

WARREN COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

WARREN COUNTY COMMUNITY COLLEGE  
TABLE OF CONTENTS  
JUNE 30, 2013

<u>PART I</u>	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-14
Financial Statements:	
Statement of Net Position	16
Statement of Revenue, Expenses and Changes in Net Position	17
Statement of Cash Flows	18
Notes to Financial Statements	19-31
 <u>PART II</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1-2
Report on Compliance for Each Major Federal and State Program: Report on Internal Control Over Compliance in Accordance Required by OMB Circular A-133 and New Jersey OMB's Circular 04-04	3-4
Schedule of Findings and Questioned Costs	5-6
Summary Schedule of Prior Audit Findings	7
Schedule of Expenditures of Federal Awards	8
Schedule of Expenditures of State Awards	9
Notes to the Schedules of Expenditures of Federal and State Awards	10

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Warren County Community College (the "College") a component unit of the County of Warren, as of and for the fiscal years ended June 30, 2013 and 2012, 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  
Page 2

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Warren County Community College, in the County of Warren, as of June 30, 2013, and the changes in financial position and, cash flows thereof for the fiscal year 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 OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the 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  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013 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 18, 2013

  
NISIVOCCIA LLP

## **FY13 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, 2013. The intent of this discussion and analysis is to look at the College's financial performance as a whole; readers also should review the financial statements, the notes to the financial statements and any management recommendations to enhance their understanding of the College's financial performance. This document is prepared by WCCC and represents management's interpretation of the financial data. It has not been audited by Nisivoccia LLP.

### ***Overview of the Financial Statements***

The College's audit is prepared under the standards prescribed by the 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 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 and state awards (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.<sup>1</sup> 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.

---

<sup>1</sup> This statement would also include deferred outflows and inflows; however these categories do not apply to WCCC.

The chart below shows total and net assets for the College (exclusive of its component group, the WCCC Foundation), which indicates that the overall college net position as of June 30, 2013 was \$22.1 million.

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

	<u>FY13</u>	<u>FY12</u>	<u>1 Year Change</u>	<u>FY11</u>	<u>2 Year Change</u>
Current Assets	5,560	4,692	868	4,822	738
Capital Assets	<u>18,460</u>	<u>19,038</u>	<u>(578)</u>	<u>12,190</u>	<u>6,270</u>
Total Assets	24,020	23,730	290	17,012	7,008
Current Liabilities	1,753	1,697	55	1,852	(99)
Non-Current Liabilities	136	136	-	88	48
<u>Net Position</u>					
Investment in Capital	18,460	19,038	(578)	12,190	6,270
Restricted	22	21	2	27	(4)
Unrestricted-Designated	2,609	1,875	734	1,163	1,446
Unrestricted	<u>1,040</u>	<u>963</u>	<u>77</u>	<u>1,692</u>	<u>(652)</u>
<b>Total Net Position</b>	<b>22,131</b>	<b>21,896</b>	<b>234</b>	<b>15,072</b>	<b>7,059</b>

In order to understand the College's financial position, it is important to understand 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 increased by \$868,180 from FY12 to FY13 to a level just under \$5.6 million. Note that during FY13, the College increased its allowance for doubtful accounts in order to ensure that it did not overstate outstanding student receivables.

**Capital Assets**

Capital assets include facilities, building improvements, computers, furnishings and equipment and fixtures. The College's capital assets were \$18.5 million by the end of FY13, representing a \$578,216 decrease from the prior year. This decrease reflects the net result of FY13 additions, FY13 deletions and the depreciation of capital assets. Capital assets have increased significantly since FY11 due to the acquisition of 445 Marshall Street in Phillipsburg in July 2011 and the completion of the library renovation project in Washington several months later. Please note that there are no capital assets owned by the WCCC Foundation.

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

**Capital Assets (in Rounded \$000)**

<u>Asset Type</u>	<u>FY13</u>	<u>FY12</u>	<u>1 Year Change</u>	<u>FY11</u>	<u>2 Year Change</u>
Computers & Equipment	1,552	1,514	38	1,348	204
Furniture & Fixtures	846	691	155	579	267
Building Improvements	1,639	1,571	68	1,091	548
Building	<u>21,092</u>	<u>21,092</u>	<u>0</u>	<u>14,342</u>	<u>6,750</u>
Total	25,128	24,867	261	17,360	7,768
Less Accumulated Depreciation	(6,668)	(5,829)	839	(5,170)	(1,499)
<b>Net Capital Assets</b>	<b>18,460</b>	<b>19,038</b>	<b>(578)</b>	<b>12,190</b>	<b>6,270</b>

**Liabilities**

Also displayed in the *Statement of Net Position* are liabilities. Liabilities include upcoming salary and vendor payments for services already incurred during the fiscal year, as well as unearned tuition revenue and the accrual of funds to cover earned vacation time. Current liabilities as of June 30, 2013 were \$1,752,646, reflecting a slight increase from FY12 level. Current assets exceeded current liabilities by a 3.2:1 basis, indicative of the College's relatively strong financial position.

The key component of this category is open purchase orders (\$1.16 million). The majority of these purchase orders are funds encumbered for the College's major customized training provider. The recognition of large FY13 liabilities in this category are a function of timing as the College received revenue for these classes in late June but had not processed reimbursements to the provider until early July. Unearned tuition represents student payments received for summer C classes, which do not begin until early July (FY14). The final component of current liabilities is unearned vacation time. Employees are permitted to carry forward up to one year's vacation time.

Colleges are also 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. However, WCCC offers a sick leave payout of up to \$8,000 for faculty members who have provided at least ten years of service in their positions and have provided one year's advance notice of retirement. The total set aside for this liability for FY13 is \$136,000, representing the maximum allocation available for currently eligible employees.

***Net Position***

The final component of the *Statement of Net Position* is the College's net position. Conceptually, the net position is its total assets less total liabilities. Net position includes net capital assets, such as buildings and equipment, as well as non-capital assets (such as cash, investments, pre-payments and receivables). The non-capital assets are classified on the next page as "restricted," "designated" or "unrestricted."

Restricted assets pertain to those funds received with donor-imposed restrictions. Designated assets refer to funds where the Board of Trustees has formally set-aside resources for a specific project or use. Unrestricted net position pertains to the aggregate of residual funds that are neither restricted nor designated. 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, by category:

<b>WCCC's Net Assets (Excluding Capital Assets) (in Rounded \$000)</b>					
	<u>FY13</u>	<u>FY12</u>	<u>1 Year Change</u>	<u>FY11</u>	<u>2 Year Change</u>
<b>Undesignated</b>	<b>1,040</b>	<b>963</b>	<b>77</b>	<b>1,163</b>	<b>(123)</b>
<b>Designated Operating:</b>					
FY14/FY15 Budget	300	300	-	160	140
Academic Student Programming	75	75	-	-	75
<b>Designated: FY14 Projects</b>					
Capital R & R/Boilers	446	300	146	125	321
Emergency Upgrades	73	100	(27)	-	73
Computers/Technology	800	800	-	275	525
ADA Projects	75	-	75	-	75
Summer 2013 Renovations	40	-	40	-	40
<b>Designated: Future Capital</b>					
Amphitheater	500	-	500	-	500
Health Sciences Center	300	300	-	300	-
<b>Designated: Prior Projects</b>					
Library (Phase I & II)	-	-	-	550	(550)
Phillipsburg Start-Up	-	-	-	240	(240)
Scholarships	-	-	-	42	(42)
<b>Total, Designated</b>	<b>2,609</b>	<b>1,875</b>	<b>734</b>	<b>1,692</b>	<b>916</b>
<b>Restricted</b>	<b>22</b>	<b>21</b>	<b>2</b>	<b>27</b>	<b>(4)</b>
<b>Total Funds</b>	<b>3,671</b>	<b>2,858</b>	<b>813</b>	<b>2,882</b>	<b>789</b>

Non-capital assets as of June 30, 2013 increased to just under \$3.7 million in FY13. Undesignated funds increased slightly to just over \$1 million, an increase over the FY12 level but below the resources available in FY11. These funds now represent 8.9% of FY13 adjusted expenses.<sup>2</sup> This is consistent with the Board’s annual goal of maintaining an 8-10% set-aside for unrestricted funds.

<sup>2</sup>Expenses excluding depreciation and customized training activities.

Designated funds represent those funds allocated by the Board of Trustees for specific projects. A significant portion of the FY13 allocations are for projects currently underway or nearing completion (such as the boiler replacement projects, various technology projects and various ADA upgrades). The Computers/Technology allocation, for example, represents the College's matching and debt service requirements for the WCCC Technology Project approved by the NJ Secretary of Higher Education in April 2013.

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 Position: WCCC Foundation**

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

	<b><u>WCCC Foundation Net Position (in Rounded \$000)</u></b>				
	<b><u>FY13</u></b>	<b><u>FY12</u></b>	<b><u>1 Year Change</u></b>	<b><u>FY11</u></b>	<b><u>2 Year Change</u></b>
Total Assets	989	868	121	702	287
Liabilities	56	20	36	50	6
<b><u>Net Position</u></b>					
Restricted	512	502	10	350	162
Unrestricted	<u>422</u>	<u>346</u>	<u>76</u>	<u>302</u>	<u>119</u>
<b>Total Net Position</b>	<b>934</b>	<b>848</b>	<b>86</b>	<b>652</b>	<b>281</b>

From FY12 to FY13, the net position of the Foundation increased by \$85,520. Unrestricted net position also increased during this period by \$76,010, reflecting the Foundation's fundraising activities held during 2012-13. Restricted funds include endowed funds with donor-imposed restrictions.

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

The next statement in the financial report is the Statement of Revenues, Expenses and Changes in Net Position (SRENPN). The SRENPN provides information about the College's sources of revenues and its major categories of expenses. The SRENPN explains the change in the College's net position by comparing revenues and expenditures.

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

WCCC’s operating revenues primarily are student revenues (tuition and fees) and government grants (primarily financial aid). Non-operating revenues comprise state and local appropriations, including capital appropriations. Because GASB requires that expenses be compared to operating revenues, the College appears to have an operating loss. However, when all revenues are compared to expenses, College revenues exceeded college expenses, as shown below.

**Statement of Revenues, Expense and Fund Net Position (College) (\$000)**

	<u>FY13</u>	<u>FY12</u>	<u>1 Year Change</u>	<u>FY11</u>	<u>2 Year Change</u>
<b><u>Operating Revenues</u></b>					
Student tuition and fees	5,610	5,572	38	5,744	(134)
Federal grants and contracts	1,724	1,776	(52)	1,553	172
State and local grants and contr	577	590	(13)	611	(34)
Other	<u>605</u>	<u>614</u>	(8)	<u>140</u>	<u>465</u>
Total Operating Revenues	8,517	8,551	503	8,047	469
<b><u>Non-Operating Revenues</u></b>					
State appropriations	2,263	2,256	6	2,227	35
State ABP	313	236	78	161	153
County appropriations	1,877	1,877	0	2,033	(155)
County capital appropriations	0	6,920	(6,920)	328	(328)
Other	<u>88</u>	<u>151</u>	<u>(63)</u>	<u>305</u>	<u>(218)</u>
Total Non-Operating Revenues	4,541	11,439	(6,898)	5,053	(512)
<b>Total Revenues</b>	<u>13,058</u>	<u>19,990</u>	(6,933)	<u>13,101</u>	(43)
<b>Total Expenses</b>	<u>12,823</u>	<u>13,166</u>	(342)	<u>11,849</u>	975
Revenue vs. Expenses	234	6,825		1,252	

**Operating Revenues**

College operating revenues remained very close to their FY12 levels. Student tuition and fees represented \$5.6 million of the total operating revenue in FY12. Note that in the SRECNP, student tuition and fees paid through federal or state financial aid funds are shown as grants and contract revenues.

There was a net reduction in grant funds, but variations in individual programs. At the federal level, the expiration of one-time Healthcare and Other Facilities (HCOF) grant funds were largely offset by an increase in the Health Professions Opportunity Grant (HPOG) program. This multi-year federal program, which brought in \$275,249 in FY13, is designed to assist students in career health care continuing education programs. WCCC is a sub-grantee in a statewide grant initiative administered by Bergen County College.

## Gross Tuition and Fee Revenues

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

<b>Gross Tuition and Fees (Rounded \$000)</b>					
	<u>FY13</u>	<u>FY12</u>	<u>1 Year Change</u>	<u>FY11</u>	<u>2 Year Change</u>
Revenue-Credit Programs	5,432	5,524	(92)	5,349	83
Write off of Bad Debt	(277)	(377)	100	(41)	(236)
Revenue-Non-Credit Programs	<u>2,237</u>	<u>2,295</u>	<u>(59)</u>	<u>2,139</u>	<u>97</u>
Total	7,391	7,442	(51)	7,447	56

  

	<u>FY13</u>	<u>FY12</u>	<u>1 Year Change</u>	<u>FY11</u>	<u>2 Year Change</u>
Audited Credits	42,122	43,434	-3.0%	44,577	-5.5%
Per Credit Charges	133.00	131.00	1.5%	126.00	5.6%

As the chart above indicates, there was a slight overall 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 3% decrease in credit hours in FY13 was partially offset by a 1.5% increase in per credit charges.

Starting in FY12, the College undertook a more comprehensive review of prior year receivables, which resulted in a large write-off of old debt in both FY12 and FY13. The College also reduced the amount of outstanding accounts receivable on its Statement of Net Position by increasing its doubtful account allowance. This was done to ensure that the College's estimate of outstanding debt was conservative.

## 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 FY13, County funding was \$1,877,106, the same level as provided in FY12. County capital funds were allocated in FY11 and FY12 to support the library renovation and the acquisition of the Phillipsburg Education Center. These projects were completed in FY12.

State appropriations are determined through a sector-wide funding formula that considers several factors, including enrollment. WCCC's FY13 allocation of state operating funds reflected a slight increase from FY12. In addition, beginning FY12, the State retroactively reimbursed colleges for Alternate Benefit Program (ABP) pension reimbursements for adjunct faculty. The ABP payments for FY13 include some reimbursement for the FY11 and FY12 periods.

Miscellaneous revenue includes one-time insurance reimbursements for several small Hurricane Sandy repairs. Investment income was negligible during FY12 due to market conditions. The College invests its excess funds through the State of New Jersey Cash Management Fund.

### Operating Expenses by Functional Spending Categories

Expenses related to the operation of the College can be displayed by the functional categories unique to college and universities. The chart on the next page shows expenses by category for College funds only for the period FY11 through FY13.

#### Expenses by Function (\$000)

<u>Category</u>	<u>FY13</u>	<u>FY12</u>	<u>1 Year Change</u>	<u>FY11</u>	<u>2 Year Change</u>
Instruction	5,672	5,717	(45)	5,341	331
Institutional Support	2,108	2,119	(11)	2,038	70
Public Service	520	507	13	432	88
Academic Support	1,119	1,122	(3)	1,070	49
Physical Plant	1,110	1,515	(405)	1,134	(24)
Student Support	1,083	1,128	(45)	1,097	(14)
Capital Expense	38	16	21	13	25
Scholarships/Aid	316	266	50	171	146
Depreciation/Deletions	<u>857</u>	<u>775</u>	<u>82</u>	<u>553</u>	<u>304</u>
<b>Total</b>	<b>12,823</b>	<b>13,166</b>	<b>(342)</b>	<b>11,849</b>	<b>975</b>

Total College expenses decreased by \$342,361 from FY12 to FY13. A general discussion of key changes by major category is included below.

The key change was a decrease in expenses from the prior year in the category of *Physical Plant*. However, much of that decrease reflects the elimination of certain one-time expenses incurred in FY12 for the opening of the Phillipsburg Education Center (PEC) and the Library addition project as well as some staff turnover. In addition, during FY13, the College entered into the NJ Community College electrical consortium. This resulted in significant monthly utility savings from the prior year.

Conversely, there were increases in the categories of *Depreciation/Deletions* and *Capital Expense*. The increase in depreciation costs reflects the new facilities acquired/constructed in FY12, along with several equipment deletions. The increase in capital expense reflects the design costs for upcoming projects.

The increase in the category of *Scholarships/Aid* represents additional students funded through the Health Professions Opportunity Grant (HPOG) program. This program will continue through FY15. Activities in this program also explain the slight increase under the category of *Public Service*.

Decreases in the categories of *Instruction*, *Institutional Support* and *Student Services* primarily were related to staff turnover in FY13. New faculty and positions have been allocated in *Instruction* for FY14, but positions in the *Institutional Support* and *Student Services* areas are expected to remain vacant in the upcoming year.

### Expenditures by Natural Spending Categories

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

Expenses by Natural Category (\$000)					
<u>Category</u>	<u>FY13</u>	<u>FY12</u>	<u>1 Year Change</u>	<u>FY11</u>	<u>2 Year Change</u>
Employee Salaries	5,692	5,850	(158)	5,616	75
Employee Fringe Benefits	<u>1,805</u>	<u>1,781</u>	<u>24</u>	<u>1,663</u>	<u>141</u>
Employee Salaries & Benefits	7,496	7,631	(134)	7,280	216
Non-Salaries					
<i>Materials and Supplies</i>	412	455	(43)	417	(5)
<i>Services</i>	451	460	(9)	534	(82)
<i>Customized Training Services</i>	1,505	1,510	(5)	1,318	188
<i>Computing/Equipment</i>	617	621	(4)	551	67
<i>Utilities/Insurance/Maint.</i>	1,110	1,406	(296)	1,013	97
<i>Scholarships</i>	316	267	50	171	146
<i>Other</i>	<u>20</u>	<u>25</u>	<u>(5)</u>	<u>17</u>	<u>3</u>
Subtotal, Non-Salaries	4,432	4,744	(312)	4,020	413
<b>Total, Operating Expenses</b>	<b>11,929</b>	<b>12,375</b>	<b>(446)</b>	<b>11,300</b>	<b>629</b>
Capital/Depreciation	895	791	104	549	346
<b>Total</b>	<b>12,823</b>	<b>13,166</b>	<b>(342)</b>	<b>11,849</b>	<b>975</b>

An analysis of spending by function shows that the largest segment of operating costs relate to employee costs, totaling \$7,496,218. *Employee Salaries* declined in FY13 due to position turnover in various departments. *Employee Fringe Benefits*, however, increased slightly due to increased health care and pension premiums paid by the College.

Non-salary costs decreased by a total of \$312,020. Most of this was in the category of *Utilities/Insurance and Maintenance*, representing the elimination of one-time FY12 costs as well as utility savings discussed on page 11. These decreases were partially offset by an increase in insurance expenses due to premium increases.

The decrease in *Materials and Supplies* reflects a reduction in certainly recruiting expenses. Expenses in *Services* remained relative level in FY13.<sup>3</sup> Changes in the categories of *Scholarships* and *Capital /Depreciation* were discussed previously under functional expenses.

**Statement of Revenues and Expenses: WCCC Foundation**

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

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

	<u>FY13</u>	<u>FY12</u>	<u>1 Year Change</u>	<u>FY11</u>
Foundation Revenues				
Fundraising	123	124	-1	111
Other	<u>71</u>	<u>164</u>	<u>-93</u>	<u>81</u>
Total Revenues	193	288	-95	192
Foundation Expenses	108	101	-5	106
Increase in Net Position	86	187		86

Total Foundation revenues for FY13 were \$193,371, including \$122,748 in fundraising revenues from the annual golf outing, 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 \$107,851 included \$53,647 in direct and indirect fundraising costs and \$31,379 in scholarship payments. Revenue and expenses together resulted in a total increase in net position of \$85,520 for FY13.

**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 \$825,522 (22%) to \$4,492,629.

Most of increase is related to an increase in cash assets for the College. This is related to the planned set-aside of funds for future projects, including the set-aside of funds for technology and future construction needs. During FY13, the College made a concerted effort to reduce expenses so that one-time resources could be available for matching and other needs in FY14.

<sup>3</sup> In accordance with NJSA 18A:3B-6(k), the College is required to report expenses for government relations, public relations or legal services completed either in-house or through external consultants. WCCC does not have employees that provide these functions. For FY13, the College did not hire any government relations agencies, but paid \$23,573 in dues to the Council of County Colleges, which engages in functions including government relations. WCCC does use a local vendor to assist with public relations activities. These services totaled \$17,100 in FY13. The College used external firms for legal services. Legal expenses for FY13 totaled \$63,244.

The Foundation also had an increase in cash assets of \$86,285 at the close of FY13 compared to FY12 resources. This was related to a change in investment strategy that was approved by the Foundation Board of Directors during FY13.

### **Future Developments**

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

### ***Technology Grant***

Last winter, the State of New Jersey announced a Request for Proposal process for the allocation of various capital bond programs. On April 29, 2013, the College was notified that it had been 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 has designated net position under Computers/Technology (see page 6) for these financial requirements.

Although the bond funds will likely not be issued until spring 2014, the College has begun implementing some of the technology projects. In September 2013, the College entered into an agreement with Jenzabar to upgrade to their EX platform. This project is expected to be completed by July 2015. In addition, the College upgraded Room 215 to a 28-seat computer lab in summer 2013. Additional technology projects are expected to commence later in FY14.

### ***Enrollment Changes and Budget***

After experiencing a 108% FTE enrollment increase from FY03 to FY11, the College experienced its first enrollment correction in FY12. As noted previously, the College's enrollment has cumulatively declined by 5.5% since FY11. This trend is keeping with national community college enrollment trends.

From FY09 to FY10, the College experienced a 23% increase in enrollments undoubtedly related to the weakened national economy. When the economy worsens, people tend to return to community colleges for education and job re-training to develop new career options. Increases in federal Pell grant funds, especially the additional summer Pell grants helped encourage higher enrollments at the College.

Beginning with Fall 2011, and then Spring 2012, the College began to experience an enrollment correction. Part of this was related to a declining high school graduation population in Warren County. In addition, the large student cohort that entered in 2009 was beginning to graduate. Further, beginning in summer 2012, the federal government discontinued the special summer Pell grant programs. As a result, there was a drop in summer enrollment beginning in 2012.

## FINANCIAL STATEMENTS

WARREN COUNTY COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
JUNE 30, 2013 AND 2012

	2013	2012
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents	\$ 4,492,629	\$ 3,667,107
Investments	555,309	521,305
Restricted cash and cash equivalents	14,836	13,310
Receivables:		
Student accounts receivable (net of allowance for doubtful accounts of \$483,758 for 2013 and \$593,731 for 2012)	285,286	444,367
Grants and awards	10,353	11,925
Third-party receivables	1,024,168	759,938
Prepaid expenses	166,276	141,448
Total Current Assets	6,548,857	5,559,400
Noncurrent Assets:		
Capital Assets:		
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	18,459,759	19,037,974
Total Noncurrent Assets	18,459,759	19,037,974
<b>TOTAL ASSETS</b>	<b>25,008,616</b>	<b>24,597,374</b>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable	1,479,276	1,418,071
Scholarship payable	44,203	11,924
Accrued compensated absences payable	128,962	126,907
Unearned revenue	155,729	160,029
Total Current Liabilities	1,808,170	1,716,931
Non-Current Liabilities	136,000	136,000
<b>TOTAL LIABILITIES</b>	<b>1,944,170</b>	<b>1,852,931</b>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	18,459,759	19,037,974
Restricted	533,916	522,903
Unrestricted (Note 18)	4,070,771	3,183,566
<b>TOTAL NET POSITION</b>	<b>\$ 23,064,446</b>	<b>\$ 22,744,443</b>

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Operating Revenue:</b>		
Student tuition and fees	\$ 5,610,190	\$ 5,571,792
Federal grants and contracts	1,724,140	1,775,717
State and local grants and contracts	577,199	589,905
Foundation revenue	193,371	297,305
Other	605,316	613,524
	<u>8,710,216</u>	<u>8,848,243</u>
<b>Operating Expenses:</b>		
Instruction	5,672,237	5,717,316
Institutional support	2,108,293	2,077,530
Public service	520,050	507,658
Academic support	1,118,836	1,121,508
Operation and maintenance of plant	1,109,527	1,514,667
Student support	1,083,188	1,169,378
Capital expenses	37,912	16,488
Scholarships and student aid	316,495	266,472
Foundation expenses	107,851	101,449
Depreciation	856,808	774,690
Total Operating Expenses	<u>12,931,197</u>	<u>13,267,156</u>
<b>Operating Loss</b>	<u>(4,220,981)</u>	<u>(4,418,913)</u>
<b>Nonoperating Revenue:</b>		
State appropriations	2,262,629	2,256,156
State Alternate Benefits Plan	313,431	235,734
County appropriations	1,877,106	1,877,106
County Chapter 12 Funding		6,919,568
Miscellaneous	85,400	148,591
Investment income	2,418	2,258
	<u>4,540,984</u>	<u>11,439,413</u>
<b>Increase in Net Position</b>	320,003	7,020,500
<b>Net Position- Beginning of Year</b>	<u>22,744,443</u>	<u>15,723,943</u>
<b>Net Position - End of Year</b>	<u>\$ 23,064,446</u>	<u>\$ 22,744,443</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from students for tuition and fees	\$ 7,391,242	\$ 7,441,937
Grants and contracts received	521,859	540,662
Payments to suppliers	(4,391,182)	(4,599,324)
Payment for employee salaries and benefits	(7,528,575)	(7,801,970)
Other receipts	605,317	613,524
Net Cash Used for Operating Activities	<u>(3,401,339)</u>	<u>(3,805,171)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from state appropriations	2,262,629	2,256,156
Cash received from state appropriations - Alternate Benefits Plan	313,431	235,734
Cash received from county appropriations	1,877,106	1,877,106
Cash received from other non-operating activities	85,400	148,591
Net Cash Provided by Noncapital Financing Activities	<u>4,538,566</u>	<u>4,517,587</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Cash received from county chapter 12 funding		6,919,568
Purchase of capital assets	(278,593)	(7,622,643)
Net Cash Used for Capital and Related Financing Activities	<u>(278,593)</u>	<u>(703,075)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	2,418	2,258
Purchases of investments	(3,770)	(171,873)
Proceeds from sales of investments		28,372
Assets converted to cash		28,231
Interest and dividends - reinvested	(19,579)	(13,911)
Unrealized gains/losses	(10,655)	10,149
Net Cash (Used for) Investing Activities	<u>(31,586)</u>	<u>(116,774)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	827,048	(107,433)
Cash and Cash Equivalents - Beginning of Year	<u>3,680,417</u>	<u>3,787,850</u>
Cash and Cash Equivalents - End of Year	<u>\$ 4,507,465</u>	<u>\$ 3,680,417</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating Loss	\$ (4,220,981)	\$ (4,418,913)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	856,808	774,690
Changes in assets:		
(Increase)/Decrease in Student accounts receivable	159,081	89,057
(Increase)/Decrease in Grant receivables	1,572	45,184
(Increase)/Decrease in Third-party receivables	(264,230)	(130,529)
(Increase)/Decrease in Other restricted receivables		1,500
(Increase)/Decrease in Prepayments and other assets	(24,828)	(29,412)
Increase/(Decrease) in Accounts payable	61,205	(149,983)
Increase/(Decrease) in Scholarships payable	32,279	(26,338)
Increase/(Decrease) in Accrued compensated absences payable	2,055	(11,779)
Increase/(Decrease) in Unearned revenue	(4,300)	3,352
Increase/(Decrease) in Non current liabilities payable		48,000
Net Cash Used for Operating Activities	<u>\$ (3,401,339)</u>	<u>\$ (3,805,171)</u>

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

WARREN COUNTY COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2013

Note 1: Organization and Summary of Significant Accounting Policies

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

Basis of Accounting

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

The College makes a distinction between operating and nonoperating revenues and expenses. The College's policy for defining operating activities as reported on the Statement of Revenues, Expenses and Changes in Net 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, 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, 2013  
(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 accounts for its financial transactions through the following separate funds:

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

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

Accounts included in the Restricted Funds are:

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

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

WARREN COUNTY COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

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

Net Position:

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

Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the College and that are due within one year. The College had no short-term interfund receivables/payables at June 30, 2013 or 2012.

Compensated Absences:

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

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

Inventory

The College had no inventory at June 30, 2013 or 2012.

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, 2013  
(Continued)

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

Allowance for Uncollectible Accounts:

The College had an allowance for uncollectible accounts of \$483,758 and \$593,731 at June 30, 2013 and 2012, respectively. The allowance for uncollectible accounts consists of all items that are currently 361 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, 2013 and 2012 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, 2013  
(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, 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	<u>2,790,850</u>		<u>2,790,850</u>
	<u>\$ 4,075,741</u>	<u>\$ 431,724</u>	<u>\$ 4,507,465</u>

Cash and cash equivalents of the College as of June 30, 2012 consisted of the following:

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

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. The carrying amount of the College's cash and cash equivalents at cost at June 30, 2012 was \$3,680,417 and the bank balance was \$3,776,960. The \$2,304,857 with the New Jersey Cash Management Fund was uninsured and unregistered.

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, 2013

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

Investments (Cont'd)

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

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

	<u>2013</u>	<u>2012</u>
Balance July 1	\$ 521,305	\$ 402,273
Investment activity:		
Realized gain/(loss) on investments	\$ 10,655	\$ (10,149)
Dividend and Interest Income	19,579	13,911
Assets Converted to Cash		(28,231)
Sale of Investments		(28,372)
Purchase of Investments	<u>3,770</u>	<u>171,873</u>
	<u>34,004</u>	<u>119,032</u>
Balance June 30	<u>\$ 555,309</u>	<u>\$ 521,305</u>

	<u>June 30, 2013</u>		<u>June 30, 2012</u>	
	<u>Cost Value</u>	<u>Fair Value</u>	<u>Cost Value</u>	<u>Fair Value</u>
Bonds	\$ 16,048	\$ 17,740	\$ 15,926	\$ 16,124
Equities	149,152	201,562	144,266	170,701
Mutual Funds	<u>342,913</u>	<u>336,007</u>	<u>330,888</u>	<u>334,480</u>
	<u>\$ 508,113</u>	<u>\$ 555,309</u>	<u>\$ 491,080</u>	<u>\$ 521,305</u>

WARREN COUNTY COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013, 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, 2013 and 2012, accounts receivable from students amounted to \$769,044 and \$1,038,098, respectively, excluding the allowance for doubtful accounts in the amount of \$483,758 for the fiscal year ending 2013 and \$593,731 in 2012. The allowance for doubtful accounts recorded for the fiscal year ended 2013 amounted to \$483,758 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>2013</u>	<u>2012</u>
Federal PELL Grant and SEOG	<u>\$ 10,353</u>	<u>\$ 11,925</u>
	<u>\$ 10,353</u>	<u>\$ 11,925</u>

In addition, as of June 30, 2013 and 2012, the College had third party receivables in the amounts of \$1,024,168 and \$759,938, respectively. Much of this represents a \$694,895 receivable for customized training programs in fiscal year 2013.

Note 5: Prepaid Expenses

Prepaid expenses at June 30, 2013 total \$166,276, and include software license fees which total \$78,474. The balance of these expenses consists of insurance premiums, memberships, registrations, library subscriptions and other fees.

WARREN COUNTY COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2013

(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, 2013 and 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Building	\$21,091,674			\$ 21,091,674
Building Improvements	1,570,647	\$ 67,929		1,638,576
Furniture and Fixtures	690,709	154,838		845,547
Computer and Equipment	1,513,969	55,826	\$ (17,551)	1,552,244
	<u>24,866,999</u>	<u>278,593</u>	<u>(17,551)</u>	<u>25,128,041</u>
Less Accumulated Depreciation for:				
Building	(4,538,866)	(421,833)		(4,960,699)
Building Improvements	(324,752)	(104,110)		(428,862)
Furniture and Fixtures	(205,288)	(90,394)		(295,682)
Computer and Equipment	(760,119)	(240,471)	17,551	(983,039)
	<u>(5,829,025)</u>	<u>(856,808)</u>	<u>17,551</u>	<u>(6,668,282)</u>
Capital Assets,				
Net of Accumulated Depreciation	<u>\$19,037,974</u>	<u>\$ (578,215)</u>	<u>\$ -</u>	<u>\$ 18,459,759</u>

The College did not have active construction projects as of June 30, 2013.

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, 2013  
(Continued)

Note 7: Accrued Expenses

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

	June 30,	
	2013	2012
Compensated Absences Payable - Current Portion	\$ 128,962	\$ 126,907
Compensated Absences - Long Term Portion	136,000	136,000
	\$ 264,962	\$ 262,907

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. Effective July 1, 2012, the employee contributions for PERS increased from 6.5% to 6.64% of employees' annual compensation, as defined. Subsequent increases are being phased in over 7 years effective each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

College contributions to PERS amounts to \$213,484, \$209,618 and \$196,231 for the fiscal years ended June 30, 2013, 2012 and 2011 respectively.

WARREN COUNTY COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2013  
(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). During fiscal year 2013, the State reimbursed the College for \$98,118 in ABP pension expenses made on behalf of adjunct employees. This reimbursement is reflected under ABP revenue in 2013. 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, 2013 and 2012, unearned revenue is a total of \$155,729 and \$160,029, respectively.

Note 10: Economic Dependency

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

Note 11: Post-Employment Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers Pensions and Annuity Fund (T.P.A.F.) and the Public Employees' Retirement System (P.E.R.S.), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you go basis beginning in fiscal year 1994.

WARREN COUNTY COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

The State is also responsible for the cost attributed to P.L. 1992, c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

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 2013 were not available at the time of audit. Selected summarized financial information for the Pool at June 30, 2012 and 2011 is as follows:

	New Jersey Community College Insurance Pool Worker's Compensation Fund	
	2012	2011
Total Assets	\$ 8,417,423	\$ 9,553,114
Net Position	\$ 246,676	\$ 2,060,179
Operating Revenue	\$ 2,360,802	\$ 2,232,232
Total Expenditures and Adjustments	\$ 4,606,164	\$ 2,712,257
Nonoperating Revenue	\$ 431,859	\$ 178,701
Change in Net Position	\$ (1,813,503)	\$ (301,324)
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, 2013  
(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>2013</u>	<u>2012</u>
Trade payable, including accruals	\$ 1,239,003	\$ 1,147,554
Payroll liabilities	228,952	260,854
Other liabilities		1,821
	<u>\$ 1,467,955</u>	<u>\$ 1,410,229</u>

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

	<u>2013</u>	<u>2012</u>
Accounts Payable - Vendors	\$ 11,321	\$ 7,842
	<u>\$ 11,321</u>	<u>\$ 7,842</u>

Note 15: Operating Leases

The College did not have any operating leases as of June 30, 2013, or June 30, 2012.

Note 16: Restricted Net Position

There were restricted net position of the College of \$533,916 and \$522,903 as of June 30, 2013 and June 30, 2012, respectively. The restricted net position of the College are 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, 2013 and 2012, the College recognized \$1,877,106 and \$1,877,106 in operating aid from the County of Warren. In addition, during the year ended June 30, 2012, the College recognized \$6,919,568 in Chapter 12 funds from the County of Warren. The 2012 funds primarily were used to support the acquisition of 445 Marshall Street in Phillipsburg, New Jersey.

WARREN COUNTY COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

Note 18: Unrestricted Net Position

Of the total Unrestricted Net Position at June 30, 2013 and 2012, \$4,070,771 and \$3,183,566 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, 2013:

	<u>2013</u>	<u>2012</u>
Designated for Future Projects	\$ 875,000	\$ 875,000
Designated for Building Projects	1,433,830	700,000
Designated for Subsequent Fiscal Year	300,000	300,000
	<u>\$2,608,830</u>	<u>\$1,875,000</u>

PART II

WARREN COUNTY COMMUNITY COLLEGE

FISCAL YEAR ENDED JUNE 30, 2013

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, 2013, 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 18, 2013.

**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 18, 2013

  
\_\_\_\_\_  
NISIVOCCIA LLP

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 OMB's 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, 2013. 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 OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2013.

### **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 18, 2013

  
\_\_\_\_\_  
NISIVOCCIA LLP

WARREN COUNTY COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2013

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 OMB's 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 OMB's 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	13-100-082-2155-015	7/1/12-6/30/13	\$ 2,262,629	\$ 2,262,629
Tuition Aid				
Grant	13-100-074-2405-007	7/1/12-6/30/13	343,710	343,710
<u>Federal:</u>				
Student Financial Aid Cluster:				
Federal Pell Grant	84.063	7/1/12-6/30/13	2,394,291	2,394,291
Unsubsidized Federal Family				
Education Loan (FFELP)	84.032	7/1/12-6/30/13	814,657	814,657
Subsidized Federal Family				
Educational Loan (FFELP)	84.032	7/1/12-6/30/13	578,187	578,187
Supplemental Education				
Opportunity Grant	84.007	7/1/12-6/30/13	32,000	32,000
College Work Study	84.003	7/1/12-6/30/13	30,000	30,000

WARREN COUNTY COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

- 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, 2013

Status of Prior Year Findings:

There were no findings or questioned costs noted during the audit of the fiscal year ended June 30, 2012.

WARREN COUNTY COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2013

Name of Federal Agency or Department Cluster	C.F.D.A. Account No.	Name of Grant	Grant L.D. No.	Grant Period	Award Authori- zations	Amount Received Fiscal Year 2013	Grant Ex- penditures Fiscal Year 2013
Pass-Through Funds-Operating							
U.S. Department of Education via NJ Department of Education	84.04A	Carl D. Perkins Vocational and Technical Education	PSFS718007	7/1/12-7/1/13	\$ 99,229	\$ 99,229	\$ 99,229
						<u>99,229</u>	<u>99,229</u>
Student Financial Assistance Cluster:							
U.S. Department of Education	84.063	Federal Pell Grant	P063P004578	7/1/12-7/1/13	2,394,291	2,394,291	2,394,291
U.S. Department of Education	84.007	Federal Supplemental Education Opportunity Grant*	P007A007578	7/1/12-7/1/13	32,000	32,000	32,000
U.S. Department of Education Total Student Financial Assistance Cluster	84.033	Federal College Work Study*	P033A007578	7/1/12-7/1/13	30,000	<u>30,000</u>	<u>30,000</u>
						<u>2,456,291</u>	<u>2,456,291</u>
Federal Family Education Loan Program:							
U.S. Department of Education	84.032	Unsubsidized Direct	N/A	7/1/12-7/1/13	814,657	814,657	814,657
U.S. Department of Education Total Federal Family Education Loan Program	84.032	Subsidized Direct	N/A	7/1/12-7/1/13	578,187	<u>578,187</u>	<u>578,187</u>
						<u>1,392,844</u>	<u>1,392,844</u>
Total U.S. Department of Education						<u>3,948,364</u>	<u>3,948,364</u>
U.S. Department of Health & Human Services via Bergen Community College	93.093	Health Programs Opportunity Grant for TANF Recipients	N/A	7/1/12-7/1/13	275,249	<u>275,249</u>	<u>275,249</u>
Total Federal Awards						<u>\$ 4,223,613</u>	<u>\$ 4,223,613</u>

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

N/A - Not Available

WARREN COUNTY COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FISCAL YEAR ENDED JUNE 30, 2013

<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 2013</u>	<u>Grant Ex- penditures Fiscal Year 2013</u>
<b>New Jersey Department of Treasury</b>						
	State Support Operational Costs	13-100-082-2155-015	7/1/12-7/1/13	\$ 2,262,629	\$ 2,262,629	\$ 2,262,629
	Alternate Benefit Plan	13-100-082-2155-017	7/1/12-7/1/13	313,431	<u>313,431</u>	<u>313,431</u>
					<u>2,576,060</u>	<u>2,576,060</u>
<b>Department of State - Commission on Higher Education</b>						
	EOF Summer 2012	13-100-074-1401	7/1/12-7/1/13	32,649	32,511	32,511
	EOF Academic Year	13-100-074-1401	7/1/12-7/1/13	122,025	<u>92,286</u>	<u>92,286</u>
					<u>124,797</u>	<u>124,797</u>
<b>Department of State -Higher Education Assistance Authority</b>						
	Tuition Aid Grant	13-100-074-2405-007	7/1/12-7/1/13	343,710	343,710	343,710
	NJ STARS	13-100-074-2405-313	7/1/12-7/1/13	90,742	<u>90,742</u>	<u>90,742</u>
					<u>434,452</u>	<u>434,452</u>
<b>Total State Awards</b>					<u>\$ 3,135,309</u>	<u>\$ 3,135,309</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, 2013

Note 1: General

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

Note 2: Basis of Accounting

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

Note 3: Relationship to Basic Financial Statements

There is an adjustment needed to reconcile the Schedule of Expenditures of Federal and State Awards to the basic financial statements. The adjustment for federal awards is (\$2,499,473) and the adjustment for state awards is (\$17,950). 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.