less liabilities. The College has both capital assets and fund assets. The WCCC Foundation has only fund assets.

The chart on the next page shows total and net assets for the College (exclusive of its component unit, the WCCC Foundation), which indicates that the overall college net assets as of June 30, 2012 were just under \$21.9 million.

Statement of Net Assets: College Funds

	<u>FY12</u>	<u>FY11</u>	<u>1 Year Change</u>	<u>FY10</u>	<u>2 Year Change</u>
<u>Total Assets</u>					
Current Assets	4,691,615	4,821,605	(129,990)	3,420,581	1,271,034
Capital Assets	<u>19,037,974</u>	<u>12,190,021</u>	<u>6,847,953</u>	<u>11,900,040</u>	<u>7,137,934</u>
Total Assets	23,729,589	17,011,626	6,717,963	15,320,621	8,408,968
Current Liabilities	1,697,164	1,851,845	(154,681)	1,412,925	284,240
Non-Current Liabilities	136,000	88,000	48,000	88,000	48,000
<u>Net Assets</u>					
Investment in Capital	19,037,974	12,190,021	6,847,953	11,900,040	7,137,934
Restricted	20,651	26,647	(5,996)	20,454	197
Designated	1,875,000	1,692,400	182,600	881,070	993,930
Unrestricted	<u>962,800</u>	<u>1,162,713</u>	<u>(199,913)</u>	<u>1,018,133</u>	<u>(55,333)</u>
Total Net Assets	21,896,425	15,071,781	6,824,644	13,819,696	8,076,729

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. FY12 had significant changes in capital assets, primarily due to the acquisition of the Phillipsburg Education Center.

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 decreased slightly from FY11 to FY12 to a level just under \$4.7 million. This decrease represents a slight spend-down of cash assets to support the completion of the library project.

Capital Assets

Capital assets include facilities, building improvements, computers, furnishings and equipment and fixtures. The College's net capital assets grew to just over \$19 million by the end of FY12, an increase of \$6.8 million from the prior year. The increase in capital assets reflects the College's acquisition of 445 Marshall Street in Phillipsburg in July 2011 for a total cost of \$6.75 million and the completion of the library renovation project. Equipment additions also include a new computer lab located in at the Phillipsburg site as well as various health science equipment, purchased through a federal Health Care and Other Facilities (HCOF) grant.

The change in capital assets by category is shown on the next page.

<u>Capital Assets</u>	<u>FY12</u>	<u>FY11</u>	<u>Change</u>
Computers & Equipment	1,513,969	1,348,113	165,856
Furniture & Fixtures	690,709	578,888	111,821
Building Improvements	1,570,647	1,090,971	479,676
Building	<u>21,091,674</u>	<u>14,341,674</u>	<u>6,750,000</u>
Total	24,866,999	17,359,646	7,507,353
Less Accumulated Depreciation	(5,829,025)	(5,169,624)	659,401
Net Capital Assets	19,037,974	12,190,022	6,847,952

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, 2012 were \$1,697,164, reflecting a decrease from FY11, related primarily to a decrease in employee salary payables (the college did not need to accrue funds for a split payroll as the pay period ended on a Saturday).

The primary component of the liabilities are payments due to the College's customized training provider. Again, this is a function of timing, as the College had received revenue for these classes in late June but had not processed reimbursements to the provider until early July. Therefore a liability was recorded for FY12. Current assets exceeded current liabilities by a 2.8:1 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 FY12 is \$136,000, an increase from the prior year, reflecting additional faculty members now meeting the program's eligibility requirements.

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 neither restricted nor designated.

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

College Net Assets (Excluding Capital Assets)					
	<u>FY12</u>	<u>FY11</u>	<u>1 Year</u> <u>Change</u>	<u>FY10</u>	<u>2 Year</u> <u>Change</u>
<i>Undesignated</i>	962,800	1,162,713	(199,913)	1,018,133	(55,333)
Capital R & R	300,000	125,000	175,000	0	300,000
Emergency Upgrades	100,000	0	100,000	0	100,000
Computers/Technology	800,000	275,000	525,000	201,670	598,330
Health Sciences Center	300,000	300,000	0	300,000	0
Academic Student Programming	75,000	0	75,000	0	75,000
Library (Phase I & II)	0	550,000	(550,000)	175,000	(175,000)
Phillipsburg Start-Up	0	240,000	(240,000)	0	0
FY11 Priorities	0	0	0	154,400	(154,400)
Scholarships	0	42,400	(42,400)	50,000	(50,000)
Future Budget	<u>300,000</u>	<u>160,000</u>	<u>140,000</u>	<u>0</u>	<u>300,000</u>
Total, Designated	1,875,000	1,692,400	182,600	881,070	250,000
<i>Restricted</i>	20,651	26,647	(5,996)	20,454	197
Total Funds	2,858,451	2,881,760	(23,309)	1,919,657	194,864

Non-capital assets as of June 30, 2012 decreased very slightly to \$2.86 million in FY12, primarily reflecting the completion spending for the library and PEC projects. Undesignated funds as of June 30, 2012 were decreased to \$962,800 so that funds could be allocated to emerging priorities, most especially technology needs. These funds now represent % of FY12 expenditures. This is consistent with the Board's annual goal of a 10% for unrestricted/uncommitted funds.

Designated funds represent funds formerly allocated by the Board of Trustees for FY13 and subsequent fiscal years. For FY12, funds were set aside to support future technology needs, especially the replacement of the College's 17 year old information system. This will be a multi-year project that will conclude later in 2014. The Board also allocated funds to support capital renewal and replacement needs, as identified in recent engineering studies. Additional emergency lighting was also identified as a priority in the aftermath of Hurricane Sandy. Finally, funds were allocated to support FY13 budget needs and were allocated in the budget formally adopted by the Board of Trustees in May 2012.

The \$20,651 in restricted funds represents student club funds, which vary annually due to various club activities.

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>FY12</u>	<u>FY11</u>	<u>1 Year Change</u>	<u>FY10</u>	<u>2 Year Change</u>
Total Assets	867,784	701,996	165,788	594,939	272,845
Liabilities	19,766	49,834	(30,068)	28,940	(9,174)
<u>Net Assets</u>					
Restricted	502,252	349,789	152,463	336,899	165,353
Unrestricted	<u>345,766</u>	<u>302,373</u>	<u>43,393</u>	<u>229,100</u>	<u>116,666</u>
Total Net Assets	848,018	652,162	195,856	565,999	282,019

From FY11 to FY12, the net assets of the Foundation increased by \$195,856. Most of this reflects a \$152,463 increase in restricted funds for scholarships and facility needs. Unrestricted net assets also increased during this period by \$43,393 as a result of the Foundation's fundraising activities held during 2011-12.

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). The SRECNA provides information about the College's sources of revenues and its major categories of expenses. The SCRECNA explains the change in the College's net assets by comparing revenues and expenditures.

The SRECNA displays both operating and non-operating revenues. The chart on the next page shows the overall revenue for College funds. Foundation funds are shown separately.

WCCC's operating revenues primarily are student revenues (tuition and fees) and government grants (primarily financial aid). Non-operating revenues comprise state and local appropriations, including capital appropriations. Because GASB requires that expenses be compared to operating revenues, the College appears to have an operating loss. However, when all revenues are compared to expenses, College revenues significantly exceeded expenses in FY12, primarily due to the revenues received for capital projects. An explanation of the key changes in revenue categories is explained on the next two pages.

SRECNA--College Funds (\$000)

<u>In \$000</u>	<u>FY12</u>	<u>FY11</u>	<u>1 Year Change</u>	<u>FY10</u>	<u>2 Year Change</u>
<u>Operating Revenues</u>					
Student tuition and fees	5,572	5,744	(172)	4,302	1,269
Federal grants and contracts	1,776	1,553	223	1,229	547
State and local grants and contracts	590	611	(21)	849	(259)
Other	<u>614</u>	<u>140</u>	<u>474</u>	<u>140</u>	<u>473</u>
Total Operating Revenues	8,551	8,047	503	6,521	2,030
<u>Non-Operating Revenues</u>					
Federal Appropriations-ARRA	0	0	0	91	(91)
State appropriations	2,256	2,227	29	2,209	47
State ABP	236	161	75	158	78
County appropriations	1,877	2,033	(155)	2,188	(311)
County capital appropriations	6,920	328	6,592	120	6,800
Miscellaneous	<u>151</u>	<u>305</u>	<u>(156)</u>	<u>12</u>	<u>139</u>
Total Non-Operating Revenues	11,439	5,053	6,386	4,778	6,661
Total Revenues	<u>19,990</u>	<u>13,101</u>	6,889	<u>11,299</u>	8,692
Total Expenses	<u>13,166</u>	<u>11,849</u>	1,317	<u>10,434</u>	2,732
Revenue vs. Expenses	6,825	1,252		865	

Operating Revenues

College operating revenues increased from \$8.0 million in FY11 to just under \$8.6 million in FY12. The category with the largest increase in FY12 was "Other" revenue, which increased by \$473,620. Most of this increase was rental income related to the Phillipsburg Education Center leases. The largest lease payment in FY12 was from the Phillipsburg Board of Education, which rents approximately half of the space in the facility for its administrative offices and the Alternative Middle School.

Student tuition and fees represented \$5.6 million of the total operating revenue in FY12. Note that in the SRECNA, student tuition and fees paid through federal or state financial aid funds are shown as grants and contract revenues.

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 FY12, the College received \$140,480 from the Health Care and Other Facilities (HCOF) grant. This one-time grant has helped to support the equipping of health science classroom and labs. This grant concluded at the close of FY12. Also beginning in FY12, the College received \$120,491 from a federal grant for the Health Professions Opportunity Grant program. This is a

multi-year federal program to assist students in career health care continuing education programs. WCCC is a sub-grantee in a statewide grant initiative administered by Bergen County College.

Gross Tuition and Fee Revenues

The SRECNA shows tuition and fees by funding source, so tuition and fees paid by state and federal financial aid are categorized under state or federal grants. Total (gross) tuition and fee revenues, including financial aid funds, are shown below.

Gross Tuition and Fees (Rounded \$000)	<u>FY12</u>	<u>FY11</u>	<u>1 Year Change</u>	<u>FY10</u>	<u>2 Year Change</u>
Revenue from Credit Programs	5,524	5,361	163	5,088	435
Write off of Bad Debt	(377)	(41)	(337)	(66)	(311)
Revenue from Non-Credit Programs	<u>2,295</u>	<u>2,139</u>	<u>156</u>	<u>1,037</u>	<u>1,259</u>
Total	7,819	7,500	319	6,125	1,694
			<u>1 Year Change</u>		<u>2 Year Change</u>
	<u>FY12</u>	<u>FY11</u>	<u>(%)</u>	<u>FY10</u>	<u>(%)</u>
Audited Credits	43,434	44,577	-2.6%	42,868	1.3%
Per Credit Charges	131.00	126.00	4%	121.00	8.3%

As this chart indicates, there was an increase in the revenue from credit programs, although there was a slight decrease in total credits in FY12, primarily due to an enrollment decline in the summer programs. Part of this enrollment decline can be attributed to a change in federal Pell grant program, which eliminated the summer Pell grants. Gross tuition and fee revenue continued to increase, however, due to an increase in tuition charges for FY12.

Non-Credit programs experienced an increase in revenue in FY12. Much of this increase was due to an expansion in customized training programs. In addition, the non-credit health sciences programs also experienced enrollment growth, part of which was due to additional federal grant funding for students through the Health Professions Opportunity Grant program which WCCC participates in with 10 other community colleges in New Jersey.

Finally, during FY12, the College undertook a more comprehensive review of prior year receivables, which resulted in a large write off of old debt. There was a significant write-off of bad debt in FY12. Much of this represented prior year receivables.

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, although public operating support continues to represent a smaller portion of the operating budget.

For FY12, County funding was \$1,887,106, a decrease of \$155,429 from the FY11. However, this was a planned reduction based on an agreement entered into between the County Freeholders and the College in 2010 so that funds could be reallocated from County operating support to Chapter 12 debt service.

In addition to operating funds, Warren County issued a \$7.3 million in Chapter 12 bonds for the College in July 2010. The bond funds were designated to support the College's acquisition of the Phillipsburg Education Center (\$6.75 million), the Library renovation project and miscellaneous capital needs in Washington. All bond funds have been expended with the disbursement of \$6,919,568 in FY12.

State appropriations are 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 FY11. In addition, during FY12, the State retroactively reimbursed colleges for Alternate Benefit Program (ABP) pension reimbursements for adjunct faculty. The increase in ABP payments for FY12 reflects this one-time correction.

Miscellaneous Revenue includes one-time insurance reimbursements and investment income. Investment income was negligible during FY12 due to market conditions. The College invests its excess funds through the State Cash Management Fund.

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 FY10 through FY12.

Expenses by Function (\$000)

	<u>FY12</u>	<u>FY11</u>	<u>1 Year Change</u>	<u>FY10</u>	<u>2 Year Change</u>
Instruction	5,717	5,337	380	4,236	1,481
Institutional Support	2,078	1,995	83	2,022	55
Public Service	508	436	72	392	116
Academic Support	1,122	1,063	58	1,026	96
Plant	1,515	1,134	381	1,078	437
Student Support	1,169	1,140	29	1,127	42
Capital Expense	16	13	3	9	8
Scholarships/Aid	266	179	88	222	45
Depreciation	<u>775</u>	<u>553</u>	<u>222</u>	<u>480</u>	<u>295</u>
Total	13,166	11,849	1,317	10,434	2,574

Total College expenses increased by \$1,316,894 from FY11 to FY12. A discussion of key increases by major category is included below.

Both Instruction and Plant had nearly identical increases of just over \$380,000. The increase under *Instruction* reflects a \$213,000 increase in full-time faculty salaries, overload and benefits, (which were partially offset by a \$48,000 decrease in adjunct salaries). The other major increase was a \$192,000 increase in expenses related to customized training programs offered through the Division of Corporate and Continuing Education. These expenses were fully offset by customized training revenues. (The College requires all customized training program to be self-supporting.) *Plant* expense increases reflect utilities, insurance, maintenance and non-capitalized services (including virtualization software) related to the first year of operation of the Phillipsburg Education Center and the library start-up expenses.

Depreciation increased in FY12 due to significant increase in physical assets over the past two years, especially the acquisition of the Phillipsburg Education Center. The increase in *Institutional Support* primarily reflects salary increases, PERS pension payments. *Public Service* and Scholarships had increases that reflect the Higher Education Opportunity Grant program, which permitted additional students to attend continuing education career programs. The increase in *Academic Support* primarily reflects additional technology expenses related to the library expansion and the Phillipsburg campus.

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>FY12</u>	<u>FY11</u>	<u>1 Year Change</u>	<u>FY10</u>	<u>2 Year Change</u>
Employee Salaries	5,850	5,613	237	5,519	331
Employee Fringe Benefits	<u>1,781</u>	<u>1,665</u>	<u>115</u>	<u>1,517</u>	<u>264</u>
Employee Salaries & Benefits	7,631	7,278	352	7,036	594
Non-Salaries					
<i>Materials and Supplies</i>	491	503	(13)	569	(79)
<i>Services</i>	419	462	(43)	507	(88)
<i>Customized Training Services</i>	1,511	1,317	193	194	1,317
<i>Computing/Equipment</i>	587	482	106	466	121
<i>Utilities/Insurance/Maint.</i>	1,406	1,016	390	985	421
<i>Scholarships</i>	268	179	89	222	46
<i>Other</i>	<u>63</u>	<u>63</u>	<u>0</u>	<u>123</u>	<u>(60)</u>
Subtotal, Non-Salaries	<u>4,744</u>	<u>4,022</u>	<u>723</u>	<u>3,066</u>	<u>1,678</u>
Total, Operating Expenses	12,375	11,300	1,075	9,945	2,430
Capital/Depreciation	<u>791</u>	<u>549</u>	<u>242</u>	<u>489</u>	<u>302</u>
Total	13,166	11,849	1,317	10,434	2,732

An analysis of spending by function shows that the largest segment of operating costs relate to employee costs. *Salaries* increased by 4% during this period, reflecting the filling of faculty and staff positions along with faculty negotiated salary increases. Fringe Benefits increased by \$115,000 due to healthcare and pension cost increases. These increases will be dampened in the future as a result of new requirements for employee co-pay on insurance premiums and the recent pension law changes.

Non-salary operating expenses increased by \$723,000 from FY11 to FY12. The largest single category of increase is *Utilities/Insurance/Maintenance*, which increased \$390,000 primarily due to the additional utility and maintenance expenses associated with College increasing its facility space by over 70% from the acquisition of the Phillipsburg Education Center. *Customized Training* expenses increased due to additional offerings in FY12; however these expenses were completely offset by commensurate revenue increases. *Computer and Equipment* expenses reflected one-time needs for both the Phillipsburg and library facilities.

Expenditures were reduced in two categories: *Materials and Supplies* and *Services* FY12. The decrease in Materials and Supplies is due largely to the reallocation of supply funds to computer expenses. The decrease in Services reflects a decrease in legal 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>FY12</u>	<u>FY11</u>	<u>1 Year Change</u>	<u>FY10</u>	<u>2 Year Change</u>
Foundation Revenues					
Fundraising	124,242	111,438	12,804	100,902	23,340
Other	<u>173,063</u>	<u>80,838</u>	<u>92,225</u>	<u>78,938</u>	<u>94,125</u>
Total Revenues	297,305	192,276	105,029	179,840	117,465
Foundation Expenses	101,449	106,113	4,664	113,590	12,141
Increase in Net Assets	195,856	86,163		150,583	

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 FY12, the College did not hire any government relations agencies, but paid \$22,761 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 \$17,200 in FY12. The College used external firms for legal services. Legal expenses for FY12 totaled \$66,886.

Total Foundation revenues for FY12 were \$297,305, including \$124,242 in fundraising revenues from various events and \$169,012 in contributions from donors in. The balance of income represents investment income and realized/unrealized gains. Expenses of \$101,449 include \$57,431 in direct and indirect fundraising costs and \$19,549 in scholarship payments. Revenue and expenses together resulted in a total increase in net assets of \$195,856 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 decreased by \$107,433 (2.9%) to \$3,680,417. The decrease is attributed to the completion of the library project in FY12. Reserve funds had previously been set aside for this purpose.

Of the total cash assets, College funds represented \$3,333,938, while WCCC Foundation funds represented \$346,479.

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.

FY12 Capital Projects

In July 2011, the College acquired the Phillipsburg Education Center (PEC) through \$6.75 million in Chapter 12 bond funds. The College acquired the facility already renovated, so its Continuing Education operations were able to relocate to this location in August 2012. The start-up expenses for this facility were all incurred in FY12.

Approximately half of PEC is leased to the Phillipsburg Board of Education (PBOE), which leases space for its administrative offices and its Alternative Middle School. The rental income generated from this space is able to offset operating expenses for this facility. The PBOE is anticipated to occupy this space until at least 2017 when its new high school is completed and it is able to reallocate space within its district buildings. At that time the College plans to occupy the PBOE space and locate additional programs and services in Phillipsburg.

In October 2012, the College occupied its renovated library space, which included a 1,700 sq. ft. library mezzanine. This project is in close-out and minimal additional expenses will be incurred in FY13.

Building Our Futures Bond Act.

On November 6, 2012, the voters of New Jersey approved the *Building Our Futures Bond Act*, which provides general obligation bond funds to NJ colleges and universities. WCCC is anticipated to receive \$3,150,000 in funds and must match \$1,050,000 (for a total of \$4,200,000) toward instructional facility needs. Regulations for this program are anticipated to be promulgated in January 2013.

At this time, the College plans to allocate these funds to support a Health Science Facility in Hackettstown, NJ on the campus of Hackettstown Medical Center. The College is exploring additional partnerships to support this project. Construction would likely take place in the 2014-15 time period.

Enrollment Changes and Budget

After experiencing a 108% FTE enrollment increase from FY03 to FY11, the College experienced its first enrollment correction in FY12. As noted previously, the College experienced a 2.6% reduction in credit hours in FY12.

From FY09 to FY10, the College experienced a 23% increase in enrollments 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, especially the additional summer Pell grants helped encourage higher enrollments at the College.

Beginning with Fall 2011, and then Spring 2012, the College began to experience an enrollment correction. Part of this is related to a declining high school graduation population from which the college could draw students from. In addition, students graduating from the fall 2009 cohort also contributed to the slowdown in enrollment growth. The most significant enrollment change occurred in Summer 2012. Summer 2012 enrollment was down in large part due to the elimination of the Summer Pell program.

Budget

WCCC is relatively well positioned to weather enrollment fluctuations because it did not increase expenses commensurate with enrollment growth during the period of the "enrollment boom." For example, from FY09 to FY12, the College made selected expenditure increases, particularly in one-time expense areas, such as capital projects. The FY13 budget called for targeted expense increases (for example, adding several faculty lines) but also called for a reallocation of funds.

Enrollment is a key component of financial planning as the College is heavily dependent on student tuition and fee revenues. WCCC's FY13 budget assumed that the College would experience at least an 8% enrollment decline for the year and that \$300,000 would be used from a designated reserve fund to meet budget needs. However, fall enrollment was stronger than

predicted, with a net enrollment decline of just 2%. At this time, it appears that the reserve funds will not be required to meet FY13 budget needs.

Public revenues have fluctuated over the past several years. County operating funds have declined over the past two years as operating aid was reallocated to debt service to support the issuance of Chapter 12 debt. However, the debt service needs have now been fully funded, so at this time College is assuming level funding for FY14 from the County.

Although the state has provided level funding over the past two years, the outlook for FY14 is not yet clear. The immediate impact from Superstorm Sandy is likely to cause some challenges for next year's budget. The College will be planning conservatively for FY14 and considering options should state funding be reduced in that year.

Continuing Education, Grant and Customized Training Initiatives

WCCC significantly increased its customized training activities in FY11, with gross revenues of \$1.5 million and net revenues of approximately \$200,000, which was used to help support start-up expenses related to the Phillipsburg Educational Center. During FY12, the College's customized training programs netted \$118,000 in additional revenues for the College. The programs continue to be strong for FY13 as well. However, 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 looks to these funds to meet one-time budget needs, rather than as a steady stream of revenue.

Also during FY12, the College's Continuing Education operations were augmented through the Health Care Opportunity Fund, which provided funding for lower income individuals to obtain job readiness skills in entry level health care professions. This program is anticipated to continue through FY15 and will enable the College to increase the number of funded seats in various career non-credit programs.

Accreditation Activities

During 2011-12, WCCC was involved in several accreditation activities. During Summer 2012, the College's Nursing Program received re-accreditation from the NLAC. The College's Phillipsburg Education Center, as well as its educational sites/programs with Hunterdon Polytechnic and the Warren County Tech School was approved by the Middle States Commission on Higher Education (Middle States).

During 2013, the College will submit its Periodic Review Report (PRR) to Middle States for consideration of reaccreditation during the mid-point of its decennial accreditation process. Consideration of this reaccreditation will occur in November 2013.

FINANCIAL STATEMENTS

WARREN COUNTY COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2012 AND 2011

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	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 3,667,107	\$ 3,768,836
Investments	521,305	402,273
Restricted cash and cash equivalents	13,310	19,014
Receivables:		
Student accounts receivable (net of allowance for doubtful accounts of \$593,731 for 2012 and \$260,865 for 2011)	444,367	533,424
Grants and awards	11,925	57,109
Third-party receivables	759,938	629,409
Other restricted receivables		1,500
Prepaid expenses	141,448	112,036
Total Current Assets	<u>5,559,400</u>	<u>5,523,601</u>
Noncurrent Assets:		
Capital Assets:		
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	19,037,974	12,190,021
Total Noncurrent Assets	<u>19,037,974</u>	<u>12,190,021</u>
TOTAL ASSETS	<u>24,597,374</u>	<u>17,713,622</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	1,418,071	1,568,054
Scholarship payable	11,924	38,262
Accrued compensated absences payable	126,907	138,686
Deferred revenue	160,029	156,677
Total Current Liabilities	<u>1,716,931</u>	<u>1,901,679</u>
Non-Current Liabilities	<u>136,000</u>	<u>88,000</u>
TOTAL LIABILITIES	<u>1,852,931</u>	<u>1,989,679</u>
<u>NET ASSETS</u>		
Invested in capital assets	19,037,974	12,190,021
Restricted	522,903	376,436
Unrestricted (Note 18)	3,183,566	3,157,486
TOTAL NET ASSETS	<u>\$ 22,744,443</u>	<u>\$ 15,723,943</u>

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating Revenue:		
Student tuition and fees	\$ 5,571,792	\$ 5,743,723
Federal grants and contracts	1,775,717	1,552,535
State and local grants and contracts	589,905	611,293
Foundation revenue	297,305	192,276
Other	613,524	139,904
	<u>8,848,243</u>	<u>8,239,731</u>
Operating Expenses:		
Instruction	5,717,316	5,337,089
Institutional support	2,077,530	1,994,559
Public service	507,658	435,607
Academic support	1,121,508	1,063,044
Operation and maintenance of plant	1,514,667	1,133,801
Student support	1,169,378	1,140,399
Capital expenses	16,488	13,261
Scholarships and student aid	266,472	178,527
Foundation expenses	101,449	106,113
Depreciation	774,690	552,527
Total Operating Expenses	<u>13,267,156</u>	<u>11,954,927</u>
Operating Loss	<u>(4,418,913)</u>	<u>(3,715,196)</u>
Nonoperating Revenue:		
State appropriations	2,256,156	2,227,409
State Alternate Benefits Plan	235,734	160,513
County appropriations	1,877,106	2,032,535
County Chapter 12 Funding	6,919,568	327,527
Miscellaneous	148,591	297,232
Investment income	2,258	8,228
	<u>11,439,413</u>	<u>5,053,444</u>
Increase in Net Assets	7,020,500	1,338,248
Net Assets- Beginning of Year	<u>15,723,943</u>	<u>14,385,695</u>
Net Assets - End of Year	<u>\$ 22,744,443</u>	<u>\$ 15,723,943</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 7,441,937	\$ 7,500,439
Grants and contracts received	540,662	565,117
Payments to suppliers	(4,599,324)	(4,119,538)
Payment for employee salaries and benefits	(7,801,970)	(7,100,999)
Other receipts	613,524	139,904
Net Cash Used for Operating Activities	<u>(3,805,171)</u>	<u>(3,015,077)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from state appropriations	2,256,156	2,227,409
Cash received from state appropriations - Alternate Benefits Plan	235,734	160,513
Cash received from county appropriations	1,877,106	2,032,535
Cash received from other non-operating activities	148,591	297,232
Net Cash Provided by Noncapital Financing Activities	<u>4,517,587</u>	<u>4,717,689</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from county chapter 12 funding	6,919,568	327,527
Purchase of capital assets	(7,622,643)	(842,508)
Net Cash Used for Capital and Related Financing Activities	<u>(703,075)</u>	<u>(514,981)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	2,258	8,228
Purchases of investments	(171,873)	(174,552)
Proceeds from sales of investments	28,372	132,157
Assets converted to cash	28,231	
Interest and dividends - reinvested	(13,911)	(9,445)
Unrealized gains/losses	10,149	(42,308)
Net Cash (Used for) Investing Activities	<u>(116,774)</u>	<u>(85,920)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(107,433)	1,101,711
Cash and Cash Equivalents - Beginning of Year	<u>3,787,850</u>	<u>2,686,139</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,680,417</u>	<u>\$ 3,787,850</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating Loss	\$ (4,418,913)	\$ (3,715,196)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	774,690	552,527
Changes in assets:		
(Increase)/decrease in:		
Student accounts receivable	89,057	(84,245)
Grant receivables	45,184	105,133
Third-party receivables	(130,529)	(312,457)
Other restricted receivables	1,500	3,500
Prepayments and other assets	(29,412)	(24,153)
Accounts payable	(149,983)	393,572
Scholarships payable	(26,338)	12,372
Accrued compensated absences payable	(11,779)	15,617
Deferred revenue	3,352	38,253
Non current liabilities payable	48,000	
Net Cash Used for Operating Activities	<u>\$ (3,805,171)</u>	<u>\$ (3,015,077)</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 Governmental 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, 2012
(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 grants 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, 2012
(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, 2012 or 2011.

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, 2012 or 2011.

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, 2012
(Continued)

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

Allowance for Uncollectible Accounts:

The College had an allowance for uncollectible accounts of \$593,731 and \$260,865 at June 30, 2012 and 2011, 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, 2012 and 2011 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, 2012
(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, 2012 consisted of the following:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
Cash, Checking and Cash Equivalents	\$ 1,029,081	\$ 346,479	\$ 1,375,560
New Jersey Cash Management Fund	<u>2,304,857</u>		<u>2,304,857</u>
	<u>\$ 3,333,938</u>	<u>\$ 346,479</u>	<u>\$ 3,680,417</u>

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>

The carrying amount of the College's cash and cash equivalents at cost at June 30, 2012 was \$3,680,417 and the bank balance was \$3,776,960. The \$2,304,857 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, 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.

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, 2012
(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:

	<u>2012</u>	<u>2011</u>
Balance July 1	\$ 402,273	\$ 308,125
Investment activity:		
Realized gain/(loss) on investments	\$ (10,149)	\$ 42,308
Dividend and Interest Income	13,911	9,445
Assets Converted to Cash	(28,231)	
Sale of Investments	(28,372)	(132,157)
Purchase of Investments	171,873	174,552
	<u>119,032</u>	<u>94,148</u>
Balance June 30	<u>\$ 521,305</u>	<u>\$ 402,273</u>

	<u>June 30, 2012</u>		<u>June 30, 2011</u>	
	<u>Cost Value</u>	<u>Fair Value</u>	<u>Cost Value</u>	<u>Fair Value</u>
Bonds	\$ 15,926	\$ 16,124	\$ 16,146	\$ 16,612
Equities	144,266	170,701	127,247	161,590
Mutual Funds	330,888	334,480	221,577	224,071
	<u>\$ 491,080</u>	<u>\$ 521,305</u>	<u>\$ 364,970</u>	<u>\$ 402,273</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(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, 2012, 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, 2012 and 2011, accounts receivable from students amounted to \$1,038,098 and \$794,289, respectively, excluding the allowance for doubtful accounts in the amount of \$593,731 for the fiscal year ending 2012 and \$260,865 in 2011. The allowance for doubtful accounts recorded for the fiscal year ended 2012 amounted to \$593,731 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>2012</u>	<u>2011</u>
Federal PELL Grant and SEOG	<u>\$ 11,925</u>	<u>57,109</u>
	<u>\$ 11,925</u>	<u>\$ 57,109</u>

In addition, as of June 30, 2012 and 2011, the College had third party receivables in the amounts of \$759,938 and \$629,409, respectively. Much of this represents a \$426,679 receivable for customized training programs.

Note 5: Prepaid Expenses

Prepaid expenses at June 30, 2012 total \$141,448, and are primarily software license fees which total \$74,207. The balance of these expenses consists of memberships, registrations, library subscriptions and other fees.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(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, 2012 and 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Building	\$ 14,341,674	\$ 6,750,000		\$ 21,091,674
Building Improvements	1,090,971	479,676		1,570,647
Furniture and Fixtures	578,888	111,821		690,709
Computer and Equipment	1,348,113	281,146	\$ (115,290)	1,513,969
	<u>17,359,646</u>	<u>7,622,643</u>	<u>(115,290)</u>	<u>24,866,999</u>
Less Accumulated Depreciation for:				
Building	(4,117,105)	(421,761)		(4,538,866)
Building Improvements	(252,617)	(72,135)		(324,752)
Furniture and Fixtures	(124,436)	(80,852)		(205,288)
Computer and Equipment	(675,466)	(199,943)	115,290	(760,119)
	<u>(5,169,624)</u>	<u>(774,691)</u>	<u>115,290</u>	<u>(5,829,025)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,190,022</u>	<u>\$ 6,847,952</u>	<u>\$ -</u>	<u>\$ 19,037,974</u>

The College did not have active construction projects as of June 30, 2012.

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, 2012
(Continued)

Note 7: Accrued Expenses

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

	June 30,	
	2012	2011
Compensated Absences Payable - Current Portion	\$ 126,907	\$ 138,686
Compensated Absences - Long Term Portion	136,000	88,000
	\$ 262,907	\$ 226,686

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. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS went from 5.50% to 6.50% 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 \$209,618, \$196,231 and \$140,493 for the fiscal years ended June 30, 2012, 2011 and 2010 respectively.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(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. During 2012, the State began to reimburse the College for ABP expenses made on behalf of adjunct employees. During 2012, the College received \$58,280 in revenue representing ABP payments for 2009 and 2010. These amounts are reflected under ABP revenue in 2012. 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, 2012 and 2011, deferred revenue is a total of \$160,029 and \$156,677, 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 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers Pensions and Annuity Fund (T.P.A.F.) and the 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 the TPAF and 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, 2011, there were 93,323 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, 2012
(Continued)

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

The State is also responsible for the cost attributed to P.L. 1992, c.126 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 \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

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.

The financial statements for the Fund for 2012 were not available at the time of audit. 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	\$ 9,553,114	\$ 9,390,201
Net Assets	\$ 2,060,179	\$ 2,361,502
Operating Revenue	\$ 2,232,232	\$ 2,226,030
Total Expenditures and Adjustments	\$ 2,712,257	\$ 3,367,163
Nonoperating Revenue	\$ 178,701	\$ 486,479
Change in Net Assets	\$ (301,324)	\$ (654,654)
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, 2012
(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>2012</u>	<u>2011</u>
Trade payable, including accruals	\$ 1,147,554	\$ 1,124,163
Payroll liabilities	260,854	432,319
Other liabilities	1,821	
	<u>\$ 1,410,229</u>	<u>\$ 1,556,482</u>

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

	<u>2012</u>	<u>2011</u>
Trade payable, including accruals	\$ 7,842	\$ 11,572
	<u>\$ 7,842</u>	<u>\$ 11,572</u>

Note 15: Operating Leases

The College did not have any operating leases as of June 30, 2012, or June 30, 2011.

Note 16: Restricted Net Assets

There were restricted net assets of the College of \$522,903 and \$376,436 as of June 30, 2012 and June 30, 2011, 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, 2012 and 2011, the College recognized \$1,877,106 and \$2,032,535 in operating aid from the County of Warren. In additions, during the years ended June 30, 2012 and 2011, the College recognized \$6,919,568 and \$327,527 in Chapter 12 funds from the County of Warren. The 2012 funds primarily were used to support the acquisition of 445 Marshall Street in Phillipsburg, New Jersey.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

Note 18: Unrestricted Net Assets

Of the total Unrestricted Net Assets at June 30, 2012 and 2011, \$3,183,566 and \$3,157,486 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, 2012:

	<u>2012</u>	<u>2011</u>
Designated for Future Projects	\$ 875,000	\$ 742,400
Designated for Building Projects	700,000	790,000
Designated for Subsequent Fiscal Year	300,000	160,000
	<u>\$1,875,000</u>	<u>\$1,692,400</u>

PART II

WARREN COUNTY COMMUNITY COLLEGE

YEAR ENDED JUNE 30, 2012

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, 2012 and 2011 and have issued our report thereon dated December 1, 2012. 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
December 1, 2012



NISIVOCCIA 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's Circular 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, 2012. 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 Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 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 fiscal year ended June 30, 2012.

The Honorable Chairman and
Members of the Board of Trustees
Warren County Community College
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Internal Control Over Compliance

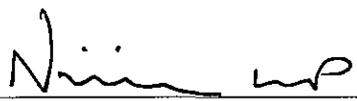
The management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the College's internal 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
December 1, 2012



NISIVOC CIA LLP

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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 federal and state 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 OMB's Circular 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	12-100-082-2155-015	7/1/11-6/30/12	\$ 2,256,156	\$ 2,256,156
Tuition Aid				
Grant	12-100-074-2405-007	7/1/11-6/30/12	343,710	343,710
<u>Federal:</u>				
Student Financial Aid Cluster:				
Federal Pell Grant	84.063	7/1/11-6/30/12	2,398,021	2,398,021
Unsubsidized Federal Family				
Education Loan (FFELP)	84.032	7/1/11-6/30/12	760,001	760,001
Subsidized Federal Family				
Educational Loan (FFELP)	84.032	7/1/11-6/30/12	532,089	532,089
Supplemental Education				
Opportunity Grant	84.007	7/1/11-6/30/12	34,860	34,860
College Work Study	84.003	7/1/11-6/30/12	24,140	24,140

- 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 federal Circular.

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012
(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's Circular 04-04.

WARREN COUNTY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Status of Prior Year Findings:

There were no findings or questioned costs noted during the audit of the year ended June 30, 2011.

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

<u>Name of Federal Agency/ Passthrough Grantor/Cluster Title</u>	<u>C.F.D.A. Account No.</u>	<u>Name of Grant</u>	<u>Grant I.D. No.</u>	<u>Grant Period</u>	<u>Award Authorizations</u>	<u>Amount Received Fiscal Year 2012</u>	<u>Grant Expenditures Fiscal Year 2012</u>
Pass-Through Funds-Operating							
U.S. Department of Education via NJ Department of Education	84.048A	Carl D. Perkins Vocational and Technical Education	PSFS718007	7/1/11-6/30/12	\$ 73,039	\$ 73,039	\$ 73,039
U.S. Department of Education via NJ Department of State: CHE	84.378A	College Access Challenge	N/A	7/1/11-6/30/12	7,509	<u>7,509</u>	<u>7,509</u>
						<u>80,548</u>	<u>80,548</u>
Student Financial Assistance Program Cluster:							
U.S. Department of Education	84.063	Federal Pell Grant	P063P004578	7/1/11-6/30/12	2,398,021	2,392,383	2,398,021
U.S. Department of Education	84.032	Unsubsidized FFELP	N/A	7/1/11-6/30/12	760,001	760,001	760,001
U.S. Department of Education	84.032	Subsidized FFELP	N/A	7/1/11-6/30/12	532,089	532,089	532,089
U.S. Department of Education	84.007	Supplemental Education Opportunity Grant	P007A007578	7/1/11-6/30/12	34,860	28,573	34,860
U.S. Department of Education Total Student Financial Assistance Program Cluster	84.033	College Work Study	P033A007578	7/1/11-6/30/12	24,140	<u>24,140</u>	<u>24,140</u>
						<u>3,737,186</u>	<u>3,749,111</u>
Total U.S. Department of Education						<u>3,817,734</u>	<u>3,829,659</u>
Department of Health and Human Services:	93.887	Health Care and Other Facilities	C76HF19309	8/1/10-7/31/12	346,500	140,480	130,931
Department of Health and Human Services: via Bergen County College	93.093	Health Programs Opportunity Grant for TANF Recipients	90FX0001/01	7/1/11-6/30/12	142,937	<u>120,491</u>	<u>142,937</u>
Total Department of Health and Human Services						<u>260,971</u>	<u>273,868</u>
Total Federal Awards						<u>\$ 4,078,705</u>	<u>\$ 4,103,527</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, 2012

<u>Name of State Agency or Department</u>	<u>Name of Grant</u>	<u>State Account I.D. #</u>	<u>Grant Period</u>	<u>Award Authorizations</u>	<u>Amount Received Fiscal Year 2012</u>	<u>Grant Expenditures Fiscal Year 2012</u>	<u>Cumulative Total Expenditures</u>
New Jersey Department of Treasury							
	State Support Operational Costs	12-100-082-2155-015	7/1/11-6/30/12	\$ 2,256,156	\$ 2,256,156	\$ 2,256,156	\$ 2,256,156
	Alternate Benefit Plan	12-100-082-2155-017	7/1/11-6/30/12	235,734	235,734	235,734	235,734
					<u>2,491,890</u>	<u>2,491,890</u>	<u>2,491,890</u>
Department of State - Commission on Higher Education							
	Educational Opportunity Fund Article III	12-100-074-1401-001	7/1/11-6/30/12	75,308	68,565	70,295	70,295
	Educational Opportunity Fund Article IV - Summer and Academic Year	12-100-074-1401-002	7/1/11-6/30/12	74,379	74,379	74,379	74,379
					<u>142,944</u>	<u>144,674</u>	<u>144,674</u>
Department of State -Higher Education Assistance Authority							
	Tuition Aid Grant	12-100-074-2405-007	7/1/11-6/30/12	343,710	343,710	343,710	343,710
	NJ STARS	12-100-074-2405-313	7/1/11-6/30/12	90,742	90,742	90,742	90,742
					<u>434,452</u>	<u>434,452</u>	<u>434,452</u>
Total State Awards					<u>\$ 3,069,286</u>	<u>\$ 3,071,016</u>	<u>\$ 3,071,016</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, 2012

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 (\$2,302,988) and the adjustment for state awards is (\$12,509). 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.