

WARREN COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

WARREN COUNTY COMMUNITY COLLEGE
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Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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, 2014 and 2013, 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 audit. We conducted our audit 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
Warren County Community College
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Warren County Community College, in the County of Warren, as of June 30, 2014 and 2013, and the 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 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 the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

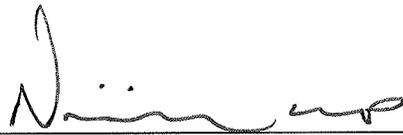
The schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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
Warren County Community College
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014 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
November 25, 2014



NISIVOCCIA LLP

FY14 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, 2014. 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 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 Government 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 Fund 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 (referred to as the A-133 Audit), which is required by both federal and state entities.

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

Statement of Net Position: College Funds

The Statement of Net Position includes assets, liabilities and the resulting net position of the College.¹ 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 and liabilities. 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.

¹ This statement would include deferred outflows and inflows, however these categories do not apply to WCCC.

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, 2014 was \$22.6 million.

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

	<u>FY14</u>	<u>FY13</u>	<u>1 Year Change</u>	<u>FY12</u>	<u>2 Year Change</u>
Current Assets	5,226	5,560	(334)	4,692	534
Capital Assets	<u>18,563</u>	<u>18,460</u>	<u>103</u>	<u>19,038</u>	<u>(475)</u>
Total Assets	23,789	24,020	(231)	23,730	59
Current Liabilities	1,029	1,753	(724)	1,697	(668)
Non-Current Liabilities	136	136	-	136	-
<u>Net Position</u>					
Investment in Capital	18,563	18,460	103	19,038	(475)
Restricted	24	22	1	21	3
Unrestricted-Designated	2,848	2,609	239	1,875	973
Unrestricted	<u>1,190</u>	<u>1,040</u>	<u>150</u>	<u>963</u>	<u>227</u>
Total Net Position	22,624	22,131	493	21,896	728

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 and net position.

Current Assets

Current assets include cash and cash equivalents, accounts receivable, inventory and prepaid expenses. As the chart above indicates, the College's current assets decreased by \$334,219 from FY13 to FY14 to a level just over \$5.2 million. This change represents a decrease in third party receivables, in part due to a change in how the College recognizes end of year customized training revenues.

Capital Assets, Net

Capital assets include facilities, building improvements, computers, furnishings and equipment and fixtures. The College's capital assets were just under \$18.6 million by the end of FY14, representing a \$103,238 increase from the prior year. The overall increase in capital assets reflects capital projects completed in FY14, including the Boiler Project and the purchase of Jenzabar software. Capital assets are offset by depreciation, which is calculated based on the useful life of an asset. Note that for FY14, the College reduced the useful life for its desktop/laptop inventory to 4 years (from 5 years) based on the average lifecycle of those devices.

The change in capital assets by category is shown below.

<u>Asset Type</u>	Capital Assets, Net (in \$000)				
	<u>FY14</u>	<u>FY13</u>	<u>1 Year Change</u>	<u>FY12</u>	<u>2 Year Change</u>
Computers & Equipment	1,828	1,552	276	1,514	314
Furniture & Fixtures	1,162	846	316	691	471
Building Improvements	1,898	1,639	260	1,571	328
Building	<u>21,092</u>	<u>21,092</u>	<u>0</u>	<u>21,092</u>	<u>0</u>
Total	25,980	25,128	852	24,867	1,113
Less Accumulated Depreciation	(7,417)	(6,668)	749	(5,829)	(1,588)
Net Capital Assets	18,563	18,460	103	19,038	(475)

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 as of June 30, 2014 were \$1,038,595, a significant decrease from FY13. This decrease primarily is attributed to a change in how the College recognizes commitments for customized training courses. For the fiscal year ending June 30, 2014, current assets exceeded current liabilities by a 5:1 basis, indicative of the College's strong financial position at that time.

Colleges are required to reflect any post-retirement liabilities (other than pension funds) for employees as a non-current liability. These typically include items such as sick leave payout or retirement health benefits. Most post retirement benefits for WCCC employees are paid through the State of New Jersey and recognized in the State audit. However, WCCC offers a sick leave payout of up to \$8,000 for faculty members 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 FY14 is \$136,000, representing the maximum allocation available for eligible employees.

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 assets are classified on the next page as "restricted," or "unrestricted."

Restricted assets pertain to those funds received with donor-imposed restrictions. Restricted College funds are those held by the student clubs and organizations. *Designated assets* refer to funds where the Board of Trustees has formally set-aside resources for a specific project or use. *Undesignated net position* pertains 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.”

The table below displays the College net position, exclusive of Capital Assets and Foundation funds, by category:

<u>College Net Position (Excluding Capital Assets) (Rounded \$000)</u>					
	<u>FY14</u>	<u>FY13</u>	<u>1 Year Change</u>	<u>FY12</u>	<u>2 Year Change</u>
<i>Undesignated</i>	<i>1,190</i>	<i>1,040</i>	<i>150</i>	<i>963</i>	<i>227</i>
<i>Designated Operating:</i>					
FY16 Budget	300	300	0	300	0
Academic Student Programming	56	75	(19)	75	(19)
Pathways/Salary Grant	275	0	275	0	275
Presidential Priorities	50	0	50	0	50
<i>Designated: Current Projects</i>					
Boilers/R & R Projects	434	519	(85)	400	34
Computers/Technology	720	800	(80)	800	(80)
Classroom Furnishings	50	0	50	0	50
ADA Walkway	63	75	(12)	0	63
Summer 2013 Renovations	0	40	(40)	0	0
<i>Designated: Future Capital</i>					
Amphitheater	500	500	0	0	500
Health Sciences Center	400	300	100	300	100
<i>Total, Designated</i>	<i>2,848</i>	<i>2,609</i>	<i>239</i>	<i>1,875</i>	<i>973</i>
<i>Restricted (Student Clubs)</i>	<i>24</i>	<i>22</i>	<i>1</i>	<i>21</i>	<i>3</i>
Total Net Position	4,061	3,671	390	2,858	1,203

Non-capital assets as of June 30, 2014 were just under \$4.1 million in FY14. Undesignated funds increased to just under \$1.2 million, 9.7% of FY14 expenses. This is consistent with the Board’s annual goal of maintaining a set-aside of approximately 10% of expenses. 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. A portion of the Current Project allocations are for projects either completed or currently underway

(such as the ADA walkway, classroom furnishings and the technology upgrade projects). Other designations reflect priorities to be identified in the Strategic Plan (Pathways/Salary Grant). Funds also have been set aside for future boiler and renewal and replacement needs at both Washington and Phillipsburg sites.

In addition, the Board has set aside funds for two future capital projects: design costs for the Health Education Center and funds for an amphitheater in Washington. Both projects were identified as priorities in the 2010 Facilities Master Plan.

The final component of net position is restricted assets. The funds in this category represent resources held by the College on behalf of student clubs and organizations.

Statement of Net Assets: WCCC Foundation

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

	<u>WCCC Foundation Net Position (in Rounded \$000)</u>				
	<u>FY14</u>	<u>FY13</u>	<u>1 Year Change</u>	<u>FY12</u>	<u>2 Year Change</u>
Total Assets	1,071	989	82	868	205
Liabilities	53	56	(2)	20	34
<u>Net Position</u>					
Restricted	532	512	21	502	30
Unrestricted	<u>486</u>	<u>422</u>	<u>64</u>	<u>346</u>	<u>140</u>
Total Net Position	1,018	934	84	848	171

From FY13 to FY14, the net position of the Foundation increased by \$84,776. Unrestricted assets also increased during this period by \$64,065, reflecting the Foundation's fundraising activities held during 2013-14. Restricted funds include endowed funds with donor-imposed restrictions. Note that the WCCC Foundation does not own any capital assets.

Statement of Revenues, Expenses and Changes 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 and shows their result on the College's net 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. Because GASB requires that expenses be compared to operating revenues, the College appears to have an operating loss. However, when both operating and non-operating revenues are combined, they exceed total expenses in FY14, as shown on the next page.

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

	<u>FY14</u>	<u>FY13</u>	<u>1 Year Change</u>	<u>FY12</u>	<u>2 Year Change</u>
<u>Operating Revenues</u>					
Student tuition and fees	5,213	5,610	(397)	5,572	(359)
Federal grants and contracts	1,712	1,724	(12)	1,776	(64)
State/ local grants and contracts	948	577	371	590	358
Other	<u>586</u>	<u>605</u>	(20)	<u>614</u>	<u>(28)</u>
Total Operating Revenues	8,459	8,517	(34)	8,551	(92)
<u>Non-Operating Revenues</u>					
State appropriations	2,247	2,263	(15)	2,256	(9)
State ABP	206	313	(108)	236	(30)
County appropriations	1,877	1,877	0	1,877	0
County capital appropriations	0	0	0	6,920	(6,920)
Other	<u>29</u>	<u>88</u>	<u>(59)</u>	<u>151</u>	<u>(122)</u>
Total Non-Operating Revenues	4,359	4,541	(182)	11,439	(7,081)
Total Revenues	<u>12,818</u>	<u>13,058</u>	(240)	<u>19,990</u>	(7,172)
Total Expenses	<u>12,325</u>	<u>12,823</u>	(499)	<u>13,166</u>	(841)
Change in Net Position	493	234		6,825	

Operating Revenues

FY14 College operating revenues were slightly below both the FY13 and FY12 levels. This decrease can be attributed to a decline in student tuition and fee revenues, related to enrollment decreases. Student tuition and fees represented \$5.2 million of the total operating revenue, down from nearly 5.6 million in FY12. 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 slightly in FY14, reflecting a reduction in federal Pell grant funds. Pell grants declined as a result of a) additional federal eligibility restrictions and b) the FY14 enrollment reduction.

In contrast, FY14 *State grant funds* increased. Much of this increase is attributed to one-time state grant funds for technology (Equipment Leasing Fund and Higher Education Technology Infrastructure) funds. WCCC received a total of \$371,808 in funding from these sources in FY14. These revenues were used to purchase a new Enterprise Resource Planning (ERP) software (Jenzabar EX) and to replace classroom and server room equipment.

Other revenues include rental payments, bookstore commission income and student club income. The slight decrease in this category during FY14 reflects a reduction in bookstore commission.

On-campus bookstore revenues have been steadily declining as students seek other options for textbooks such as book rental or on-line vendors.

Gross Tuition and Fee Revenues

The SRECNP displays tuition and fees by funding source, so tuition and fees paid by state and federal financial aid funds are categorized under state or federal grants. The display below shows total (gross) tuition and fee revenues.

Gross Tuition and Fee Revenues (Rounded \$000)					
	<u>FY14</u>	<u>FY13</u>	<u>1 Year</u> <u>Change</u>	<u>FY12</u>	<u>2 Year</u> <u>Change</u>
Revenue-Credit Programs	4,986	5,432	(446)	5,524	(538)
Write-off of Prior Bad Debt	(166)	(277)	111	(377)	211
Revenue-Non-Credit Programs	<u>2,077</u>	<u>2,237</u>	<u>(160)</u>	<u>2,295</u>	<u>(218)</u>
Total	6,897	7,391	(495)	7,442	(545)
	<u>FY14</u>	<u>FY13</u>	<u>1 Year</u> <u>Change</u>	<u>FY12</u>	<u>2 Year</u> <u>Change</u>
Audited Credits	38,974	42,122	-7.5%	43,434	-10.3%
Per Credit Charges	137.00	133.00	3.0%	131.00	4.6%

As the chart above indicates, there was a decrease in gross tuition and fees, reflecting enrollment decreases in both credit and non-credit programs. This is part of an overall national trend of enrollment reductions at community colleges after several years of steep enrollment increases. The revenue decrease from a 7.5% drop in credit hours in FY14 was partially offset by a 3% increase in per credit charges.

Note that the calculation of gross tuition and fees includes prior year tuition write offs. WCCC writes off outstanding tuition and fee charges after three years. After 180 days, however, it uses an "allowance" to deduct 80% of outstanding debt from its student receivables. After 365 days, this allowance becomes 100%. In this way, the College's financial statements do not over report outstanding debt. Note however that even if debt is written off its books, the College still attempts to collect outstanding payments.

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

For FY14, County funding was \$1,877,106, the same level as provided over the past two years. State appropriations are determined through a sector-wide funding formula that considers several factors, including enrollment. WCCC's FY14 state operating funds reflected a slight decrease from FY13. State funding is provided using a formula that takes into account various factors,

including FTE enrollment. State Alternate Benefit Funding (ABP) is a reimbursement for certain state pension contributions. WCCC received higher ABP support in FY12 and FY13 because it was being reimbursed for FY10 and FY11 payments.

Miscellaneous revenue includes testing fees, investment income and one-time insurance reimbursements. WCCC received several larger insurance reimbursements in FY13 and FY12 for legal costs and minor property loss from Hurricane Sandy.

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 below shows expenses by category for College funds for the periods FY12 through FY14.

<u>Category</u>	Expenses by Function (\$000)				
	<u>FY14</u>	<u>FY13</u>	<u>1 Year Change</u>	<u>FY12</u>	<u>2 Year Change</u>
Instruction	5,210	5,672	(462)	5,717	(507)
Institutional Support	1,898	1,977	(79)	2,001	(103)
Public Service	596	527	69	508	88
Academic Support	1,131	1,112	19	1,121	10
Physical Plant	1,237	1,241	(4)	1,633	(395)
Student Support	1,039	1,083	(44)	1,128	(89)
Capital Expense	44	38	6	16	27
Scholarships/Aid	309	316	(7)	266	43
Depreciation/Deletions	<u>860</u>	<u>857</u>	<u>4</u>	<u>775</u>	<u>86</u>
Total	12,325	12,823	(499)	13,166	(841)

Total College expenses decreased by \$498,626 from FY13 to FY14. A general discussion of key changes by major expense category is included below.

The key change was a decrease in expenses from the prior year in the category of *Instruction*. This category declined by \$461,903 or 8.1%. The reduction reflects the College's enrollment reduction, which resulted in fewer class offerings during 2013-14. The major decrease in this category was in adjunct faculty expenses, which declined by \$354,638 or 37% from its FY13 level.

Changes in *Institutional Support* and *Student Services* primarily reflect staffing adjustments and position turnover that occurred in FY14. In contrast, the overall increase in the category of Public Service reflects additional staffing and activities associated with the Economic Impact Study required under the federal Health Professions Opportunity Grant (HPOG). Minor changes occurred in the other functional categories between FY13 and FY14.

Expenses by Natural Spending Categories

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

Expenses by Natural Category (\$000)²

<u>Category</u>	<u>FY14</u>	<u>FY13</u>	<u>1 Year</u> <u>Change</u>	<u>FY12</u>	<u>2 Year</u> <u>Change</u>
Employee Salaries	5,431	5,688	(257)	5,844	(413)
Employee Fringe Benefits	<u>1,814</u>	<u>1,805</u>	<u>9</u>	<u>1,781</u>	<u>33</u>
Employee Salaries & Benefits	7,244	7,492	(248)	7,624	(380)
Non-Salaries					
<i>Materials and Supplies</i>	390	411	(21)	455	(65)
<i>Services</i>	458	455	3	466	(8)
<i>Customized Training Services</i>	1,268	1,505	(237)	1,510	(242)
<i>Computing/Equipment</i>	636	617	18	621	14
<i>Utilities/Insurance/Maintenance</i>	1,088	1,110	(22)	1,406	(318)
<i>Scholarships</i>	310	317	(7)	268	42
<i>Other</i>	<u>27</u>	<u>20</u>	<u>7</u>	<u>25</u>	<u>2</u>
Subtotal, Non-Salaries	4,177	4,436	(259)	4,750	(575)
Total, Operating Expenses	11,421	11,928	(507)	12,374	(955)
Capital/Depreciation	904	895	9	791	113
Total	12,325	12,823	(498)	13,165	(842)

The largest segment of operating costs are employee costs, which totaled \$7,244,439 in FY14. These represent 70% of the College's unrestricted operating expenses (excluding customized training services, which are not considered unrestricted expenses). *Employee Salaries* declined for the second year in a row, primarily reflecting a decline in part-time (adjunct) employees. For the first time in a number of years, *Employee Fringe Benefits* costs stabilized in FY14. This reflects both fewer part-time employees and additional full-time employee co-pay requirements for health benefits.

Customized Training Services also decreased in FY14. As noted previously, this primarily reflects a change in the recognition of year end revenue and expenses (with summer expenses recorded on a cash, rather than an accrual, basis).

There were minor changes in other natural categories from FY13 to FY14. However, it should be noted that over a two year basis, there was a significant decrease in the category of *Utilities/Insurance/Maintenance*. The higher expenses in this category in FY12 reflected both start-up costs associated with the Phillipsburg Education Center as well as higher utility costs.

² In accordance with NJSIA 18A:3B-6(k), the College is required to report expenses for government relations, public relations or legal services completed either in-house or through external consultants. WCCC does not have employees that provide these functions. For FY14, the College did not hire any government relations agencies, but paid \$24,121 in dues to the Council of County Colleges, which engages in functions including government relations. WCCC does use a local vendor to assist with public relations activities. These services totaled \$16,575 in FY13. The College used external firms for legal services. Legal expenses for FY13 totaled \$33,908.

During FY13, the College joined the County College Purchasing Consortium, which resulted in significant savings on electric supply costs.

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 Net Position (Foundation) (Rounded \$000)

	<u>FY14</u>	<u>FY13</u>	<u>1 Year Change</u>	<u>FY12</u>	<u>2 Year Change</u>
Foundation Revenues					
Fundraising	137	123	14	124	13
Other	67	71	-4	164	-97
Total Revenues	203	193	10	288	-85
Foundation Expenses	119	108	6	101	17
Increase in Net Position	85	86		187	

Total Foundation revenues for FY13 were \$203,439, including \$136,798 in fundraising revenues from the President's Ball, Comedy Night and the Warren County Hall of Fame. The balance of income represents restricted scholarship income, investment income and realized/unrealized gains. Expenses of \$118,663 included \$50,793 in direct fundraising costs and \$43,890 in scholarship payments. Revenue and expenses together resulted in a total increase in net position of \$84,776 for FY14.

Statement of Cash Flows

The third financial statement included in the audit is the Statement of Cash Flows. This statement documents the actual outlay and receipt of cash assets of the College and reconciles the decreases in cash in accordance with GASB reporting. As this schedule notes, the overall cash position increased by (5.5%) to \$4,756,938 at the close of FY14.

This increase reflected a change in the College's cash position, which increased by \$241,460 to \$4.3 million. This is related to the planned set-aside of funds for future projects, including the capital, technology and the Pathways project. The College expects to begin significantly drawing down these resources in FY15-16 as additional designated projects are completed. The Foundation's cash position increased by \$8,102 to stand at \$441,765 at the close of FY14.

Future Developments

This section is intended to focus on prospective issues that may affect the College's financial position in future years. There are four issues of note:

Strategic Planning

Over the past year, the College has been engaged in a new Strategic Planning process to cover the 2014-2019 period. As part of this initiative, the Board of Trustees and the campus community undertook visioning sessions at a March 2014 Board of Trustees Retreat and at the April 2014 College In-Service. This was followed up with activities of various task forces focusing on the following areas:

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

The Board of Trustees is expected to consider strategic goals in these eight areas at its December 2014 meeting. In anticipation of adopting new directions for the College, the Board of Trustees set aside \$275,000 in funds to support “Strategic Pathways” initiatives during 2015.

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. A total of \$500,000 will be provided through the Equipment Leasing Fund (ELF) and \$417,000 through the Higher Education Technology Infrastructure (HETI) program. As part of this, the College must match at least \$417,000 for the HETI funds and pay 25% of the debt service on its ELF share. The Board of Trustees designated net position in FY13 to cover these matching requirements.

During FY14, the College began implementing a number of initiatives covered under this grant. A classroom was converted to a 28 seat computer lab. A new Storage Area Network (SAN) and server were installed in the Washington server room and additional wireless hubs were installed on that campus.

During summer 2014, the College upgraded an additional four computer labs with new technology. A fifth lab is slated to be expanded during December 2014. The costs for these upgrades were supported through FY15 ELF Funds. The College’s share of ELF Debt Service for payments will begin in FY15.

In September 2013, the College entered into an agreement with Jenzabar to upgrade its Enterprise Resource Planning (ERP) system to their EX platform. This system supports the College’s admission, registration, advising, purchasing, general ledger, accounts receivable and accounts payable activities. In addition to the base ERP system, the College also has purchased a

new Learning Management System to offer on-line courses, retention software and a mobile web product for students.

Since October 2014, the College has been undergoing extensive training and system conversion tasks. This includes the development of a new chart of account structure and an automated advising system and the mapping/conversion of all data in current systems. The workload related to the implementation project involves most administrative offices of the College. This new system will automate many of the audit tasks and allow for better report writing and data analysis. The College is scheduled to “go live” with the EX software by the end of June, 2015. The rollout of ancillary Retention software will occur in Fall 2015.

Enrollment Changes and Budget Challenges

After experiencing a 108% FTE enrollment increase from FY03 to FY11, the College experienced its first enrollment correction in FY12. This trend continued during FY13 and FY14. The FY14 FTE final enrollment is consistent with the enrollment level that WCCC experienced between FY10 and FY11.

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

Enrollment began levelling off nationally and at WCCC in FY12. There were several reasons for this. First, the economy began to improve. As employment opportunities began to open up, students, particularly adult students, had options besides attending college. Second, health insurance changes no longer required dependent students to attend full-time to receive benefits. As a result, community colleges saw a drop in full-time enrollment in favor of part-time enrollment. Third, demographic trends did not support enrollment growth. As the large freshman class of 2009 began moving on, they were replaced by smaller high school graduating classes. In Warren County, the high school graduating classes have dropped each year since a peak in 2008. The fourth enrollment challenge has been caused by changes in federal financial aid requirements that began in FY12. These included stricter Satisfactory Academic Progress Standards and the elimination of the summer Pell grants in Summer 2013.

WCCC’s enrollment increases and decreases mirrored those of other NJ community colleges. Where the College has differed from its peers has been in how WCCC managed the enrollment trends. When enrollment skyrocketed, WCCC did not add new full-time employees or develop plans for large new programs or facilities. Instead, the College and the Board recognized that the enrollment growth was a temporary phenomenon and that WCCC would likely experience a downward enrollment correction within a few years. Instead of adding staff and augmenting the operating the budget, the Board made selective one-time capital or funded operating projects to support short-term program or service enhancements. As a result, the College is not in the position of making that drastic budget cuts to meet revenue shortfalls.

WCCC anticipates a slight decline in enrollments during FY15, again mirroring the patterns also felt by other NJ community colleges. The College has built this into the FY15 budget and multi-year financial plan and has set aside contingency funds should enrollments fall below projected levels. As part of its strategy of coping with additional budget constraints, the College also has adopted a hybrid teaching/administrative job classification (“College Lecturers”) to support both instructional and academic/student support needs. These 12-month position allow the College to address functions and services outside of the normal 32 week faculty teaching schedule.

Capital Projects

Finally, the College has been involved in several small capital projects and began design over the summer of 2014 of an outdoor amphitheater project. During Fall 2014, the College successfully upgraded its boiler system on the Washington Campus. Also during FY14, the College had an energy audit undertaken and several projects were identified that could produce future savings. WCCC will use this information as a guide as it addresses future renewal and replacement projects. As the campus buildings age, it will be necessary to set aside funds to address replacement needs. The Board continues to set aside funds to cover future HVAC and roofing projects.

During summer 2014, the College completed the ADA walkway project which installed new ADA compliant handicapped parking stalls, developed a new ADA pathway to the main building and installed a new walkway to the main entrance to replace the existing pavers. A new patio sitting area was constructed behind the library using the dedicated pavers from the front walkway.

Finally, in Fall 2014, the College began to consider options for the outdoor Amphitheater. The proposed 250 seat facility will be located behind the main building and will be able to accommodate special College events such as graduation and performances. At this time, the College intends to put this project out to bid in February 2015 and expects construction to begin after the May 2015 graduation. A total of \$500,000 was set aside in funds for this project.

FINANCIAL STATEMENTS

WARREN COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 4,760,127	\$ 4,492,629
Investments	619,816	555,309
Restricted cash and cash equivalents	24,702	14,836
Receivables:		
Student accounts receivable (net of allowance for doubtful accounts of \$513,459 for 2014 and \$483,458 for 2013)	223,140	285,286
Grants and awards		10,353
Third-party receivables	591,180	1,024,168
Other restricted receivables	10,000	
Prepaid expenses	68,295	166,276
Total Current Assets	6,297,260	6,548,857
Noncurrent Assets:		
Capital Assets:		
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	18,562,997	18,459,759
Total Noncurrent Assets	18,562,997	18,459,759
TOTAL ASSETS	24,860,257	25,008,616
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	761,644	1,479,276
Scholarship payable	41,454	44,203
Accrued compensated absences payable	125,161	128,962
Unearned revenue	153,706	155,729
Total Current Liabilities	1,081,965	1,808,170
Non-Current Liabilities	136,000	136,000
TOTAL LIABILITIES	1,217,965	1,944,170
<u>NET POSITION</u>		
Net investment in capital assets	18,562,997	18,459,759
Restricted	556,036	533,916
Unrestricted (Note 18)	4,523,259	4,070,771
TOTAL NET POSITION	\$ 23,642,292	\$ 23,064,446

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenue:		
Student tuition and fees	\$ 5,213,273	\$ 5,610,190
Federal grants and contracts	1,711,739	1,724,140
State and local grants and contracts	948,360	577,199
Foundation revenue	203,439	193,371
Other	585,749	605,316
	<u>8,662,560</u>	<u>8,710,216</u>
Operating Expenses:		
Instruction	5,210,335	5,672,237
Institutional support	1,897,753	2,108,293
Public service	595,591	520,050
Academic support	1,131,188	1,118,836
Operation and maintenance of plant	1,237,232	1,109,527
Student support	1,039,486	1,083,188
Capital expenses	43,550	37,912
Scholarships and student aid	309,366	316,495
Foundation expenses	118,663	107,851
Depreciation	860,329	856,808
Total Operating Expenses	<u>12,443,493</u>	<u>12,931,197</u>
Operating Loss	<u>(3,780,933)</u>	<u>(4,220,981)</u>
Nonoperating Revenue:		
State appropriations	2,247,240	2,262,629
State Alternate Benefits Plan	205,606	313,431
County appropriations	1,877,106	1,877,106
Miscellaneous	27,073	85,400
Investment income	1,754	2,418
	<u>4,358,779</u>	<u>4,540,984</u>
Increase in Net Position	577,846	320,003
Net Position- Beginning of Year	<u>23,064,446</u>	<u>22,744,443</u>
Net Position - End of Year	<u>\$ 23,642,292</u>	<u>\$ 23,064,446</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, 2014 AND 2013

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	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 6,980,235	\$ 7,391,242
Grants and contracts received	987,536	521,859
Payments to suppliers	(4,391,178)	(4,391,182)
Payment for employee salaries and benefits	(7,214,986)	(7,528,575)
Other receipts	585,052	605,317
Net Cash Used for Operating Activities	(3,053,341)	(3,401,339)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from state appropriations	2,247,240	2,262,629
Cash received from state appropriations - Alternate Benefits Plan	205,606	313,431
Cash received from county appropriations	1,877,106	1,877,106
Cash received from other non-operating activities	27,073	85,400
Net Cash Provided by Noncapital Financing Activities	4,357,025	4,538,566
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(963,567)	(278,593)
Net Cash Used for Capital and Related Financing Activities	(963,567)	(278,593)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,754	2,418
Purchases of investments	(22,380)	(3,770)
Proceeds from sales of investments	4,800	
Interest and dividends - reinvested	(9,175)	(19,579)
Unrealized gains/losses	(37,752)	(10,655)
Net Cash Used for Investing Activities	(62,753)	(31,586)
Net Increase/(Decrease) in Cash and Cash Equivalents	277,364	827,048
Cash and Cash Equivalents - Beginning of Year	4,507,465	3,680,417
Cash and Cash Equivalents - End of Year	\$ 4,784,829	\$ 4,507,465
Reconciliation of operating loss to net cash used for operating activities:		
Operating Loss	\$ (3,780,933)	\$ (4,220,981)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	860,329	856,808
Changes in assets and liabilities:		
(Increase)/Decrease in Student accounts receivable	62,146	159,081
(Increase)/Decrease in Grant receivables	10,353	1,572
(Increase)/Decrease in Third-party receivables	432,988	(264,230)
(Increase)/Decrease in Other restricted receivables	(10,000)	
(Increase)/Decrease in Prepayments and other assets	97,981	(24,828)
Increase/(Decrease) in Accounts payable	(717,632)	61,205
Increase/(Decrease) in Scholarships payable	(2,749)	32,279
Increase/(Decrease) in Accrued compensated absences payable	(3,801)	2,055
Increase/(Decrease) in Unearned revenue	(2,023)	(4,300)
Net Cash Used for Operating Activities	\$ (3,053,341)	\$ (3,401,339)

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, 2014

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).

The College makes a distinction between operating and nonoperating revenues and expenses. The College's policy for defining operating activities as reported on the Statement of Revenues, Expenses and Changes in Net 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 and unrestricted resources are spent and tracked at the discretion of the College within the guidelines of donor restrictions, if any.

Reporting Entity

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

Measurement Focus

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

Under the terms of grant and other agreements, the College may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, other restricted funds and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net 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.

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.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

Foundation Funds – to account for receipts and disbursements 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.

Inventory

The College had no inventory at June 30, 2014 or 2013.

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.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

Allowance for Uncollectible Accounts:

The College had an allowance for uncollectible accounts of \$513,459 and \$483,458 at June 30, 2014 and 2013, respectively. The allowance for uncollectible accounts consists of all items that are currently 365 days or more overdue as well as a portion of the receivables over 180 days.

Management Estimates:

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

Note 2: Cash, Cash Equivalents, and Investments

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

Investments are presented in the financial statements in the aggregate at fair value based on quoted market prices. The College's investments for the years ended June 30, 2014 and 2013 consisted of investments with the New Jersey Cash Management Fund.

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

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

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

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

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

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

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

Cash and cash equivalents of the College as of June 30, 2014 consisted of the following:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
Cash, Checking and Cash Equivalents	\$ 1,262,067	\$ 441,765	\$ 1,703,832
New Jersey Cash Management Fund	3,080,997		3,080,997
	<u>\$ 4,343,064</u>	<u>\$ 441,765</u>	<u>\$ 4,784,829</u>

Cash and cash equivalents of the College as of June 30, 2013 consisted of the following:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
Cash, Checking and Cash Equivalents	\$ 1,284,891	\$ 431,724	\$ 1,716,615
New Jersey Cash Management Fund	2,790,850		2,790,850
	<u>\$ 4,075,741</u>	<u>\$ 431,724</u>	<u>\$ 4,507,465</u>

The carrying amount of the College's cash and cash equivalents at cost at June 30, 2014 was \$4,784,829 and the bank balance was \$4,741,121. The \$3,080,997 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, 2013 was \$4,507,465 and the bank balance was \$4,741,121. The \$2,790,850 with the New Jersey Cash Management Fund was uninsured and unregistered.

Investments

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

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

Investments (Cont'd)

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

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

	2014		2013
Balance July 1	\$ 555,309		\$ 521,305
Investment activity:			
Realized gain/(loss) on investments	\$ 42,552		\$ 10,655
Dividend and Interest Income	9,175		19,579
Sale of Investments	(4,800)		
Purchase of Investments	17,580		3,770
	64,507		34,004
Balance June 30	\$ 619,816		\$ 555,309

	June 30, 2014		June 30, 2013	
	Cost Value	Fair Value	Cost Value	Fair Value
Bonds			\$ 16,048	\$ 17,740
Equities			149,152	201,562
Mutual Funds	\$ 602,387	\$ 619,816	342,913	336,007
	\$ 602,387	\$ 619,816	\$ 508,113	\$ 555,309

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 3: Student Accounts Receivable

Unpaid student accounts are charged to student accounts receivable, and students are notified of payments due to the College. No provision for delinquent penalty interest is provided. However, any grade or transcript release or future registration will be denied to any student with an unpaid obligation due to the College. The College does pursue collection through an agency, including litigation, if payment is not received during the next semester. During the fiscal year ended June 30, 2014, 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, 2014 and 2013, accounts receivable from students amounted to \$736,599 and \$769,044, respectively, excluding the allowance for doubtful accounts in the amount of \$513,459 for the fiscal year ending 2014 and \$483,758 in 2013. The allowance for doubtful accounts recorded for the fiscal year ended 2014 amounted to \$513,459 as a result of the following provision rates applied to the receivable balance per receivable aging category.

<u>Age in Days</u>	<u>Provision Rate</u>
181-360	80%
361 and over	100%

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

Note 4: Financial Awards and Grants

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

	<u>2014</u>	<u>2013</u>
Federal PELL Grant and SEOG	\$ -	\$ 10,353
	<u>\$ -</u>	<u>\$ 10,353</u>

In addition, as of June 30, 2014 and 2013, the College had third party receivables in the amounts of \$621,180 and \$1,024,168, respectively. Much of this represents \$299,104 in state grant and pension reimbursements and \$190,474 in customized training revenues in fiscal year 2014.

Note 5: Prepaid Expenses

Prepaid expenses at June 30, 2014 total \$68,295, and include a number of small pre-payments for warranties, copier fees, and computer licenses. The largest pre-payment expense was \$28,255 of IT Management services.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

Note 6: Capital Assets

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

Capital assets are recorded at cost and consisted of the following, as of June 30, 2014 and 2013:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets Being Depreciated:				
Building	\$21,091,674			\$ 21,091,674
Building Improvements	1,638,576	\$ 259,572		1,898,148
Furniture and Fixtures	845,547	316,317		1,161,864
Computer and Equipment	1,552,244	387,678	\$ (111,614)	1,828,308
	<u>25,128,041</u>	<u>963,567</u>	<u>(111,614)</u>	<u>25,979,994</u>
Less Accumulated Depreciation for:				
Building	(4,960,699)	(421,760)		(5,382,459)
Building Improvements	(428,862)	(111,748)		(540,610)
Furniture and Fixtures	(295,682)	(113,458)		(409,140)
Computer and Equipment	(983,039)	(213,363)	111,614	(1,084,788)
	<u>(6,668,282)</u>	<u>(860,329)</u>	<u>111,614</u>	<u>(7,416,997)</u>
Capital Assets,				
Net of Accumulated Depreciation	<u>\$18,459,759</u>	<u>\$ 103,238</u>	<u>\$ -0-</u>	<u>\$ 18,562,997</u>

The College did not have active construction projects as of June 30, 2014.

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

(Continued)

Note 7: Accrued Expenses

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

	June 30,	
	2014	2013
Compensated Absences Payable - Current Portion	\$ 125,161	\$ 128,962
Compensated Absences - Long Term Portion	136,000	136,000
	\$ 261,161	\$ 264,962

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.

Note 8: Pension Plans

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

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

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

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. For PERS, the contribution rate was 6.78% effective July 1, 2013. 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. Employers are required to contribute at an actuarially determined rate in the PERS. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits.

College contributions to PERS amounts to \$201,490, \$213,484 and \$196,493 for the fiscal years ended June 30, 2014, 2013 and 2012 respectively.

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 8: Pension Plans (Cont'd)

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

ABP contributions are based on an employee's annual salary. Employees contribute 5% of salary and the State of New Jersey contributes 8% of salary, for a total contribution of 13%. Contributions are made on base salary excluding overtime and other forms of extra compensation. The College is responsible for paying for any employees in "non-educational" titles (some administrative positions). The ABP plan provides for immediate vesting as the participants have personal contracts with the plans and personally own the annuities.

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, 2014 and 2013, unearned revenue is a total of \$159,635 and \$155,729, respectively.

Note 10: Economic Dependency

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

Note 11: Post-Employment Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. 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 \$17.9 and \$19.05 million toward Chapter 126 benefits for eligible retired community college members in Fiscal Year 2014 and 2013, respectively.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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.

The financial statements for the Fund for 2014 were not available at the time of audit. Selected summarized financial information for the Pool at June 30, 2013 and 2012 is as follows:

New Jersey Community College Insurance Pool Worker's Compensation Fund		
	2013	2012
Total Assets	\$ 8,051,148	\$ 8,417,423
Net Position	\$ (1,204,758)	\$ 246,676
Operating Revenue	\$ 2,819,181	\$ 2,360,802
Total Expenditures and Adjustments	\$ 4,220,820	\$ 4,606,164
Nonoperating Revenue	\$ 333,187	\$ 431,859
Change in Net Position	\$ (1,451,434)	\$ (1,813,503)
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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 13: Contingent Liabilities

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

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

Note 14: Accounts Payable

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

	<u>2014</u>	<u>2013</u>
Accounts payable, including accruals	\$ 503,239	\$ 1,239,003
Payroll liabilities	258,405	228,952
	<u>\$ 761,644</u>	<u>\$ 1,467,955</u>

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

	<u>2014</u>	<u>2013</u>
Accounts Payable - Vendors		\$ 3,607
Accounts Payable - College	\$ 8,871	7,714
	<u>\$ 8,871</u>	<u>\$ 11,321</u>

Note 15: Operating Leases

The College did not have any operating leases as of June 30, 2014, or June 30, 2013.

Note 16: Restricted Net Position

There was restricted net position of the College of \$556,038 and \$533,916 as of June 30, 2014 and June 30, 2013, 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, 2014 and 2013, the College recognized \$1,877,106 and \$1,877,106 in operating aid from the County of Warren.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Note 18: Unrestricted Net Position

Of the total Unrestricted Net Position at June 30, 2014 and 2013, \$4,525,365 and \$4,070,771 respectively, has been designated for various future capital projects. Of these amounts, the following have been appropriated by the Board of Trustees as of June 30, 2014:

	2014	2013
Designated for Future Projects	\$ 900,000	\$ 875,000
Designated for Building Projects	1,266,488	1,433,830
Designated for Subsequent Fiscal Year	681,021	300,000
	\$2,847,509	\$2,608,830

PART II

WARREN COUNTY COMMUNITY COLLEGE

FISCAL YEAR ENDED JUNE 30, 2014

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 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 25, 2014.

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
November 25, 2014



NISIVOCCIA LLP



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Report on Compliance For Each Major Federal and State Program;
 Report on Internal Control Over Compliance Required by OMB Circular A-133
 and New Jersey's OMB Circular 04-04

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 Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the fiscal year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2014.

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 OMB Circular A-133 and NJOMB 04-04, 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 that the testing based on the requirements of OMB Circular A-133 or NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
November 25, 2014



NISIVOCCIA LLP

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2014

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 College 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 Required by OMB Circular A-133 and New Jersey's OMB Circular 04-04*.
- The auditor's report on compliance for the major federal and state programs for the College 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 04-04 or Section 510(a) of Federal OMB Circular A-133.
- The College's programs tested as major federal and state programs for the current fiscal year consisted of the following:

	<u>State Grant/CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
State Support				
Operational Costs	14-100-082-2155-015	7/1/13-6/30/14	\$ 2,247,240	\$ 2,247,240
Tuition Aid				
Grant	14-100-074-2405-007	7/1/13-6/30/14	353,444	353,444
<u>Federal:</u>				
Student Financial Aid Cluster:				
Federal Pell Grant	84.063	7/1/13-6/30/14	2,162,701	2,162,701
Unsubsidized Direct Federal Family				
Education Loan (FFELP)	84.032	7/1/13-6/30/14	709,618	709,618
Subsidized Direct Federal Family				
Educational Loan (FFELP)	84.032	7/1/13-6/30/14	445,331	445,331
Federal Supplemental Education				
Opportunity Grant	84.007	7/1/13-6/30/14	32,000	32,000
Federal College Work Study	84.003	7/1/13-6/30/14	30,000	30,000

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

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

- The threshold used for distinguishing between Type A and Type B programs was \$300,000 for federal programs and \$300,000 for state programs.
- The College determined to be a "low-risk" auditee for both federal and state programs under the provisions of section 530 of the Federal Circular.

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

WARREN COUNTY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2014

Status of Prior Year Findings:

There were no findings or questioned costs noted during the audit of the fiscal year ended June 30, 2013.

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014

Name of Federal Agency or Department Cluster	C.F.D.A. Account No.	Name of Grant	Grant I.D. No.	Grant Period	Award Authori- zations	Amount Received Fiscal Year 2014	Grant Ex- penditures Fiscal Year 2014
U.S. Department of Education Pass-Through NJ Department of Education	84.048A	Carl D. Perkins Vocational and Technical Education	PSFS718007	7/1/13-6/30/14	\$ 104,881	\$ 104,587	\$ 104,587
						104,587	104,587
Student Financial Assistance Cluster:							
U.S. Department of Education	84.063	Federal Pell Grant	P063P004578	7/1/13-6/30/14	2,162,701	2,162,701	2,162,701
U.S. Department of Education	84.007	Federal Supplemental Education Opportunity Grant*	P007A007578	7/1/13-6/30/14	32,000	32,000	32,000
U.S. Department of Education Total Student Financial Assistance Cluster	84.033	Federal Work Study Program*	P033A007578	7/1/13-6/30/14	30,000	30,000	30,000
						2,224,701	2,224,701
Federal Family Education Loans Program:							
U.S. Department of Education	84.032	Unsubsidized Direct	N/A	7/1/13-6/30/14	709,618	709,618	709,618
U.S. Department of Education Total Federal Family Education Loans Program	84.032	Subsidized Direct	N/A	7/1/13-6/30/14	445,331	445,331	445,331
						1,154,949	1,154,949
Total U.S. Department of Education						3,484,237	3,484,237
U.S. Department of Health & Human Services Pass-Through Bergen Community College	93.093	Affordable Care Act Health Profession Opportunity Grants	N/A	7/1/13-6/30/14	315,510	315,510	315,510
	93.093	Affordable Care Act Health Profession Opportunity Grants	N/A	7/1/13-6/30/14	40,562	40,562	40,562
Total U.S. Department of Health & Human Services						356,072	356,072
Total Federal Awards						\$ 3,840,309	\$ 3,840,309

*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

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FISCAL YEAR ENDED JUNE 30, 2014

<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 2014</u>	<u>Grant Expenditures Fiscal Year 2014</u>
Department of Treasury						
	State Support Operational Costs	14-100-082-2155-015	7/1/13-6/30/14	\$ 2,247,240	\$ 2,247,240	\$ 2,247,240
	Alternate Benefit Plan	14-100-082-2155-017	7/1/13-6/30/14	205,606	<u>205,606</u>	<u>205,606</u>
					<u>2,452,846</u>	<u>2,452,846</u>
Commission on Higher Education						
	EOF Article III/Summer	14-100-074-1401	7/1/13-6/30/14	58,758	58,758	58,758
	EOF Article IV Academic Year	14-100-074-1401	7/1/13-6/30/14	74,379	<u>74,379</u>	<u>74,379</u>
					<u>133,137</u>	<u>133,137</u>
Higher Education Assistance Authority						
	Tuition Aid Grant	14-100-074-2405-007	7/1/13-6/30/14	353,444	353,444	353,444
	NJ STARS	14-100-074-2405-313	7/1/13-6/30/14	78,392	<u>78,392</u>	<u>78,392</u>
					<u>431,836</u>	<u>431,836</u>
Total State Awards					<u>\$ 3,017,819</u>	<u>\$ 3,017,819</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, 2014

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"). The College is defined in Note 1 to the College's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards passed through other government agencies are included on the schedules of expenditures of federal and state awards. 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.

Note 3: Relationship to Basic Financial Statements

There is an adjustment needed to reconcile the Schedule of Expenditures of Federal and State Awards to the basic financial statements. The adjustment for federal awards is (\$2,128,570) and the adjustment for state awards is (\$383,387). The adjustment is necessary because the College must reflect the entire drawdown amounts on the Schedules of Expenditures of Federal and State Awards. In the basic financial statements, the College is only reflecting the revenue and expenses pertaining to the College, and is not accounting for awards that pass through the College and are refunded to the students.

Note 4: Relationship to Federal and State Financial Reports

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