

WARREN COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2017

WARREN COUNTY COMMUNITY COLLEGE
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying basic 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of Management and Budget, Department of the Treasury, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Chairman and
Members of the Board of Trustees
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Warren County Community College, in the County of Warren, as of June 30, 2017 and 2016, and the respective changes in financial position, and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report and the pension schedules and related notes 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.

Other Information

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *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 basic financial statements.

The accompanying schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Chairman and
Members of the Board of Trustees
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017 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 control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey
December 22, 2017

NISIVOCCIA LLP
NISIVOCCIA LLP

FY17 MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

This Management Discussion and Analysis (MD & A) of Warren County Community College's ("College" or "WCCC") financial performance provides an overall review of the College's financial activities for the fiscal year ending June 30, 2017. The intent of this discussion and analysis is to look at the College's financial performance as a whole; readers also should review the financial statements, the notes to the financial statements and any management recommendations to enhance their understanding of the College's financial performance. This document is prepared by WCCC 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 Position
- Statement of Revenues, Expenses and Changes in Net Position
- 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, which is required by both federal and state entities.

Net Pension Liability

Beginning in FY2015, GASB required public entities to reflect future pension liabilities in its financial statements. Warren County Community College's employees participate in either the Alternate Benefits Program (ABP), which is a defined contribution plan and therefore has no future pension obligations to the College, or the Public Employees Retirement System (PERS), which is a defined benefit plan. WCCC makes annual contributions for its PERS employees in accordance with actuarial estimates prepared for the NJ Division of Pensions. In order to reflect potential future pension liabilities in the College's financial statements, the Division of Pensions has provided data on future pension liabilities. For purposes of better reflecting the College's financial position, this Management Discussion and Analysis will show the pension liability separately.

The information that follows is a discussion of each of the main components of the financial report.

Statement of Net Position: College Funds

The Statement of Net Position includes assets, liabilities, deferred inflows and outflows, and the resulting net position of 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. These liabilities can be either short-term or long-term.

The College's net position is derived by calculating the difference between assets/deferred outflows and liabilities/deferred in-flows. The net position indicates both capital assets and fund assets. As the WCCC Foundation does not hold capital assets, the Foundation's net position represent fund assets only.

The chart below shows total and net position for the College (exclusive of its component group, the WCCC Foundation). The overall College net position as of June 30, 2017, exclusive of the state net pension liability, was \$21.1 million. The overall College net position as of June 30, 2017, inclusive of the state net pension liability, was \$16.7 million.

Statement of Net Position: College Funds Excluding Pension Funds (Rounded \$000)

	<u>FY17</u>	<u>FY16</u>	<u>Change</u>
Total Assets			
Current Assets	5,636	5,596	40
Capital Assets	<u>16,518</u>	<u>17,486</u>	<u>(968)</u>
Total Assets	22,154	23,081	(928)
Less Liabilities:			
Current Liabilities	891	1,047	(156)
Non-Current Liabilities (College)	<u>136</u>	<u>136</u>	<u>0</u>
Total, Liabilities	1,027	1,183	(156)
Net Position	21,127	21,899	(772)
<u>Net Position (Excluding Pension)</u>			
Investment in Capital	16,518	17,486	(968)
Restricted	26	25	1
Unrestricted-Designated	3,522	3,322	201
Unrestricted-Undesignated	<u>1,061</u>	<u>1,066</u>	<u>(6)</u>
Total Net Position	21,127	21,899	(772)

In order to understand the College's financial position, it is important to review each category of the net position statement: current assets, capital assets, liabilities, deferred inflows, deferred outflows and net position. The above chart is on a budgetary basis and does not include the net pension liability of the College which are required to be reported on a GAAP basis. The 2017 net pension liability of the College was \$6,969,306. Had the net pension liability and the related deferred inflows and outflows for pensions been included in the chart above, the total net position would have reduced the net position by \$5,520,679.

Current Assets

Current assets include cash and cash equivalents, accounts receivable, inventory and prepaid expenses. As the chart on the prior page indicates, the College's current assets increased in FY17 to a level just over \$5.6 million. This change represents an increase in the cash position in FY17, largely due to the drawdown of one-time grant funds at the end of the fiscal year.

Capital Assets

Capital assets include facilities, building improvements, computers, furnishings and equipment and fixtures. The College's capital assets were just over \$16.5 million by the end of FY17, representing a \$967,805 decrease from the prior year.

The change in capital assets by category is shown below.

Capital Assets (in \$000)			
<u>Asset Type</u>	<u>FY17</u>	<u>FY16</u>	<u>1 Year Change</u>
Computers & Equipment	2,037	2,037	(1)
Furniture & Fixtures	1,449	1,432	17
Building Improvements	1,973	2,051	(78)
Building	<u>21,092</u>	<u>21,092</u>	<u>0</u>
Total	26,550	26,612	(61)
Less Accumulated Depreciation	(10,032)	(9,126)	(907)
Net Capital Assets	16,518	17,486	(968)

The change in net capital assets from FY16 to FY17 is related to both depreciation and the deletion of assets. Part of the asset deletions include the removal of the modular facility and the improvements within this facility. The removal occurred to make room for the new Building Annex slated to begin construction in early spring 2018. The modular facility was no longer suitable for classroom needs and had been used primarily for adjunct offices. These offices were relocated to the main facility for the 2017-18 academic year.

The value of capital assets is important for a number of institutions as they can be leveraged for borrowing purposes (issuance of debt). However, in the case of WCCC, under state statute the College is unable to issue bond funds. Bonds for WCCC may be issued by state or county governments and certain public authorities.

Current Liabilities

Also displayed in the *Statement of Net Position* are liabilities. Liabilities may be current or non-current (reflecting commitments to be realized in future years). Current liabilities include upcoming salary and vendor payments for services already incurred during the fiscal year, as well

as unearned tuition revenue and an accrual to cover earned employee vacation time. Current liabilities were \$890,616 as of June 30, 2017. This is a decrease from the FY16 level, attributed to a reduction in open purchase orders. The ratio of current assets to current liabilities increased from 5.3/1 to 6.3/1 in FY17, indicative of the College's strong financial position at that time.

Long-Term Liabilities

The long-term liability of the College is the sick time and is actually an expense of the College. This reflects potential sick-leave payouts for faculty members. WCCC offers a sick leave payout of up to \$8,000 for faculty who have served for ten years in a full-time position and have provided one year's advance notice of retirement. The total set aside for this liability for FY17 is \$136,000, representing the maximum allocation available for eligible employees.

Other long term liabilities reflected on the financial statements include the State of New Jersey net pension liability. In order to indicate the College's financial position, this MD & A statement discusses state pension funds separately.

Net Position

The final component of the *Statement of Net Position* is the College's net position. Conceptually, the net position is total assets less total liabilities. Net position includes capital assets, such as buildings and equipment, as well as non-capital assets (such as cash, investments, pre-payments and receivables). Non-capital net position is classified on the next page as "restricted," "designated" or "unrestricted." Note the data and this section does not include the NJ Pension liability, which will be discussed in a later section.

The table on the next page displays the College net position (exclusive of Capital Assets the net liability for the PERS Pension and WCCC Foundation funds) by category.

Undesignated net position pertain to the aggregate of residual funds that are neither restricted nor designated at this time. Note that in the combined Statement of Net Position, the categories of designated and unrestricted are combined together as "Unrestricted." Undesignated funds as of 6/30/2017 decreased to \$1,060,533, representing 10.7% of FY17 expenses (excluding depreciation). This is consistent with the Board's annual goal of maintaining a set-aside of approximately 10%-12% of expenses for contingency needs. This level is also in accordance with the expectations of the College's accreditor, the Middle State's Commission on Higher Education.

Designated funds represent resources allocated by the Board of Trustees for specific projects. Designated funds as of 6/30/2017 were just over \$3.5 million. Some of the designated projects are currently underway (such as the Building Annex, Sidewalk Project and Carpeting/Furnishings, the Renewal and Replacement Plan and Middle States/Assessment). Other projects are anticipated to be underway no later than summer 2018 (such as the Phillipsburg Boiler Project, and the new refreshment of technology (including a new firewall). In addition, funds have been targeted to assist the College with its transition to reduced revenues from rental income during FY18, resulting from the reduction of rental income in the Phillipsburg Education Center.

Also under designated funds is a set-aside for the Building Annex. As part of the GO grant, WCCC must also match at least \$800,000 in expenses. These funds have been set aside in the Building Annex designation. Any additional funds for the project may be reallocated from the exterior walkways project. These funds will be used for any additional sidewalk or patio alternatives from the Building Annex project.

The final component of net position is *restricted net position*. The funds in this category represent resources held by the College on behalf of student clubs and organizations. Restricted College funds include fund raising revenues from student organizations as well as the WWII & Holocaust Grant.

College Net Position (Excluding Capital Assets and Pension Funds) (Rounded \$000)

	<u>FY17</u>	<u>FY16</u>	<u>Change</u>
<i>Undesignated</i>	<i>1,061</i>	<i>1,066</i>	<i>(6)</i>
 <i>Designated: Operating</i>			
Phillipsburg Stabilization	430	430	0
FY16 Budget	235	235	0
Academic Student Programming	16	29	(13)
Pathways/Salary Grant	103	167	(64)
Middle States/Assessment	25	25	0
Presidential Priorities	75	50	25
 <i>Designated: Current Projects</i>			
R & R Projects/Study	233	218	15
Phillipsburg Boiler Project	313	294	19
Computers/Technology	660	487	172
Carpeting/Furnishings	121	121	0
Exterior Walkways	135	220	(84)
Sidewalk Project	60	60	0
Roof Repairs	271	121	150
Building Annex	<u>796</u>	<u>864</u>	<u>(68)</u>
<i>Total, Designated</i>	<i>3,522</i>	<i>3,322</i>	<i>201</i>
<i>Restricted (Student Clubs)</i>	<i>26</i>	<i>25</i>	<i>1</i>

Statement of Net Assets: WCCC Foundation

The WCCC Foundation (“Foundation”) is considered a component unit of WCCC as the College’s Board approves Foundation Board members and College employees oversee the operations of the Foundation. The Statement of Net Position for the Foundation component unit is shown on the next page.

WCCC Foundation Net Position (in Rounded \$000)

	<u>FY17</u>	<u>FY16</u>	<u>Change</u>	<u>% Change</u>
Total Assets	1,148	1,112	36	3.2%
Liabilities	<u>25</u>	<u>35</u>	<u>(10)</u>	<u>-29.3%</u>
Net Position	1,123	1,077	46	4.3%
 <u>Net Position</u>				
Restricted	571	541	31	5.7%
Unrestricted	<u>552</u>	<u>536</u>	<u>16</u>	<u>2.9%</u>
Total Net Position	1,123	1,077	46	4.3%

From FY16 to FY17, the net assets of the Foundation increased by \$46,068. During FY17, the Foundation allocated funds to support various college priorities, including marketing needs and the renovation of space in the Phillipsburg Education Center for the GED program, which the College will assume formally in July 2018.

Note that the WCCC Foundation does not own any capital assets.

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

The next statement in the financial report is the Statement of Revenues, Expenses and Changes in Net Position (SRECNP). The SRECNP provides information about the College's revenues and expenses to explain key changes in the College's financial position.

The SRECNP displays both operating and non-operating revenues. 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.

The SRECNP expenses for College funds (excluding Foundation and pension expenses) are shown on the next page. As in prior years, total expenses exceeded total revenues in FY17 due to depreciation expenses. Depreciation is recorded to indicate the potential aging of capital facilities (equipment, furniture and fixtures, building improvements and buildings).

Statement of Revenues, Expense and Changes in Net Position (College) (Rounded \$000)

	<u>FY17</u>	<u>FY16</u>	<u>Change</u>	<u>% Change</u>
<u>Operating Revenues</u>				
Student tuition and fees	3,501	4,158	(656)	-15.8%
Federal grants and contracts	1,182	1,303	(121)	-9.3%
State/ local grants and contracts	654	670	(16)	-2.4%
Other	<u>391</u>	<u>546</u>	<u>(155)</u>	<u>-28.4%</u>
Total Operating Revenues	<u>5,782</u>	<u>6,677</u>	<u>(948)</u>	<u>-14.2%</u>
<u>Non-Operating Revenues</u>				
State appropriations	2,249	2,273	(24)	-1.1%
State ABP	214	212	1	0.6%
County appropriations	2,156	2,009	147	7.3%
Misc./Investment Income	<u>81</u>	<u>60</u>	<u>21</u>	<u>35.5%</u>
Total Non-Operating Revenues	<u>4,699</u>	<u>4,554</u>	<u>134</u>	<u>3.2%</u>
Total Revenues	<u>10,428</u>	<u>11,231</u>	<u>(803)</u>	<u>-7.2%</u>
Total Expenses	<u>11,200</u>	<u>11,604</u>	<u>(404)</u>	<u>-3.5%</u>
Change in Net Position	(777)	(373)	(303)	-81.2%

Operating Revenues

Total FY17 College operating revenues were \$948,145 below the FY16 level. This decrease primarily reflects a reduction in non-credit revenues, particularly customized training revenues, and a drop in federal grants.

Student tuition and fees represented just over \$3.5 million of the total operating revenue in FY17, down from approximately \$4.2 million in FY16. The primary reduction is related to a decline in customized training revenues. There is a corresponding decrease in customized training expenses. Note that in the SRECNP, student tuition and fees paid through financial aid funds are shown under their funding source (federal or state grants).

Federal grants declined in FY17, reflecting a reduction in federal Pell grant funds as well as the ending of the Federal Health Professions Operating Grant (HPOG) in early FY16. Most of the federal grant funds now represent Pell Grant revenues.

State grant funds declines slightly in FY17. These funds represent both state financial aid revenues and one-time capital revenues from the State's Higher Education Technology Infrastructure and the Equipment Leasing Fund grants. These grants were closed and all funds drawn down as of May 2017.

Other revenues include rental payments, bookstore commission income and student club income. Much of the decrease in this category reflects a \$138,666 reduction in rental income due to the relocation of the Phillipsburg Board of Education from the PEC to a new

location in March 2017. The NJ Department of Labor will assume tenancy in a portion of this space during FY18. In the meantime, the College has designated funds (Phillipsburg Stabilization Funds) to ease the transition to lower rental payments in FY18 and FY19.

Other revenues also reflect a \$16,000 reduction in bookstore revenues. On-campus bookstores have been steadily declining in use as students seek other options for textbooks, such as book rental or procurement through on-line vendors. The College has reduced its expectations for Commission revenue from Follett Bookstores in FY18.

Gross Tuition and Fee Revenues

The SRECNP displays tuition and fees by funding source. Tuition and fees paid by state and federal financial aid funds are categorized under state or federal grants. This means that if a student receives a Pell grant, the revenue is recorded as federal funds, rather than tuition and fees. The next display shows total (gross) tuition and fee revenues for FY16 and FY17.

Gross Tuition and Fee Revenues (Rounded \$000)

	<u>FY17</u>	<u>FY16</u>	<u>Change</u>	<u>Change</u>
Credit Tuition and Fees	4,242	4,289	(47)	-1.1%
Revenue-Non-Credit Programs	445	511	(67)	-13.0%
Customized Training	165	716	(551)	-77.0%
Revenue-Skylands	110	0	110	100.0%
Bad Debt Expenses (Prior Debt)	<u>(72)</u>	<u>(68)</u>	<u>(3)</u>	<u>5.0%</u>
Total	4,890	5,448	(558)	-10.3%

As the chart above indicates, there was a slight decrease in credit tuition and fees, reflecting an enrollment reduction coupled with a 4% increase in per credit charges. Non-credit revenues declined in part due to the elimination of the federal HPOG program, which provided scholarship support to students in non-credit programs. The largest decrease in gross tuition and fee revenues relates to customized training. This is due to the discontinuance of training for Verizon employees.

A new revenue source for the FY17 relates to the Skylands Professional Training (SPT) activities. SPT is a partnership between WCCC and Sussex County Community College (SCCC) for the delivery of continuing education programs and services in Sussex County. In its first year, SPT grossed \$110,468 in revenues, with net revenue totaling \$37,082. Net revenues are split evenly between WCCC and SCCC per the agreement between the two colleges.

Audited credit hours remained relatively flat from FY16 to FY17. This was due to an increase in the dual enrollment (high school) program, which offset most of the reduction in campus credit enrollment.

	<u>FY17</u>	<u>FY16</u>	<u>Change</u>	<u>% Change</u>
Audited Credits	37,141	37,598	(457)	-1%
Per Credit Charges	\$153.00	\$147.00	\$ 6.00	4%

Per credit tuition and fee charges rose \$6 per credit in FY17, which is in keeping with the College's efforts to implement small, incremental increases to offset enrollment changes.

Non-Operating Revenues

State and county appropriations, along with investment income, are classified as non-operating revenue. As a public county college, WCCC relies on these annual subsidies to meet its operating needs, as state and county funds account for nearly 45% of the College's unrestricted expenses.

County operating funding was \$2,031,127 in FY17, an increase of \$21,933 from the previous year. In addition, the County reimbursed the College \$125,000 in capital funds for the summer 2016 parking lot replacement. This brought the total FY17 County support to \$2,156,125.

At the February 2017 Board of School Estimate Meeting, the Warren County Board of Chosen Freeholders approved \$500,000 in capital funds to support the new Building Annex. These capital funds will be drawn down as needed to cover the project during FY18 and FY19.

The State appropriation of \$2,248,599 reflects a slight decrease from the FY16 level. State funding is determined by a funding formula that considers several factors, including enrollment. The sector appropriation for the County Colleges has not changed in over a decade and remains at \$134 million.

State Alternate Benefit Funding (ABP) is a reimbursement for state pension contributions for eligible employees. These reimbursements are based on actual pension payments made by the College on behalf of its employees into the ABP program.

Miscellaneous revenue includes testing fees, miscellaneous facility rental income and investment income. The increase in this account reflects revenue from the Seton Hall facility rental for their Master's program and a reimbursement from the Warren County Community College Foundation for renovation expenses related to the new GED classrooms at the Phillipsburg Education Center.

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 expense by functional categories for both FY16 and FY17.

As the chart indicates, total FY 17 expenses (exclusive of the NJ net pension liability) decreased by 3.5% from FY16 to FY17. Excluding depreciation, the actual operating fund decrease was 6.5%.

Expenses by Functional Categories (Rounded \$000)

<u>Category</u>	<u>FY17</u>	<u>FY16</u>	<u>Change</u>	<u>% Change</u>
Instruction	3,923	4,556	(633)	-13.9%
Institutional Support	2,048	2,030	18	0.9%
Public Service	490	577	(87)	-15.0%
Academic Support	1,192	1,130	63	5.6%
Physical Plant	1,249	1,216	33	2.7%
Student Support	766	830	(64)	-7.7%
Capital Expense	99	14	85	627.3%
Scholarships/Aid	145	249	(103)	-41.5%
Debt Service	<u>27</u>	<u>27</u>	<u>0</u>	<u>0.0%</u>
Subtotal	9,939	10,628	(689)	-6.5%
Depreciation/Deletions	<u>1,261</u>	<u>976</u>	<u>286</u>	<u>29.3%</u>
Total	11,200	11,604	(404)	-3.5%

The largest decrease in FY17 was under the category of **Instruction**, which declined by \$33,490. Most of this reduction is attributed to the decline in customized training and non-credit instruction related to the discontinuance of Verizon customized training courses in FY16. There a few other adjustments of note: an increase in faculty overhead, partially offset by the reduction of one Teaching Administrator. This category includes the most college employees and reflects an increase in employee health benefits premiums.

The reduction in **Scholarships/Aid** reflects the ending of the HPOG program, which provided health care training to Continuing Education students in September 2016. This statewide grant, in which WCCC was a participant, was not renewed by the federal government. The **Student Support** reduction reflects the reduction of one full-time position.

There were several areas of increase. Capital expenses reflects professional services (architect and engineer) used for FY17 and the upcoming capital project (Building Annex). A position relocation is primarily responsible for the increase in **Academic Support** and the decrease in **Public Service**. The **Physical Plant** increase reflects the replacement of a position in security, offset by some reductions. The increase in **Institutional Support** primarily reflects pension expense increases (pension costs are not distributed by function).

The College pays a small amount for **Debt Service**. This is related to the College's Equipment Leasing Fund grant (ELF). The College is obligated to pay 25% of the annual debt service for grant funds received under the ELF grant.

The largest category of increase is in **Depreciation**. This category reflects the annual depreciation expense for WCCC capital assets. In addition, at the end of FY17, the College removed the modular trailers support the new Building Annex, which will be constructed in that general area. This capital asset, along with its related improvements needed to be deleted from the College's books.

Expenses by Natural Spending Categories

Expenses also can be categorized by “natural” groupings that reflect spending type. These expenses for College funds (excluding State Pension Funds and the Foundation) are shown below.

Expenses by Natural Category (Rounded \$000)

Category	FY17	FY16	Change	% Change
Employee Salaries	5,211	5,379	(168)	-3.1%
Employee Fringe Benefits	<u>1,882</u>	<u>1,859</u>	<u>23</u>	<u>1.2%</u>
Total Employee Salaries & Benefits	7,093	7,238	(145)	-2.0%
Non-Salaries				
<i>Materials and Supplies</i>	356	392	(36)	-9.2%
<i>Services</i>	318	334	(16)	-4.7%
<i>Customized Training/SPT</i>	211	670	(458)	-68.4%
<i>Computing/Equipment</i>	591	628	(38)	-6.0%
<i>Utilities/Insurance/Maintenance.</i>	1,061	1,071	(10)	-0.9%
<i>Scholarships</i>	145	249	(103)	-41.5%
<i>Other</i>	<u>12</u>	<u>12</u>	<u>0</u>	0.0%
Subtotal, Non-Salaries	2,696	3,356	(661)	-19.7%
Total, Operating Expenses	9,789	10,595	(806)	-7.6%
Capital/Depreciation	1,384	1,009	375	37.2%
Total	11,173	11,604	(431)	-3.7%

The largest segment of operating costs are employee costs, which totaled \$7.1 million in FY17. These represent 72% of the College’s operating expenses. *Employee Salaries* decreased by \$168,218, reflecting salary turnover and various savings from not filling vacancies. Even though salary expenses decreased, *Employee Fringe Benefits* costs actually increased slightly in FY17 due to health benefit and net pension liability.

The largest decrease in expenses was in the non-salary categories, which declined a total 18.9%.¹ Nearly all categories of non-salary expenses declined.

The largest area of decline was in *Customized Training* expenses. This decline was partially offset by new expenses (and revenues) generated by Skylands Professional Training. As noted previously, scholarship expenses declined due to the elimination of the HPOG grant. The decrease in *Materials and Supplies* largely reflects fewer mailings as the College is able to communicate with current students electronically.

¹ By statute, WCCC is required to report annually on legal expenses and on any expenses for public relations firms. Legal expenses were \$36,182 and \$89,204 and \$32,871 respectively, for FY17, FY16 and FY15. Public relations expenses were \$15,300 and \$15,300, respectively, for FY17 and FY16.

Computing/Equipment costs were lower due to a reduction in the contract for external computing services.

The increase in the depreciation expense was discussed under functional expense changes.

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.

**Statement of Revenues, Expense and Changes in Net Position (Foundation)
(Rounded \$000)**

	<u>FY17</u>	<u>FY16</u>	<u>Change</u>
Foundation Revenues			
Fundraising	98	101	(3)
Other	<u>38</u>	<u>23</u>	<u>15</u>
Total Revenues	136	124	12
Foundation Expenses	118	97	21
Increase in Net Position	18	27	

Total Foundation revenues for FY17 were \$136,191 including \$81,473 in fundraising revenues from the Golf Tournament, Comedy Night and the Warren County Hall of Fame. The balance of income represents restricted scholarship income, investment income and realized/unrealized gains on investments. Expenses of \$118,498 included \$38,590 in direct fundraising costs and \$20,063 in scholarship payments. The WCCC Foundation also supported several key college commitments in FY17, including allocations for the Renovation of Classrooms to host the Warren County GED program, support of the PTK program and K-12 sponsorships.

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 and cash equivalents of the College and reconciles the decreases in cash in accordance with GASB reporting. As this schedule notes, the overall cash position was \$5,673,604 at the close of FY17.

This increase reflected a change in the College's cash position, which was just under \$5.7 million as of June 30, 2017. This is related to the planned set-aside of funds for future projects, including the capital, technology and operating needs. The College expects to begin significantly drawing down these resources in FY18. The Foundation's cash and cash equivalents position stood at \$478,391 at the close of FY17.

Net Pension Liability

As noted previously, GASB 68 requires entities to report the net pension liability for their employees. In New Jersey, certain employees participate in the PERS pension system, which is a defined benefit plan. The New Jersey Division of Pensions has provided actuarial estimates, which show that the net pension liability for current WCCC employees and retirees. These long-term liabilities for FY17 and FY16 are \$6,969,306 and \$5,369,408, respectively. These are reflected in the Financial Statements but are a responsibility of the New Jersey Public Employee Retirement System (PERS) to assume.

The impact of the Pension liability on the College financial statements is shown on the official statements along with the related deferred inflows and outflows. Pension liabilities are not recorded on the College's accounting system and are shown for GASB 68 purposes only.

Future Developments

The final component of the MD & A is a discussion of future developments. This section is intended to focus on prospective issues that may affect the College's financial position in future years. There are five issues of note:

Strategic Planning

In December 2014, the Board of Trustees adopted its latest Strategic Planning to cover the 2014-2019 period. The areas of focus detailed in the plan are as follows:

- Outcomes Assessment and Program Review
- Developmental Education
- Workforce and Economic Development
- Human Resource Planning
- Facilities Planning
- Enrollment and Retention
- Distance Education
- ERP Replacement (Jenzabar Project)

Many of the activities have been implemented or completed. The focus of FY18 and FY19 will be on the completion of the Building Annex project, with sufficient WCCC resources and state bond funds already set aside for this purpose.

The College continues to undertake both outcomes assessment and program review. Recent efforts have focused on ensuring that programs are viable in the face of declining enrollments. To date, two lower enrolling programs have been put on hiatus (A.A.S. in Early Childhood and A.A.S. in Graphic and Web Design, the latter to be converted to an AA program). During 2017-18, the College will be exploring with the Warren County Technical Institution and other institutions more cost effective ways to deliver the A.A.S. in Automotive Technology and the A.A.S. in Food and Beverage Management.

Building Annex

On June 30, 2016, WCCC was notified that it had received \$2.0 million in state General Obligation (GO Bond) grant funds to support the construction of a building annex to replace the modular classroom building. This project would include a large computer lab, an auditorium, additional faculty office space and fully ADA compliant/gender neutral restrooms (a significant need for the campus). The entire project is budgeted at \$2.8 million, including funds that have previously been set aside for future construction needs by WCCC and a county allocation of \$500,000 towards this project.

The design process is underway for this facility and groundbreaking will occur in early spring. The project is expected to be completed by December 2018.

Technology Upgrades

In FY13, the College was awarded \$917,000 in state bond funds to support equipment and infrastructure needs, including the replacement of student and financial information systems. These projects have all been completed. In September 2017, the Board of Trustees approved a new Technology plan to self-fund technology equipment and infrastructure needs over the next five years.

Enrollment Changes and Budget Challenges

WCCC's enrollment trends over the past decade mirror regional and national trends. There was an enormous growth in community college enrollment right after the 2008 recession. This also was fueled an expansion in financial aid eligibility, especially for those who recently became unemployed. Enrollment grew significantly from FY09 through FY11.

Enrollment began levelling off in FY12, both in New Jersey and nationally. WCCC's enrollment is back to the level that it was prior to the recession. This reflects not only a stronger economy, but also a "baby bust" in New Jersey high school classes. WCCC enrollment is not anticipated to grow significantly over the next several years due to the enactment of Highlands legislation in 2004, which has significantly limited land use and property development in Warren County.

Despite enrollment limitations, WCCC remains financially stable. Over the past decade, the College did not increase its overall staffing complement or undertake major service expansions as a result of the enrollment bubble. Instead, WCCC targeted excess revenue to support one-time priorities such as capital and renewal and replacement needs. As a result, the College has been able to maintain a strong financial position over the past decade. As part of its strategy of coping with additional budget constraints, WCCC has adopted a hybrid teaching/administrative job classification ("Teaching Administrators") to support both instructional and academic/student support needs. These 12-month positions allow the College to address functions and services outside of the normal 30-week faculty teaching schedule and have enabled services such as advising to be provided through these hybrid positions.

WCCC also has significantly expanded its dual enrollment program, to serve local high school students. Dual enrollment, while not generating significant revenue for the college, does allow WCCC to continue to reach out to the community and serve a larger population base in Warren County.

A portion of the College's income over the past several years has come from the rental of space at the Phillipsburg Education Center (PEC). A significant portion of the rental space went vacant in March 2017 with the relocation of Phillipsburg Board of Education to another site. This action was anticipated when the College first acquired the PEC in 2012. Much of the vacated space will be leased on a long-term basis by the NJ Department of Labor beginning in spring, 2018. In the meantime, the College has previously set aside funds to cover any short-term loss of rental income in FY18 and FY19.

Minor Capital Projects

During the summer of 2017, the College completed the sidewalk replacement project and a minor roofing project. During 2017-18, the College will undertake a re-carpeting of original offices throughout the campus. In summer 2018, the College will undertake a boiler replacement project for the Phillipsburg campus. Also in early 2018, the College will commission a new multi-year Renewal and Replacement plan for both the Washington and Phillipsburg sites, refreshing plans that were developed in 2012.

Reaccreditation

During spring 2018, WCCC will undergo a scheduled reaccreditation review by the Middle States Commission on Higher Education (MSCHE). The College was last re-accredited in 2013. During February 2018, the College will submit a self-study report to the Self-Study Visiting Team. The Visiting Team will arrive on campus in late March to evaluate the College. The College will formally be considered for reaccreditation by MSCHE in June 2018. In preparation for these events, committees of the College have been working on the Self-Study draft report over the past year.

FINANCIAL STATEMENTS

WARREN COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 5,595,736	\$ 5,482,980
Investments	661,268	623,856
Restricted cash and cash equivalents	77,868	25,162
Receivables:		
Student accounts receivable (net of allowance for doubtful accounts of \$738,602 for 2017 and \$665,929 for 2016)	161,652	179,266
Third-party receivables	210,140	328,086
Other restricted receivables	9,199	
Prepaid expenses	68,769	68,572
Total Current Assets	<u>6,784,632</u>	<u>6,707,922</u>
Noncurrent Assets:		
Capital Assets:		
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	16,517,821	17,485,626
Total Noncurrent Assets	<u>16,517,821</u>	<u>17,485,626</u>
TOTAL ASSETS	<u>23,302,453</u>	<u>24,193,548</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Changes in Assumptions - Pensions	1,443,668	576,632
Difference Between Expected and Actual Experience - Pensions	129,608	128,095
Net Difference Between Projected and Actual Investment Earnings on Plan Investments - Pensions	265,746	
College's Contribution Subsequent to Measurement Date - Pensions	211,511	209,049
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,050,533</u>	<u>913,776</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	833,509	1,015,678
Scholarship payable	17,712	27,707
Accrued compensated absences payable	132,850	123,844
Unearned revenue	144,015	123,809
Total Current Liabilities	<u>1,128,086</u>	<u>1,291,038</u>
Non-Current Liabilities	<u>7,105,306</u>	<u>5,505,408</u>
TOTAL LIABILITIES	<u>8,233,392</u>	<u>6,796,446</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Net Difference Between Projected and Actual Investment Earnings on Plan Investments - Pensions		86,330
Changes in Proportions - Pensions	390,395	417,640
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>390,395</u>	<u>503,970</u>
<u>NET POSITION</u>		
Net investment in capital assets	16,517,821	17,485,626
Restricted	577,827	565,803
Unrestricted/(Deficit)	(366,449)	(244,521)
TOTAL NET POSITION	<u>\$ 16,729,199</u>	<u>\$ 17,806,908</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 POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating Revenue:		
Student Tuition and Fees	\$ 3,501,457	\$ 4,157,826
Federal Grants and Contracts	1,182,355	1,303,280
State and Local Grants and Contracts	654,146	670,017
Foundation Revenue	127,774	126,750
Other	390,942	545,922
	<u>5,856,674</u>	<u>6,803,795</u>
Operating Expenses:		
Instruction	3,955,627	4,556,500
Institutional Support	2,205,339	2,086,095
Public Service	490,339	576,997
Academic Support	1,192,410	1,129,601
Operation and Maintenance of Plant	1,248,517	1,215,928
Student Support	765,548	829,850
Capital Expenses	293,282	13,624
Scholarships and Student Aid	112,847	248,850
Foundation Expenses	81,707	97,411
Debt Service	27,118	27,098
Depreciation	1,261,087	975,584
	<u>11,633,821</u>	<u>11,757,538</u>
Operating Loss	<u>(5,777,147)</u>	<u>(4,953,743)</u>
Nonoperating Revenue:		
State appropriations	2,248,599	2,273,078
State Alternate Benefits Plan	213,641	212,291
County appropriations	2,156,060	2,009,127
Miscellaneous	61,885	51,587
Investment income	19,253	8,288
	<u>4,699,438</u>	<u>4,554,371</u>
Change in Net Position	(1,077,709)	(399,372)
Net Position- Beginning of Year	<u>17,806,908</u>	<u>18,206,280</u>
Net Position - End of Year	<u>\$ 16,729,199</u>	<u>\$ 17,806,908</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 FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 4,888,920	\$ 5,487,051
Grants and contracts received	287,694	651,564
Payments to suppliers	(2,677,434)	(3,315,591)
Payment for employee salaries and benefits	(7,093,404)	(7,237,409)
Other receipts	390,942	545,922
Net Cash Used for Operating Activities	<u>(4,203,282)</u>	<u>(3,868,463)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from state appropriations	2,248,599	2,273,078
Cash received from state appropriations - Alternate Benefits Plan	213,641	212,291
Cash received from county appropriations	2,156,060	2,009,127
Cash received from other non-operating activities	61,885	51,587
Net Cash Provided by Noncapital Financing Activities	<u>4,680,185</u>	<u>4,546,083</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(293,282)	(448,492)
Net Cash Used for Capital and Related Financing Activities	<u>(293,282)</u>	<u>(448,492)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	19,253	8,288
Purchases of investments	(145,482)	(103,771)
Proceeds from sales of investments	128,289	109,614
Assets converted to cash		(1,000)
Interest and dividends - reinvested	(15,007)	(14,337)
Unrealized gains/losses	(5,212)	9,705
Net Cash Provided by/(Used for) Investing Activities	<u>(18,159)</u>	<u>8,499</u>
Net Increase in Cash and Cash Equivalents	165,462	237,627
Cash and Cash Equivalents - Beginning of Year	5,508,142	5,270,515
Cash and Cash Equivalents - End of Year	<u>\$ 5,673,604</u>	<u>\$ 5,508,142</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating Loss	\$ (5,777,147)	\$ (4,953,743)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	1,261,087	975,584
Changes in assets and liabilities:		
(Increase)/Decrease in Student accounts receivable	17,614	88,796
(Increase)/Decrease in Third-party receivables	117,946	51,523
(Increase)/Decrease in Other restricted receivables	(9,199)	4,500
(Increase)/Decrease in prepaid expenses	(197)	(65,047)
(Increase)/Decrease in Deferred Outflows of Resources	(1,136,757)	(762,994)
Increase/(Decrease) in Accounts payable	(182,169)	251,810
Increase/(Decrease) in Scholarships payable	(9,995)	(7,846)
Increase/(Decrease) in Accrued compensated absences payable	9,006	(32,069)
Increase/(Decrease) in Unearned revenue	20,206	(29,047)
Increase/(Decrease) in Non current liabilities	1,599,898	574,360
Increase/(Decrease) in Deferred Inflows of Resources	-113,575	35,710
Net Cash Used for Operating Activities	<u>\$ (4,203,282)</u>	<u>\$ (3,868,463)</u>

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017

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.

The College makes a distinction between operating and non-operating revenues and expenses. The College's policy for defining operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Position 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 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 ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Furthermore, the College is not includable in any other reporting entity on the basis of such criteria. The Warren County Community College is a component unit of the County of Warren.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
 (Continued)

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

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.

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 position 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 uses encumbrance accounting for internal accounting and reporting. Under encumbrance accounting, purchase orders, contract and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation.

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.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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 revenue and expenses of funds for the Warren County Community College Foundation.

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

Net Position:

Net position represents the difference between assets, deferred inflows and outflows, and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the College or 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 position is available.

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.

In the Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due after one year.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Inventory

The College had no inventory at June 30, 2017 or 2016.

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. The Warren County Community College Foundation, as a 501(c)(3) organization, also is not subject to taxes.

Allowance for Uncollectible Accounts:

The College had an allowance for uncollectible accounts of \$738,602 and \$665,929 at June 30, 2017 and 2016, respectively. The allowance for uncollectible accounts consists of all items that are currently 365 days or more overdue as well as 80% of the receivables over 120 days.

Deferred Outflows and Deferred Inflows of Resources:

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflow of resources, reported after Total Assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after Total Liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by GASB standards. The College is required to report the following as deferred outflows of resources and deferred inflows of resources.

Defined Benefit Pension Plans – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the College's proportion of expenses and liabilities to the pension as a whole, differences between the College's pension contribution and its proportionate share of contributions, and the College's pension contributions subsequent to the pension valuation measurement date.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the Public Employees Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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.

The College generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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, 2017 and 2016 consisted of investments with the New Jersey Cash Management Fund.

GASB 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.

Custodial Credit Risk – The College does not have a policy with respect to custodial credit risk. However, the College ensures that College funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017

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

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

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, 2017 consisted of the following:

	College	Foundation	Total
Cash, Checking and Cash Equivalents	\$ 1,579,446	\$ 464,371	\$ 2,043,817
New Jersey Cash Management Fund	3,629,787		3,629,787
	\$ 5,209,233	\$ 464,371	\$ 5,673,604

Cash and cash equivalents of the College as of June 30, 2016 consisted of the following:

	College	Foundation	Total
Cash, Checking and Cash Equivalents	\$ 1,611,051	\$ 486,557	\$ 2,097,608
New Jersey Cash Management Fund	3,410,534		3,410,534
	\$ 5,021,585	\$ 486,557	\$ 5,508,142

The carrying amount of the College's cash and cash equivalents at cost at June 30, 2017 was \$5,673,604 and the bank balance was \$5,778,251. The \$3,629,787 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, 2016 was \$5,508,142 and the bank balance was \$5,926,493. The \$3,410,534 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;

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017

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

Investments (Cont'd)

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 Local Government Services in the Department of Community Affairs for investment by local units;
5. Local government investment pools;
6. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); 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 section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, the actual changes in the fair market value of the Foundation's investments consisted of the following:

	<u>2017</u>	<u>2016</u>
Balance July 1	\$ 623,856	\$ 624,068
Investment activity:		
Realized gain/(loss) on investments	\$ 5,212	\$ (9,706)
Dividend and Interest Income	15,007	14,337
Assets Converted to Cash		1,000
Sale of Investments	(128,289)	(109,614)
Purchase of Investments	<u>145,482</u>	<u>103,771</u>
	<u>37,412</u>	<u>(212)</u>
Balance June 30	<u>\$ 661,268</u>	<u>\$ 623,856</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Investments (Cont'd)

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Cost Value</u>	<u>Fair Value</u>	<u>Cost Value</u>	<u>Fair Value</u>
Mutual Funds	\$ 604,887	\$ 661,268	\$ 604,887	\$ 623,856
	<u>\$ 604,887</u>	<u>\$ 661,268</u>	<u>\$ 604,887</u>	<u>\$ 623,856</u>

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, 2017, 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, 2017 and 2016, accounts receivable from students amounted to \$900,254 and \$845,195, respectively, excluding the allowance for doubtful accounts in the amount of \$738,602 for the fiscal year ending 2017 and \$665,929 in 2016. The allowance for doubtful accounts recorded for the fiscal year ended 2017 amounted to \$738,602 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>
121-365	80%
365 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: Third-Party Receivables

As of June 30, 2017 and 2016, the College had third party-receivables in the amounts of \$210,140 and \$328,086, respectively. This receivable consists mainly of \$74,685 in state grant and pension reimbursements and \$21,470 in customized training revenues in fiscal year 2017. As of June 30, the College had financial awards receivable in the amount of \$30,023.

Note 5: Prepaid Expenses

Prepaid expenses at June 30, 2017 total \$68,769, and include a number of small pre-payments for warranties, copier fees, and computer licenses.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(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 bonded debt and the retirement of such obligations. Accordingly, this 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, 2017 and 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Building	\$21,091,674			\$ 21,091,674
Building Improvements	2,050,852	\$ 199,146	\$ (277,073)	1,972,925
Furniture and Fixtures	1,431,900	28,745	(11,531)	1,449,114
Computer and Equipment	2,037,133	65,390	(65,940)	2,036,583
	<u>26,611,559</u>	<u>293,281</u>	<u>(354,544)</u>	<u>26,550,296</u>
Less Accumulated Depreciation for:				
Building	(6,226,052)	(421,760)		(6,647,812)
Building Improvements	(799,392)	(402,203)	277,073	(924,522)
Furniture and Fixtures	(750,639)	(182,962)	11,531	(922,070)
Computer and Equipment	(1,349,850)	(254,161)	65,940	(1,538,071)
	<u>(9,125,933)</u>	<u>(1,261,086)</u>	<u>354,544</u>	<u>(10,032,475)</u>
Capital Assets,				
Net of Accumulated Depreciation	<u>\$ 17,485,626</u>	<u>\$ (967,805)</u>	<u>\$ -0-</u>	<u>\$ 16,517,821</u>

The College did not have active construction projects as of June 30, 2017.

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	4 years

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Note 7: A. Accrued Expenses

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

	June 30,	
	2017	2016
Compensated Absences Payable - Current Portion	\$ 132,850	\$ 123,844
Compensated Absences - Long Term Portion	136,000	136,000
Net Pension Liability	6,969,306	5,369,408
	\$ 7,238,156	\$ 5,629,252

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.

B. Net Pension Liability

The Public Employee's Retirement System (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$0- and the long term portion is \$6,969,306. See Note 8 for further information on the PERS.

Note 8: Pension Plans

Substantially all of the College's employees participate in one contributory, defined benefit public employee retirement system: the Public Employee's Retirement System (PERS) of New Jersey.

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Note 8: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided (Cont'd)

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members

retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. College contributions to PERS amounted to \$209,428 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Note 8: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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

At June 30, 2017, the College reported a liability of \$6,969,306 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the College's proportion was .0235%, which was an increase of .001% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the College recognized pension expense of \$209,428. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 87,606	
	2015	5.72	357,976	
	2016	5.57	998,086	
Difference Between Expected and Actual Experience	2015	5.72	99,319	
	2016	5.57	30,289	
Changes in Proportion	2014	6.44		\$ 115,405
	2015	5.72		211,761
	2016	5.57		63,229
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	6.44	(131,278)	
	2015	5.72	83,991	
	2016	5.57	313,033	
Contribution Subsequent to the Measurement Date	2016	1.00	<u>211,511</u>	
			<u>\$ 2,050,533</u>	<u>\$ 390,395</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the contribution subsequent to measurement date) related to pensions will be recognized in pension expense as follows:

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Note 8: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2017	\$ 414,039
2018	414,038
2019	479,678
2020	403,000
2021	<u>128,267</u>
	<u>\$ 1,839,022</u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.08%
Salary Increases:	
2012-2021	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Note 8: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Note 8: Pension Plans (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
College's proportionate share of the Net Pension Liability	\$ 8,540,071	\$ 6,969,306	\$ 5,672,503

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

Note 9: Unearned Revenue

Unearned 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, 2017 and 2016, unearned revenue is a total of \$144,015 and \$123,809, 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.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
 (Continued)

Note 11: Post-Employment Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS, 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 PERS. It created a separate fund outside of the pension plan for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. 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.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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 Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Note 12: Risk Management (Cont'd)

The financial statements for the Fund for 2017 were not available at the time of audit. Selected summarized financial information for the Pool at June 30, 2016 and 2015 is as follows:

	New Jersey Community College	
	<u>Insurance Pool Worker's Compensation Fund</u>	
	<u>2016</u>	<u>2015</u>
Total Assets	\$ 9,198,617	\$ 8,425,039
Net Position/(Deficit)	\$ 841,831	\$ (679,429)
Operating Revenue	\$ 2,559,887	\$ 2,821,231
Total Expenses and Adjustments	\$ 1,407,426	\$ 1,717,491
Nonoperating Revenue	\$ 368,799	\$ 175,125
Change in Net Position	\$ 1,521,260	\$ 1,278,865
Member Dividends	\$ -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

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>2017</u>	<u>2016</u>
Accounts Payable, including accruals	\$ 237,807	\$ 705,765
Contribution Subsequent to Measurement Date	211,511	
Payroll Liabilities	375,944	302,239
	<u>\$ 825,262</u>	<u>\$ 1,008,004</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Note 14: Accounts Payable (Cont'd)

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

	<u>2017</u>	<u>2016</u>
Accounts Payable - Vendors	\$ 8,247	\$ 7,674
	<u>\$ 8,247</u>	<u>\$ 7,674</u>

Note 15: Operating Leases

The College did not have any operating leases as of June 30, 2017, or June 30, 2016.

Note 16: Restricted Net Position

There was restricted net position of the College of \$577,827 and \$565,803 as of June 30, 2017 and June 30, 2016, respectively. The restricted net position of the College is for student group funds. The restricted net position of the Foundation is for permanently restricted awards.

Note 17: Related Party Transactions

During the fiscal years ended June 30, 2017 and 2016, the College recognized \$2,156,127 and \$2,009,127 in operating aid from the County of Warren.

Note 18: Unrestricted Net Position/(Deficit)

The total Unrestricted Net Position at June 30, 2017 and 2016, was (\$366,449) and (\$244,521) respectively. A deficit in the Unrestricted Net Position exists primarily due to the net pension liability, and deferred inflows and outflows from pensions of \$5,465,233 and \$5,369,408 in 2017 and 2016, respectively. This does not reflect that the College is in financial hardship and is a permitted practice under Generally Accepted Accounting Principles.

Pre-GASB 68 – Net Position	\$ 22,194,432
GASB 68 – Pensions	<u>(5,465,233)</u>
Post GASB 68 – Net Pension	<u>\$ 16,729,199</u>

Of the total Unrestricted Net Position, the following have been designated by the Board of Trustees as of June 30, 2017:

	<u>2017</u>	<u>2016</u>
Designated for Future Projects	\$ 795,975	\$ 864,299
Designated for Building Projects	1,792,754	1,521,469
Designated for Subsequent Fiscal Year	933,685	935,847
	<u>\$3,522,414</u>	<u>\$3,321,615</u>

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

WARREN COUNTY COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
College's proportion of the net pension liability	2.5610831400%	2.3919319800%	0.0235313329%
College's proportionate share of the net pension liability	\$ 4,795,048	\$ 5,369,408	\$ 6,969,306
College's covered employee payroll	\$ 1,289,532	\$ 1,305,864	\$ 1,373,086
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	371.84%	411.18%	507.57%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

WARREN COUNTY COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF COLLEGE'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 211,132	\$ 205,642	\$ 209,428
Contributions in relation to the contractually required contribution	(211,132)	(205,642)	(209,428)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
College's covered employee payroll	\$ 1,263,741	\$ 1,289,532	\$ 1,305,864
Contributions as a percentage of covered employee payroll	16.71%	15.95%	16.04%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Changes of Benefit Terms:

There were no changes to benefit terms.

Changes in Assumptions:

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016 in accordance with Paragraph 44 of GASB Statement No. 67. The inflation rate changed from 3.04% as of June 30, 2015 to 3.08 as of June 30, 2016.

PART II

WARREN COUNTY COMMUNITY COLLEGE

FISCAL YEAR ENDED JUNE 30, 2017



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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*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of Management and Budget, Department of the Treasury, State of New Jersey (the "Department"), the financial statements of the Warren County Community College, in the County of Warren (the "College") as of, and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 22, 2017.

Internal Control Over Financial Reporting

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

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

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

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*.

Purpose of this Report

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

Mount Arlington, New Jersey
December 22, 2017



NISIVOCCIA LLP



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Report on Compliance For Each Major Federal and State Program:
Report on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Warren County Community College (the "College's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the fiscal year ended June 30, 2017. 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the College's compliance.

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

Opinion on Each Major Federal and State Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
December 22, 2017

NISIVOCCIA LLP

NISIVOCCIA LLP

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2017

Name of Federal Agency or Department/ Pass Through Grantor/Cluster Title	C.F.D.A. Account No.	Name of Grant	Grant I.D. No.	Grant Period	Award Authori- zations	Amount Received Fiscal Year 2017	Grant Expenditures Fiscal Year 2017	Amount Provided to Subrecipients
U.S. Department of Education Pass-Through NJ Department of Education	84.048A	Carl D. Perkins Vocational and Technical Education	PSFS718007	7/1/16-6/30/17	\$ 58,019	\$ 57,848	\$ 57,848	
						<u>57,848</u>	<u>57,848</u>	
Student Financial Assistance Cluster:								
U.S. Department of Education	84.063	Federal Pell Grant	P063P004578	7/1/16-6/30/17	1,516,615	1,516,615	1,516,615	
U.S. Department of Education	84.007	Federal Supplemental Education Opportunity Grant*	P007A007578	7/1/16-6/30/17	24,984	24,984	24,984	
U.S. Department of Education Total Student Financial Assistance Cluster	84.033	Federal Work Study Program*	P033A007578	7/1/16-6/30/17	27,982	<u>27,982</u>	<u>27,982</u>	
						<u>1,569,581</u>	<u>1,569,581</u>	
Federal Direct Student Loans Program:								
U.S. Department of Education	84.268	Unsubsidized Direct	N/A	7/1/16-6/30/17	457,579	457,579	457,579	
U.S. Department of Education Total Federal Direct Student Loans Program	84.268	Subsidized Direct	N/A	7/1/16-6/30/17	274,924	<u>274,924</u>	<u>274,924</u>	
						<u>732,503</u>	<u>732,503</u>	
Total U.S. Department of Education						<u>2,359,932</u>	<u>2,359,932</u>	
Total Federal Awards						<u>\$ 2,359,932</u>	<u>\$ 2,359,932</u>	<u>\$ -0-</u>

*Represent the federal share of funds for these programs. The Federal Government authorizes the full amount but pays 75% of the authorization. The college provides the remaining 25% match.

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
FISCAL YEAR ENDED JUNE 30, 2017

<u>Name of State Agency or Department</u>	<u>Name of Grant</u>	<u>Account I.D. #</u>	<u>Grant Period</u>	<u>Award Authorizations</u>	<u>Amount Received Fiscal Year 2017</u>	<u>Grant Expenditures Fiscal Year 2017</u>
Department of Treasury						
	State Support Operational Costs	17-100-082-2155-015	7/1/16-6/30/17	\$ 2,248,599	\$ 2,248,599	\$ 2,248,599
	Alternate Benefit Plan	17-100-082-2155-017	7/1/16-6/30/17	213,641	213,641	213,641
					<u>2,462,240</u>	<u>2,462,240</u>
Commission on Higher Education						
	EOF Summer	17-100-074-1401	7/1/16-6/30/17	35,213	29,979	29,979
	EOF Article III	17-100-074-1401	7/1/16-6/30/17	38,068	34,126	34,126
	EOF Article IV Academic Year	17-100-074-1401	7/1/16-6/30/17	82,561	77,680	77,680
					<u>141,785</u>	<u>141,785</u>
Higher Education Assistance Authority						
	Tuition Aid Grant	17-100-074-2405-007	7/1/16-6/30/17	250,620	250,620	250,620
	NJ STARS	157-100-074-2405-313	7/1/16-6/30/17	73,213	73,213	73,213
					<u>323,833</u>	<u>323,833</u>
Total State Awards					<u>\$ 2,927,858</u>	<u>\$ 2,927,858</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
FISCAL YEAR ENDED JUNE 30, 2017

Note 1: Basis of Presentation

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") under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the College, they are not intended to and do not present the financial position, changes in net position or cash flows of the College.

Note 2: Summary of Significant Accounting Policies:

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the accrual basis of accounting. This basis of accounting is described in Note 1 to the College's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represents adjustments or credits made in the normal course of business to amounts reports as expenditures in prior years.

Note 3: Indirect Cost Rate

The College has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: 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 (\$1,177,577) and the adjustment for state awards is (\$2,273,712). 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 5: 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.

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the College.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major federal and state programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The College's programs tested as major federal and state programs for the current fiscal year consisted of the following:

	State Grant/ CFDA Number	Grant Period	Award Amount	Budgetary Expenditures
<u>State:</u>				
State Support	17-100-082-			
Operational Costs	2155-015	7/01/16-6/30/17	\$ 2,248,599	\$ 2,248,599
<u>Federal:</u>				
Student Financial Assistance Cluster:				
Federal Pell Grant	84.063	7/01/16-6/30/17	1,516,615	1,516,615
Federal Supplemental Education				
Opportunity Grant	84.007	7/01/16-6/30/17	24,984	24,984
Federal College Work Study	84.033	7/01/16-6/30/17	27,982	27,982
Federal Direct Student Loans Program	84.268	7/01/16-6/30/17	732,503	732,503

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Summary of Auditor's Results: (Cont'd)

- The threshold used for distinguishing between Type A and Type B programs for both federal and state programs was \$750,000.
- The College determined to be a "low-risk" auditee for both federal and state programs.

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in 2 CFR 200.516(a) of the Uniform Guidance.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

WARREN COUNTY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

There were no findings or questioned costs noted during the audit of the fiscal year ended June 30, 2016.