

WARREN COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2022

WARREN COUNTY COMMUNITY COLLEGE
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JUNE 30, 2022

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FINANCIAL STATEMENTS



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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Warren County Community College (the "College"), in the County of Warren, as of and for the fiscal years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of June 30, 2022, and the changes in financial position, and, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Office of Management and Budget, Department of the Treasury, State of New Jersey (the "Office") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the College implemented GASB Statement No. 87, *Leases*, during the fiscal year ended June 30, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Office, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, the pension and post-retirement schedules and the related notes, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, are 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 accompanying 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2023 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 solely 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 the effectiveness of the College's 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 College's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey
February 20, 2023

Nisivoccia LLP

NISIVOCCIA LLP

FY2022 MANAGEMENT DISCUSSION AND ANALYSIS

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, 2022. 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.

Overview of the Financial Statements

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

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

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

Net Pension Liabilities and OPEB Costs

Beginning in FY2015, GASB 68 required public entities to reflect future pension liabilities in its financial statements. In addition GASB 75 went into effect in FY2018. This required insitutions to record the post employment benefit contribution for WCCC employees.

Warren County Community College's employees participate in either the Alternate Benefits Program (ABP), which is a defined contribution plan and therefore has no future pension obligations, or the Public Employees Retirement System (PERS), which is a defined benefit plan. WCCC makes annual contributions for its PERS employees in accordance with actuarial estimates prepared for the NJ Division of Pensions and Benefits. In order to reflect potential future pension and OPEB liabilities in the College's financial statements, the NJ Division of Pensions and Benefits has provided public entities with data on these liabilities.

The State of NJ, rather than WCCC, is responsible for funding both OPEB and Pension expenses. For purposes of more effectively reflecting the College's financial position, this Management Discussion and Analysis will exclude these expenses and liabilities in the discussion of the three main components of the financial report.

For FY22, the College also is required to recognize any leases held by the entity. This is applicable to WCCC and is discussed later in the notes.

Statement of Net Position: College Funds

The Statement of Net Position includes assets, liabilities, deferred inflows and outflows, and the resulting net position of the College. WCCC's assets are classified as either current or non-current (capital) assets. Liabilities represent future commitments that the College has made that must be recognized as a future expense. These liabilities can be either short-term or long-term.

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

The chart below shows total and net position for the College (exclusive of its component unit, the WCCC Foundation). The overall College net position as of June 30, 2022 exclusive of the state GASB "book entry" assets and liabilities discussed previously, was \$26.5 million. The overall College net position as of June 30, 2022, inclusive of the GASB liabilities was \$23.7 million.

Statement of Net Position: Excluding GASB Pronouncements (Rounded \$000)

	<u>FY22</u>	<u>FY21</u>	<u>Change</u>
Total Assets			
Current Assets	8,921	7,240	1,681
Capital Assets	19,933	18,141	1,792
Total Assets	<u>28,855</u>	<u>25,381</u>	<u>3,474</u>
Less Liabilities:			
Current Liabilities	2,253	1,214	1,039
Non-Current Liabilities (College)	112	112	0
Total Liabilities	<u>2,365</u>	<u>1,326</u>	<u>1,039</u>
Net Position	<u>26,490</u>	<u>24,056</u>	<u>2,434</u>
<u>Net Position (Excluding Pension)</u>			
Investment in Capital Assets	19,933	18,141	1,792
Restricted	24	24	0
Unrestricted-Designated	5,444	4,683	761
Unrestricted-Undesignated	1,089	1,208	-119
Total Net Position	<u>26,490</u>	<u>24,056</u>	<u>2,434</u>

In order to understand the College's financial position, it is important to review each category of the net position statement: current assets, capital assets, liabilities, deferred inflows, deferred outflows and net position. The above chart does not include the net pension liabilities related to College employees, which are required to be reported on a GAAP basis. The above chart also does not include the leases receivable or the related deferred lease resources. The June 30, 2022 net pension liability attributed to WCCC current and former employees was \$2,328,825. Had the net pension and the related deferred inflows and outflows for pensions been included in the chart above, the total net position would have reduced the net position by \$3,765,399.

Current Assets

Current assets include cash and cash equivalents, accounts receivable, inventory and prepaid expenses. As the chart on the prior page indicates, the College's current assets increased to over \$8.9 million, a \$1.7 increase over the FY21 level. This change primarily represents an increase in cash due to Federal HEERF funds (federal support for COVID 19 losses and expenses) that were drawn down by the College during FY22 to cover unreimbursed revenue losses in prior years. These are one-time funds that have reimbursed expenses or been reallocated to future priorities. The College has drawn down most of its HEERF funds and exhausted its student funds with the Fall 2022 semester.

Capital Assets

Capital assets include facilities, building improvements, computers, furnishings and equipment and fixtures. The College's capital assets were just over \$19.9 million by the end of FY22, representing a \$1.8 million increase in net capital assets.

The change in capital assets by category is shown below.

Capital Assets (in Rounded \$000)

<u>Asset Type</u>	<u>FY22</u>	<u>FY21</u>	<u>1 Year Change</u>
Computers & Equipment	3,448	2,416	1,032
Furniture & Fixtures	1,818	1,715	103
Building Improvements	5,535	3,917	1,618
Building	<u>23,455</u>	<u>23,455</u>	<u>0</u>
Total	34,255	31,503	2,753
Less Accumulated Depreciation	(14,322)	(13,362)	(960)
Net Capital Assets	19,933	18,141	1,793

The book value of capital assets is reduced annually by depreciation, which differs depending on the useful life of assets. The depreciation for FY22 was just under \$1 million. The increase in capital assets for FY22 above reflect completion of the Dr. Joseph Warren Robotics Research Center ("Robotics Center"), paid through the Securing our Children's Future Bond fund.

This \$2.4 million project will have some minor expenses in FY23 as some additional code work and items held up in supply chain orders are finalized in FY23.

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

Current Liabilities

Also displayed in the *Statement of Net Position* are liabilities. Liabilities may be current or non-current (reflecting commitments to be realized in future years). Current liabilities include upcoming salary and vendor payments for services already incurred during the fiscal year, as well as unearned tuition and other revenue and an accrual to cover earned employee vacation time. Current liabilities were \$2.3 million at the end of FY22, an increase of just over \$1 million compared to FY21 liabilities. This increase reflects some equipment delayed via supply chain issues plus some unearned revenues from a NJ Grant for FY23 that were released on the last day of FY22.

Long-Term Liabilities

The long-term liability of the College is the sick time accrual and is actually an expense of the College. This reflects potential sick-leave payouts for faculty members. WCCC offers a sick leave payout of up to \$8,000 for faculty who have served for ten years in a full-time position and have provided one year's advance notice of retirement. The total set aside for this liability for FY22 is \$112,000, representing the maximum allocation available for eligible employees.

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

Net Position

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

The College's net position in FY22 increased by \$2.4 million, in large part due to the receipt of additional HEERF funds and the construction of the Robotics Center. The change in capital assets was discussed in a previous section. The federal government has allowed campuses to reimburse themselves for not only expenses, but also for lost revenue and unpaid student debt during this period. Approximately \$1.5 million in one-time federal funds were drawn down in FY22 for lost tuition and fee revenue and unpaid student debt.

Unrestricted, Unrestricted (Designated) and Restricted Net Position

	FY22	FY21	Change
<i>Unrestricted</i>	1,089	1,208	(119)
<i>Unrestricted (Designated)</i>			
Academic Student Programming	16	16	0
Phillipsburg Budget Needs	430	430	0
Phi Theta Kappa	28	28	0
Drones/Robotics Operating	225	200	25
Board Priorities (Planning/Marketing)	325	229	96
ADA Needs	100	100	0
New Website Development	83	100	(17)
Operating Budget/Assessment	260	260	0
SOCF Project	411	600	(189)
Designated Technology	975	608	367
PEC Renovations	200	0	200
Renewal and Replacement	333	333	0
Roof Repair/Replacement	578	578	0
Miscellaneous Capital	100	341	(241)
Recreation Fields	849	350	499
Building Annex/Cap Reserve	<u>529</u>	<u>509</u>	<u>21</u>
<i>Total Unrestricted (Designated)</i>	5,444	4,683	761
 Total Restricted Funds	 24	 24	

Unrestricted net position pertain to the aggregate of residual funds that are neither restricted nor designated at this time. Note that in the combined Statement of Net Position, the categories of designated and undesignated are combined together as "Unrestricted." Undesignated funds as of 6/30/2022 decreased slightly to \$1,088,853, representing 10% of FY22 expenses (excluding depreciation). This is within the Board's annual goal of maintaining a set-aside of approximately 10% to 12% of expenses for contingency needs. This level is also in accordance with the expectations of the College's accreditor, the Middle State's Commission on Higher Education.

Unrestricted (Designated) funds represent resources allocated by the Board of Trustees for specific projects. Designated funds as of June 30, 2022 were just over \$5.4 million, an increase of \$761 thousand. Most of this was the allocation/replenishment of capital funds, including funds for future recreation fields on lands previously donated by the county. Revenues for these were made possible through one-time HEERF allocations. WCCC tends to retain higher capital reserves because it does not participate in the Chapter 12 bonding program.

The final component of net position is *restricted net position*. The funds in this category represent resources held by the College on behalf of student clubs and organizations and the WWII & Holocaust Grant. There was a small amount of activity in these accounts but many clubs remained inactive in FY22 due to COVID restrictions for part of 2021-22.

Statement of Net Position: WCCC Foundation

The WCCC Foundation ("Foundation") is considered a component unit of WCCC as the College's Board approves Foundation Board members and College employees oversee the operations of the Foundation. The Statement of Net Position for the Foundation is shown below.

Statement of Net Position-WCCC Foundation

	<u>FY22</u>	<u>FY21</u>	<u>Change</u>
Total Assets	1,059	1,915	(856)
Liabilities	<u>1</u>	<u>17</u>	<u>(16)</u>
Net Position	1,058	1,898	-(840)
<u>Net Position</u>			
Restricted	600	657	(57)
Unrestricted	<u>458</u>	<u>1,241</u>	<u>(783)</u>
Total Net Position	1,058	1,898	840

From FY21 to FY22, the net position of the Foundation decreased by \$840,420. Most of this decrease was related to the completion of the Community Trail project in late summer 2021, which serves the Warren County community and links Warren County Tech to the College via a series of walking paths. Funds for this project were made possible through a donation to the Foundation.

Restricted funds include both funds that have been designated and funds restricted by endowment agreements. The remaining funds are unrestricted.

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

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

The SRECNP displays both operating and non-operating revenues. WCCC's operating revenues primarily are student revenues (tuition and fees) and government grants (primarily financial aid). Non-operating revenues comprise state and local appropriations, including capital appropriations.

The SRECNP expenses for College funds (excluding Foundation and pension expenses) are shown on the next page. Note that expenses include depreciation, which is not an operating cost. Depreciation is recorded to indicate the potential aging of capital facilities (equipment, furniture and fixtures, building improvements and buildings). Also, expenses do not include funds that have been "capitalized," meaning that they have been moved to capital assets.

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

	<u>FY22</u>	<u>FY21</u>	<u>Change</u>	<u>% Change</u>
<u>Operating Revenues</u>				
Student tuition and fees	2,511	2,306	205	9%
Federal grants and contracts	4,297	2,558	1,739	68%
State/ local grants and contracts	929	1,270	(341)	-27%
Other	<u>227</u>	<u>208</u>	<u>19</u>	<u>9%</u>
Total Operating Revenues	7,964	6,342	1,622	26%
<u>Non-Operating Revenues</u>				
State appropriations	2,647	2,058	589	29%
State ABP	195	184	11	6%
County Operating	2,468	2,281	187	8%
Capital	1,102	23	1,079	4691%
Misc./Investment Income	<u>236</u>	<u>44</u>	<u>192</u>	<u>436%</u>
Total Non-Operating Revenues	6,648	4,590	2,058	45%
Total Revenues	14,612	10,932	3,680	34%
Total Expenses	12,178	10,176	2,002	20%
Change in Net Position	2,434	756	1,678	221%

Operating Revenues

Total FY22 College operating revenues were \$1.6 million higher than the prior year revenues, as explained by category below.

Tuition and Fees

Tuition and fees appear to have increased significantly in FY22. However, the SRECNP displays tuition and fees by funding source. This means that tuition and fee charges paid by state and federal financial aid grant funds are categorized under state or federal grants. This means that if a student receives financial aid to cover tuition and fees, the revenue is recorded as state or federal grant revenues, rather than tuition and fees. The next display shows total (gross) tuition and fee revenues for FY22 vs. FY21 and indicates that the overall tuition and fees actually increased slightly. WCCC did not increase tuition or fees for FY22. Instead, the change results from slight enrollment rebound after COVID. As comparison, gross tuition and fees were \$4.8 million in FY19, the last full year before COVID. Non-credit programs were particularly hard-hit during the pandemic, as much of the training in career non-credit programs had been conducted in-person.

Change in Tuition Revenues (Rounded \$000)

	<u>FY22</u>	<u>FY21</u>	<u>Change</u>
Credit-Tuition and Fees	3,520	3,430	91
Non-Credit-Tuition and Fees	147	125	21
Customized Training	14	24	(10)
Total	3,681	3,579	102

Other Operating Revenues

The increase in tuition and fee revenues has been offset by various HEERF grants. During FY21 and FY22, the College benefited from the allocation federal HEERF grants (including those passed down through the state and those distributed directly to the College). These revenues supported both the students and the institution. As a result, *Federal grants and contracts* reflects a net increase of \$1.7 million in FY22. Much of this is one-time revenue that will disappear by FY23.

State grant and contracts decreased in FY22, reflecting that one-time HEERF funds passed through the State of NJ were only available in FY21. The FY23 level will be much closer to the FY22 level.

Other revenues primarily reflect rental income from the Phillipsburg Education Center.

Non-Operating Revenues

State and county appropriations, along with investment income, are classified as non-operating revenue. As a public county college, WCCC relies on these annual subsidies to meet its operating needs, as state and county funds normally account for nearly 45% of the College's unrestricted revenues. Because of federal COVID funds this percentage was 35% in FY22.

The *County appropriation* was \$2.46 million in FY22, representing a \$187,500 increase from the prior year. This includes a \$100,000 special increase that the County awarded the College in calendar November 2021.

The *State appropriations* of \$2.6 million represents a \$588,837 increase in state funding. This new funding level reflects an increase in the FY22 state appropriation for the sector plus a realignment of the County College formula.

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

Miscellaneous/Investment income includes testing fees, miscellaneous facility rental income and investment income.

Capital Income reflects funds drawn down in FY22 to reimburse the College for a share of the Securing Our Children's Future (SOCF) bond funds. Most of the bond funds were spent in FY22.

Operating Expenses by Functional Spending Categories

Expenses related to the operation of the College can be displayed by the functional categories unique to college and universities. The chart below shows expense by functional categories for both FY22 and FY21. These expenses have been recorded after capitalization, which means that the capital expenses have been moved to capital assets. This presentation allows us to compare operating expenses. Total FY22 expenses (exclusive of the NJ net pension and post-retirement liability) increased by 20% from FY21 to FY22.

Expenses by Function (Rounded \$000)

<u>Category</u>	<u>FY22</u>	<u>FY21</u>	<u>Change</u>	<u>% Change</u>
Instruction	3,597	3,160	437	14%
Institutional Support	1,957	1,868	89	5%
Public Service	373	406	(33)	-8%
Academic Support	1,319	1,261	58	5%
Physical Plant	1,260	1,018	242	24%
Student Support	1,012	827	185	22%
Capital Expense	353	4	349	8725%
Scholarships/Aid	1,285	590	695	118%
Depreciation/Deletions	<u>1,022</u>	<u>1,041</u>	<u>(19)</u>	<u>-2%</u>
Total	12,178	10,176	2,003	20%

Many of the changes in expenses in FY22 were related to various adjustments made as the College was moving away from COVID restrictions. **Instructional** expenses increased by 14% as additional in-person sections were offered. **Physical Plant** shows an increase as facilities were used more often and some grant programs were able to resume. The increase in **Institutional Support** is primarily related to the increase in instructional expenses. WCCC does not receive detail from the State of NJ to apportion pension expenses in various operating categories, so it expenses all pension-related costs under Institutional Support.

Scholarships and **Student Support** also show significant increase in FY22. These are directly related to student HEERF benefits, including grants and write-offs. Most of the scholarship expenses are for HEERF grants paid to students or their student accounts. The purposes for student HEERF grants was expanded in Spring 2021, allowing for significantly more student scholarship funds to be released over the entire FY22 fiscal year. HEERF Grants for students ended after the Fall 2022 semester.

Conversely COVID also explains the decrease in **Public Service** expenses, which primarily represent Continuing Education operational activities. Non-Credit programs have been hampered by the lack of public interest in in-person job training post-COVID.

Note that data shown above does not include expenses required for GASB 68 (Pension) or GASB 75 (Other Post-Employment Benefits or OPEB) paid by the State of New Jersey. These are included in the financial statements, included in this Audit report. Because of the size of the state

payments, they significantly distort the revenues and expenses of the College. These also are “book entries” and the funds do not pass through the College.

Expenses by Natural Spending Categories

Expenses also can be categorized by “natural” groupings that reflect spending type. These expenses for College funds (excluding State Pension Funds and the Foundation) are shown below. This perhaps more clearly shows the impact of expenditure changes for FY22.

Expenses by Natural Category (Rounded \$000)

<u>Category</u>	<u>FY22</u>	<u>FY21</u>	<u>Change</u>	<u>% Change</u>
Employee Salaries	4,552	4,378	174	4%
Employee Fringe Benefits	<u>1,530</u>	<u>1,550</u>	<u>-20</u>	<u>-1%</u>
Employee Salaries & Benefits	6,082	5,928	154	3%
Non-Salaries				
<i>Materials and Supplies</i>	682	635	47	7%
<i>Services</i>	601	399	202	51%
<i>Computing/Equipment</i>	914	793	121	15%
<i>Utilities/Ins./Maintenance.</i>	1,014	757	257	34%
<i>Scholarships/Write-Offs</i>	1,484	590	894	152%
<i>Other</i>	<u>29</u>	<u>29</u>	0	<u>0%</u>
Subtotal, Non-Salaries	4,723	3,203	1,520	47%
Total, Operating Expenses	10,805	9,131	1,674	18%
Capital/Depreciation	1,373	1,045	328	31%
Total Expenses	12,178	10,176	2,002	20%

Reviewing the expenses by category more clearly shows the impact of COVID-19 expenses and recovery in FY22. **Employee Salaries** increased in FY22, primarily reflecting a resumption of additional class sections in FY22 as well as annual salary increases.

Employee Fringe Benefits actually decreased slightly in FY22 from the prior year. Although the College had a significant increase in pension costs, this was more than offset by a reduction in Health Benefit expenses due to a one-month health benefits “holiday” from the State Employers Health Benefit plan covering February, 2022. Ironically, the reduction in health benefits payments in FY22 is now offset by significant health benefit expense increases that will affect FY23 and FY24.

Services increased in FY 22 due to a combination of factors, including one-time grant writing expenses, UAS and Creative Writing advertising expenses, and marketing materials through the Strategic Planning initiative. **Computing Expenses** increased in FY22 primarily due to payment

of Jenzabar remote licensing through HEERF institutional funds as well as a consultant review of IT services.

Utilities/Insurance and Maintenance costs resumed to their pre-Covid levels in FY22. The College also experienced damage from a large sink hole in FY22. Since this was a repair, it could not be capitalized and added a one-time cost under general maintenance.

As noted under Functional Expenses, the largest category of increase related to **Student Scholarships/Write-offs**. This reflects pandemic relief funds that the College has distributed to students. While normally WCCC expenses write-offs against tuition, the COVID write-offs were expensed against HEERF grant revenues in FY22. Approximately \$600,000 in COVID grants will be allocated in FY23, completing the federal HEERF grants in FY23.

Other areas had smaller expense increases. For example, with on-campus services resuming in FY22, there were increases in copier, paper and supply expenses.¹

Statement of Revenues and Expenses: WCCC Foundation

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

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

	<u>FY22</u>	<u>FY20</u>	<u>Change</u>
Foundation Revenues			
Fundraising	60	10	50
Other	(135)	827	(962)
Total Revenues	(75)	837	(912)
Foundation Expenses	765	59	706
Increase/(Decrease) in Net Position	(840)	778	

FY22 was an unusual year for the Foundation because donated funds from the prior year for the walkway project were disbursed to the College, which was the contractor for the project. This accounted for just under \$667,000 of the Foundation's expense. The net position, which greatly increased in FY21 was reduced as a result of this expense and a \$153,714 unrealized loss in investments.

Statement of Cash Flows

The third financial statement included in the audit is the Statement of Cash Flows. This statement documents the actual outlay and receipt of cash and cash equivalents of the College and reconciles

¹ By statute, WCCC is required to report annually on legal expenses and on any expenses for public relations firms. In FY21, legal expenses were \$29,023 while public relations firm expenses were \$17,400. The College outsources both of these functions.

the decreases in cash in accordance with GASB reporting. As this schedule notes, the overall cash position was 8,153,812 at the close of FY22. This is an overall increase from the cash position of \$7.5 million at the end of FY21. Most of this increase represents the reimbursement from federal COVID grants for revenue loss as discussed in previous sections.

The Foundation's cash and cash equivalents position stood at \$95,923. This is a significant decrease from the \$763,400 cash balance at the end of FY21. The decrease and represents cash disbursed to support the Community Trail project. This project was completed in early FY22.

Long-Term (State) Liabilities

As noted previously, while two Governmental Accounting Standards Board (GASB) pronouncements requires entities to report the net pension liability for their employees along with Other Post Employment Benefits (OPEB), these these expenses are not the responsibility of the College.

In New Jersey, certain employees participate in the PERS pension system, which is a defined benefit plan. The New Jersey Division of Pensions has provided actuarial estimates, which show that the net pension liability for current WCCC employees and retirees. Eligible retirees receive OPEB benefits through PERS. Eligible Retirees through the Alternate Benefits Program (a defined contribution plan) receive OPEB benefits through an annual appropriation in the State budget. The NJ actuarial estimates for these costs are also shown in the financial statements. The impact of these liabilities are shown on the financial statements along with the related deferred inflows and outflows. Pension liabilities and OPEB revenues and expenses were \$2,328,825 and \$10,068,289 respectively in FY22. They are not recorded in the College's accounting system and are shown for GASB requirements only.

Future Developments

The final component of the MD & A is a discussion of future developments. This section is intended to focus on prospective issues that may affect the College's financial position in future years. There are several items will may have a major impact on WCCC over the next year.

Impacts of COVID 19/Enrollment

Colleges and universities continue to be impacted by the fallout of COVID-19. While in-person services have resumed, students returning to school (and employees to employment) continue to lag. Fortunately, the College has received federal HEERF funds to support both the College and WCCC students. WCCC has been able to set aside some of the COVID 19 reimbursements to invest in technology and facilities. For example, WCCC has moved to cloud-based services for much of its technology.

Two areas that continue to struggle are the College's non-credit and customized training enrollments. Many non-credit offerings require not only in-person instruction, but also clinical learning, especially through smaller sites and long-term care facilities. These sites may be experiencing worker shortages and unable to accommodate students in clinical settings at this time.

A similar situation is evident with Customized Training programs. Some employers are either not fully back to work yet or are not in need of new job training at this time. We are hopeful that enrollment in all areas of the College is able to resume more thoroughly during FY23.

In addition to traditional continuing education programs, the College has expanded the marketing of its UAS programs to non-credit markets. Beginning in Summer 2022, the College has undertaken a number of training initiatives for local professionals on the use of drone technology.

Future Financial Challenges

The WCCC Board of Trustees has tried to position the College for financial stability in the face of an uncertain future. While many colleges have been struggling, the College's practice of setting funds aside for future priorities has enabled WCCC to withstand the fluctuations of enrollment and funding of many similar colleges. Enrollment uncertainties remain and WCCC needs to consider how it can orient itself going forward. With a smaller enrollment base, the College must continue to align itself not only to its current student population, but also to the areas where it can make a difference as a small community college. The plan not only discusses areas of growth, but also of the need to tailor its resources to programs and services where it can be most effective. The College's strategic plan focuses on six areas:

- True paths to prosperity
- Student experience
- Public support and market expansion
- Community and economic mobility
- College resources
- Facilities renewal

With the understanding that enrollment growth is unlikely in the future based on NJ demographics, WCCC must position itself to ensure that it makes the most effective investments of public resources. Grant funding is one answer as the College is looking to leverage its previous investments in UAS and other emerging areas of robotics.

Securing Our Children's Future Bond Act

In July, 2021, the College was notified that it had received just under \$1.6 million in Securing Our Children's Future (SOCF) Bond funds through a competitive grant process administered by the New Jersey Secretary of Higher Education's Office. These funds provide both capital and equipment funds for high technology programs and renewal and replacement needs. WCCC provided a 25% match for these funds. The College used most of those funds in FY22 for the Robotics Lab in the Phillipsburg Education Center (PEC) as well as the roof replacement project at Phillipsburg and additional exterior repairs to the PEC. The new labs not only augment the College's UAS program, but also allow WCCC to expand further into the Robotics field. The Robotics Center opened for the Fall 2022 semester.

Other Grant Opportunities

In late Summer 2022, the College was awarded a \$750,000 Congressional Appropriations grant for Precision Agriculture. This program uses high tech drone equipment to assist regional farmers with surveying and monitoring their crops. The equipment for this grant was ordered in Fall 2022 and initiatives for this program will begin in Spring 2023.

WCCC also has applied for state technology funding to upgrade teaching classrooms on both campuses through the State's Equipment Leasing Program. Two other U.S. Department of Defense grants related to drone technology have been submitted with the U.S. Department of Defense. WCCC is now focusing grant requests on high technology areas in line with both federal and state priorities.

WARREN COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and cash equivalents	\$ 8,118,980	\$ 7,491,054
Investments	851,296	1,040,215
Real estate held for sale	112,000	112,000
Restricted cash and cash equivalents	34,832	36,587
Receivables:		
Student accounts receivable (less allowance for doubtful accounts of \$1,003,942 for 2022 and \$1,010,810 for 2021)	99,243	169,683
Third-party receivables	753,586	290,523
Leases Receivable	825,609	975,197
Prepaid expenses	10,771	15,842
Total Current Assets	<u>10,806,317</u>	<u>10,131,101</u>
Noncurrent Assets:		
Capital Assets:		
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	19,933,441	18,141,188
Total Noncurrent Assets	<u>19,933,441</u>	<u>18,141,188</u>
TOTAL ASSETS	<u>30,739,758</u>	<u>28,272,289</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to Pensions	<u>614,206</u>	<u>481,025</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	2,165,815	1,189,895
Scholarship payable	1,246	17,223
Compensated absences payable - current portion	165,041	194,629
Unearned revenue	158,230	29,324
Total Current Liabilities	<u>2,490,332</u>	<u>1,431,071</u>
Non-Current Liabilities:		
Compensated absences payable - long term portion	112,000	112,000
Net pension liability	2,328,825	2,923,077
Non-Current Liabilities	<u>2,440,825</u>	<u>3,035,077</u>
TOTAL LIABILITIES	<u>4,931,157</u>	<u>4,466,148</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Lease Resources	825,609	975,197
Related to Pensions	1,814,909	1,831,057
	<u>2,640,518</u>	<u>2,806,254</u>
<u>NET POSITION</u>		
Investment in capital assets	19,933,441	18,141,188
Restricted	623,325	680,844
Unrestricted	3,225,523	2,658,880
TOTAL NET POSITION	<u>\$ 23,782,289</u>	<u>\$ 21,480,912</u>

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

WARREN COUNTY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

19

	<u>2022</u>	<u>2021</u>
Operating Revenue:		
Student Tuition and Fees (Net of Scholarship Allowances of \$1,285,494 and \$590,266)	\$ 1,225,985	\$ 1,715,826
Federal Grants and Contracts	4,297,134	2,557,460
State and Local Grants and Contracts	10,997,260	12,097,893
Foundation Revenue - Gain/(Loss)	(75,269)	837,726
Other	226,820	208,575
Total Operating Revenue	<u>16,671,930</u>	<u>17,417,480</u>
Operating Expenses:		
Instruction	3,597,356	3,160,308
Institutional Support	11,317,269	12,275,148
Public Service	373,699	406,050
Academic Support	1,318,786	1,261,243
Operation and Maintenance of Plant	1,259,887	1,018,278
Student Support	1,011,638	826,553
Capital Expenses	352,766	4,152
Foundation Expenses	765,151	59,638
Depreciation	1,021,900	1,041,059
Total Operating Expenses	<u>21,018,452</u>	<u>20,052,429</u>
Operating Loss	<u>(4,346,522)</u>	<u>(2,634,949)</u>
Nonoperating Revenue:		
State Appropriations	2,646,800	2,057,963
State Alternate Benefits Plan	194,802	183,548
County Appropriations	2,468,463	2,280,963
Other	226,018	41,918
Investment Income	9,933	2,026
Total Nonoperating Revenue	<u>5,546,016</u>	<u>4,566,418</u>
Income Before Capital Additions	<u>1,199,494</u>	<u>1,931,469</u>
Capital Additions:		
Capital Contributions	<u>1,101,883</u>	<u>23,134</u>
Total Capital Additions	<u>1,101,883</u>	<u>23,134</u>
Change in Net Position	2,301,377	1,954,603
Net Position- Beginning of Year (as Restated)	<u>21,480,912</u>	<u>19,526,309</u>
Net Position - End of Year	<u>\$ 23,782,289</u>	<u>\$ 21,480,912</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, 2022 AND 2021

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	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Students for Tuition and Fees	\$ 4,966,555	\$ 4,169,301
Grants and Contracts Received	3,334,945	3,088,467
Payments to Suppliers	(5,910,247)	(4,459,266)
Payment for Employee Salaries and Benefits	(6,051,770)	(5,947,155)
Other Receipts	264,023	249,953
Net Cash (Used for) Operating Activities	<u>(3,396,494)</u>	<u>(2,898,700)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Capital Contributions	1,101,883	23,134
Cash Received from State Appropriations	2,646,800	2,057,963
Cash Received from State Appropriations - Alternate Benefits Plan	194,802	183,548
Cash Received from County Appropriations	2,468,463	2,280,963
Cash Received from Other Non-Operating Activities	226,018	41,918
Net Cash Provided by Noncapital Financing Activities	<u>6,637,966</u>	<u>4,587,526</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(2,814,153)	(445,934)
Net Cash (Used for) Capital and Related Financing Activities	<u>(2,814,153)</u>	<u>(445,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	9,933	2,026
Assets Converted to Cash	50,000	
Interest and Dividends - Reinvested	(14,795)	(15,729)
Unrealized Gains/Losses	153,714	(125,476)
Net Cash Provided by/(Used for) Investing Activities	<u>198,852</u>	<u>(139,179)</u>
Net Increase in Cash and Cash Equivalents	626,171	1,103,713
Cash and Cash Equivalents - Beginning of Year	7,527,641	6,423,928
Cash and Cash Equivalents - End of Year	<u>\$ 8,153,812</u>	<u>\$ 7,527,641</u>
Reconciliation of operating loss to net cash (used for) operating activities:		
Operating Loss	\$ (4,346,522)	\$ (2,634,949)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	1,021,900	1,041,059
Changes in assets and liabilities:		
(Increase)/Decrease in Student accounts receivable	70,440	64,146
(Increase)/Decrease in Third-party receivables	(463,063)	29,634
(Increase)/Decrease in Prepaid expenses	5,071	(12,210)
(Increase)/Decrease in Leases receivable	149,588	
(Increase)/Decrease in Deferred Outflows of Resources	(133,181)	91,676
Increase/(Decrease) in Accounts payable	975,920	(297,831)
Increase/(Decrease) in Scholarships payable	(15,977)	2,564
Increase/(Decrease) in Accrued compensated absences payable	(29,588)	19,069
Increase/(Decrease) in Unearned revenue	128,906	(685,141)
Increase/(Decrease) in Non current liabilities	(594,252)	(273,903)
Increase/(Decrease) in Deferred Inflows of Resources	(165,736)	(242,814)
Net Cash (Used for) Operating Activities	<u>\$ (3,396,494)</u>	<u>\$ (2,898,700)</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, 2022

Note 1: Organization and Summary of Significant Accounting Policies

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

Basis of Accounting

The Warren County Community College's financial statements are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements.

The College makes a distinction between operating and non-operating revenues and expenses. The College's policy for defining operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB including state and county appropriations as well as investment income. Restricted resources are spent and tracked at the discretion of the College within the guidelines of donor restrictions, if any.

Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the governing body of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Accordingly, the Warren County Community College is a component unit of the County of Warren.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

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

Measurement Focus

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

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

Fund Accounting

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

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

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

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

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

Accounts included in the Restricted Funds are:

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

Foundation Funds – to account for revenue and expenses of funds for the Warren County Community College Foundation.

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

Net Position:

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

Compensated Absences:

The College accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

Inventory

The College had no inventory at June 30, 2022 or 2021.

Income Taxes

The College, as an instrumentality of the State of New Jersey and therefore a governmental entity, has determined itself to be a tax-exempt organization and not subject to either federal or state income taxes. The Warren County Community College Foundation, as a 501(c)(3) organization, also is not subject to taxes.

Allowance for Uncollectible Accounts:

The College had an allowance for uncollectible accounts of \$1,003,942 and \$1,010,810 at June 30, 2022 and 2021, respectively. The allowance for uncollectible accounts consists of all items that are currently 365 days or more overdue as well as 80% of the receivables over 120 days based on an analysis of aging receivable and historical data.

Deferred Outflows and Deferred Inflows of Resources for Pensions:

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

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

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

Pensions:

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

Management Estimates:

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

Lease Receivables

Lease receivables are recognized at the net present value of the leased assets at a borrowing rate either explicitly described in the agreement or implicitly determined by the College, reduced by principal payments received.

Note 2: Cash, Cash Equivalents, and Investments

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

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

Investments are presented in the financial statements in the aggregate at fair value based on quoted market prices. The College's investments for the years ended June 30, 2022 and 2021 consisted of investments with the New Jersey Cash Management Fund.

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

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

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

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

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

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

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

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

Cash and cash equivalents of the College as of June 30, 2022 consisted of the following:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
Cash, Checking and Cash Equivalents	\$ 3,246,359	\$ 95,923	\$ 3,342,282
New Jersey Cash Management Fund	4,811,530		4,811,530
	<u>\$ 8,057,889</u>	<u>\$ 95,923</u>	<u>\$ 8,153,812</u>

Cash and cash equivalents of the College as of June 30, 2021 consisted of the following:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
Cash, Checking and Cash Equivalents	\$ 1,962,644	\$ 763,400	\$ 2,726,044
New Jersey Cash Management Fund	4,801,597		4,801,597
	<u>\$ 6,764,241</u>	<u>\$ 763,400</u>	<u>\$ 7,527,641</u>

The carrying amount of the College's cash and cash equivalents at cost at June 30, 2022 was \$8,153,812 and the bank balance was \$8,294,156. The \$4,811,530 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, 2021 was \$7,527,641 and the bank balance was \$7,711,742. The \$4,801,597 with the New Jersey Cash Management Fund was uninsured and unregistered.

Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

Investments (Cont'd)

2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
5. Local government investment pools;
6. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
7. Agreements for the repurchase of fully collateralized securities if:
 - a. The underlying securities are permitted investments pursuant to items 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.

The Foundation is a 501(c)(3) entity and a component unit of the College. The Foundation may invest in commercial paper, repurchase agreements, treasury bills, certificates of deposit, money market funds, component debt securities, common stocks, preferred stocks, convertible securities, mutual funds, and obligations of the United States Government. The credit quality rating for the Common Fund high equity bond investment is AA+.

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

	<u>2022</u>	<u>2021</u>
Balance July 1	\$ 1,040,215	\$ 899,010
Investment activity:		
Realized gain/(loss) on investments	\$(153,714)	\$ 125,476
Proceeds from Sales	(50,000)	
Dividend and Interest Income	14,795	15,729
	<u>(188,919)</u>	<u>141,205</u>
Balance June 30	<u>\$ 851,296</u>	<u>\$ 1,040,215</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

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

Investments (Cont'd)

Investments consisted of the following:

	June 30, 2022		June 30, 2021	
	Cost Value	Fair Value	Cost Value	Fair Value
Mutual Funds	\$ 604,887	\$ 851,296	\$ 604,887	\$ 1,040,215
	\$ 604,887	\$ 851,296	\$ 604,887	\$ 1,040,215

Note 3: Student Accounts Receivable

Unpaid student accounts are included in the 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, 2022, 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, 2022 and 2021, accounts receivable from students amounted to \$1,103,185 and \$1,180,493, respectively, excluding the allowance for doubtful accounts in the amount of \$1,003,942 for the fiscal year ending 2022 and \$1,010,810 in 2021. The allowance for doubtful accounts recorded for the fiscal year ended 2022 amounted to \$1,003,942 as a result of the following provision rates applied to the receivable balance per receivable aging category.

Age in Days	Provision Rate
121-365	80%
365 and over	100%

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

Note 4: Third-Party Receivables

As of June 30, 2022 and 2021, the College had third party-receivables in the amounts of \$753,586 and \$290,523, respectively.

Note 5: Prepaid Expenses

Prepaid expenses at June 30, 2022 and 2021 total \$10,771 and \$15,842, respectively, and include a number of small pre-payments for warranties, copier fees, and computer licenses. Prepaid expenses represent that portion of items paid or accrued which will be charged to operations over time.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(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 \$2,500 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The County of Warren is responsible for the issuance of bonds and notes for the College's capital expenditures which are financed by bond ordinances. The County is also responsible for the payment of interest on issued bonded debt and the retirement of such obligations. Accordingly, this debt is reported in the financial statements of the County of Warren. Real estate held for sale is recorded at acquisition value. Capital assets were reviewed for impairment.

Capital assets are recorded at cost and consisted of the following, as of June 30, 2022 and 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Building	\$ 23,454,990			\$ 23,454,990
Building Improvements	3,917,421	\$ 1,617,709		5,535,130
Furniture and Fixtures	1,714,617	103,169		1,817,786
Computer and Equipment	2,415,852	1,093,275	\$ (61,587)	3,447,540
	<u>31,502,880</u>	<u>2,814,153</u>	<u>(61,587)</u>	<u>34,255,446</u>
Less Accumulated Depreciation for:				
Building	(8,429,388)	(469,027)		(8,898,415)
Building Improvements	(1,497,065)	(310,226)		(1,807,291)
Furniture and Fixtures	(1,451,964)	(82,751)		(1,534,715)
Computer and Equipment	(1,983,275)	(159,896)	61,587	(2,081,584)
	<u>(13,361,692)</u>	<u>(1,021,900)</u>	<u>61,587</u>	<u>(14,322,005)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,141,188</u>	<u>\$ 1,792,253</u>	<u>\$ -0-</u>	<u>\$ 19,933,441</u>

The College did not have active construction projects as of June 30, 2022.

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

<u>Classification</u>	<u>Life</u>
Buildings	50 years
Building Improvements	15 years
Furniture and Fixtures	7 years
Computers and Equipment	4 years

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 7: Long-term Liabilities

The College's long-term liabilities consist of unused sick leave that is paid upon retirement, and net pension liability. The following table presents the long term liabilities for the fiscal years ended June 30, 2022 and 2021:

	June 30,	
	2022	2021
Compensated Absences Payable - Current Portion	\$ 165,041	\$ 194,629
Compensated Absences - Long Term Portion	112,000	112,000
Net Pension Liability	2,328,825	2,923,077
	\$ 2,605,866	\$ 3,229,706

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. The Public Employee's Retirement System (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the Unrestricted Fund. The current portion of the net pension liability at June 30, 2022 is \$-0- and the long term portion is \$2,328,825. See Note 8 for further information on the PERS.

Note 8: Pension Plans

Substantially all of the College's employees participate in either the Public Employee's Retirement System (PERS) of New Jersey; or the New Jersey Alternate Benefit Program (ABP).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service. The following represents the membership tiers for PERS:

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 8: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of $1/55^{\text{th}}$ of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. College contributions to PERS amounted to \$230,222 for fiscal year 2022.

The employee contribution rate was 7.50% effective July 1, 2018.

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

At June 30, 2022, the College reported a liability of \$2,328,825 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2021, the College's proportion was .0197%, which was an increase of .0018% from its proportion measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the College recognized an actual pension benefit of \$477,500. At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 8: Pension Plans (Cont'd)

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

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

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2017	5.48		\$ 98,418
	2018	5.63		184,510
	2019	5.21		162,770
	2020	5.16		383,379
	2021	5.13		
				<u>\$ 12,128</u>
Difference Between Expected and Actual Experience	2017	5.48	2,927	
	2018	5.63		7,027
	2019	5.21	12,443	
	2020	5.16	21,359	
	2021	5.13		9,645
				<u>36,729</u>
Changes in Proportion	2017	5.48		15,018
	2018	5.63		296,930
	2019	5.21		43,738
	2020	5.16	25,103	
	2021	5.13	304,375	
				<u>329,478</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2018	5.00		18,192
	2019	5.00		(5,870)
	2020	5.00		(132,287)
	2021	5.00		733,439
				<u>613,474</u>
Contribution Subsequent to the Measurement Date	2021	1.00	235,871	
			<u>\$ 614,206</u>	<u>\$ 1,814,909</u>

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 8: Pension Plans (Cont'd)

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2022	\$ (549,501)
2023	(392,343)
2024	(267,511)
2025	(201,089)
2026	78
	<u>\$ (1,410,366)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020 which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

<u>Inflation Rate:</u>	
Price	2.75%
Wage	3.25%
<u>Salary Increases:</u>	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 8: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Management Strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 8: Pension Plans (Cont'd)

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

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

The following presents the College's proportionate share of the collective net pension liability as of June 30, 2021 calculated using the discount rate as disclosed below, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	June 30, 2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of the Net Pension Liability	\$ 3,173,142	\$ 2,328,825	\$ 1,614,684

Pension plan Fiduciary Net Position

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

B. Alternate Benefit Program (ABP)

Plan Description

The New Jersey Alternate Benefit Program (ABP) is a single-employer, defined contribution pension plan, which was established pursuant to P.L. 1969, c. 242 (N.J.S.A. 18A:66-167 et seq.). The ABP provides retirement, life insurance, long-term disability coverage, and medical benefits to qualified members.

Contributions

The contributions requirements of plan members are determined by State statute. In accordance with N.J.S.A. 18A:66-173, required contributions, calculated on the employee's base pay, are 5% for plan members, and 8% for employers. Plan members may make additional voluntary contributions subject to section 403(b) of the internal revenue code.

Under N.J.S.A 18A:66-174, most employer contributions are made by the State of New Jersey on behalf of the College. The College is responsible for the employer contributions for non-academic employees.

Plan members direct the investment of contributions to insurance companies and mutual fund companies selected by the New Jersey Division of Pensions' Pension Provider Selector Board. These companies administer plan funds based on alternate benefit contracts with the New Jersey Division of Pensions.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 8: Pension Plans (Cont'd)

B. Alternate Benefit Program (ABP) (Cont'd)

Contributions (Cont'd)

Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. The plan carriers are as follows:

AXA Financial (Equitable)
Prudential
Voya Financial Services
Teacher's Insurance and Annuity Association/College Retirement Equities Fund
(TIAA/CREF)
MassMutual Retirement Services
VALIC
Metlife

During the fiscal year end June 30, 2022 employee contributions to the plan were \$131,071 and College contributions were \$209,714. The State of New Jersey reimbursed the College a total of \$194,802 for eligible employees.

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, 2022 and 2021, unearned revenue is a total of \$158,230 and \$29,324, 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: 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.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

Note 11: Risk Management (Cont'd)

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 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.

Selected summarized financial information for the Pool at December 31, 2022 and 2021 is as follows:

	New Jersey Community College	
	Insurance Pool Worker's Compensation Fund	
	2022	2021
Total Assets	\$ 11,332,968	\$ 11,605,182
Net Position	\$ 6,907,241	\$ 6,927,674
Operating Revenue	\$ 1,993,054	\$ 1,988,647
Total Expenses and Adjustments	\$ 2,013,487	\$ 1,301,548
Nonoperating Revenue	\$ -0-	\$ -0-
Change in Net Position	\$ (20,433)	\$ 687,099
Member Dividends	\$ -0-	\$ -0-

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

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

Note 12: 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.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 13: Accounts Payable

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

	<u>2022</u>	<u>2021</u>
Accounts Payable, including accruals	\$ 1,531,348	\$ 599,283
Contribution Subsequent to Measurement Date - Pensions	235,871	200,011
Payroll Liabilities	398,596	390,601
	<u>\$ 2,165,815</u>	<u>\$ 1,189,895</u>

Note 14: Restricted Net Position

There was restricted net position of \$623,325 and \$680,844 as of June 30, 2022 and June 30, 2021, respectively. The restricted net position of the College is for student group funds. The donor restricted net position of the Foundation is for temporary and permanently restricted awards.

Note 15: Related Party Transactions

During the fiscal years ended June 30, 2022 and 2021, the College recognized \$2,468,463 and \$2,280,963 in operating aid from the County of Warren.

Note 16: Unrestricted Net Position

The total Unrestricted Net Position at June 30, 2022 and 2021, was \$3,225,523 and \$2,658,880 respectively. The increase in the Unrestricted Net Position exists primarily due to change in the net pension liability, and deferred inflows and outflows from pensions of \$3,765,399 in 2022. This does not reflect that the College is in financial hardship and is a permitted practice under Generally Accepted Accounting Principles.

Net Position without GASB 68	\$ 6,990,922
GASB 68 - Pensions and Deferred Inflows/Outflows	<u>(3,765,399)</u>
Net Position	<u>\$ 3,225,523</u>

Of the total Unrestricted Net Position, the following have been designated by the Board of Trustees as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Designated for Future Projects	\$ 974,810	\$ 608,288
Designated for Building Projects	2,589,800	2,111,018
Designated for Subsequent Fiscal Year	1,879,101	1,963,482
	<u>\$5,443,711</u>	<u>\$4,682,788</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 17: Post-Employment Benefits Other Than Pensions (OPEB)

State Health Benefit Program Fund – Local Education Retired Employees Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

The College is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the College.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits is the responsibility of the individual education employers.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s annual financial statements can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 17: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Employees Covered by Benefit Terms

At June 30, 2020, the plan membership consisted of the following:

Retiree Plan Members and Spouses or Retirees Currently Receiving Benefit Payments	150,427
Active Plan Members	<u>213,901</u>
Total	<u><u>364,328</u></u>

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.45% based on service years	2.00 - 6.00% based on service years	3.25 - 15.25% based on service years
Thereafter	2.75 - 5.65% based on service years	3.00 - 7.00% based on service years	Not Applicable

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018, July 1, 2014 - June 30, 2018 and July 1, 2013 - June 30, 2018 for ABP, PERS and PERS, respectively.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), and "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

Note 17: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Employees Plan (Cont'd)

Mortality Rates (Cont'd)

Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 for current disabled retirees. Future disabled retirees were based on the Pub-2010 “Safety” (PFRS), “General” (PERS) and “Teachers” (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.5% long term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal years 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the State’s Proportionate Share of the Total OPEB Liability Associated with the College

	Total OPEB Liability
Balance at June 30, 2020	\$ 10,828,197
Changes for Year:	
Service Cost	564,128
Interest on the Total OPEB Liability	261,182
Change in Benefit Terms	(10,716)
Changes of Assumptions	9,933
Differences between Expected and Actual Experience	(1,385,374)
Gross Benefit Payments by the State	(205,738)
Contributions from Members	6,677
Net Changes	(759,908)
Balance at June 30, 2021	\$ 10,068,289

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 17: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the College to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the College as of June 30, 2021, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the College would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2021		
	At 1% Decrease (1.16%)	At Discount Rate (2.16%)	At 1% Increase (3.16%)
Total OPEB Liability Attributable to the College	\$ 12,060,230	\$ 10,068,289	\$ 8,499,755

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the College to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the College as of June 30, 2021, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the College would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2021		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the College	\$ 8,150,313	\$ 10,068,289	\$ 12,643,989

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 17: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022 the College recognized OPEB expense of \$931,586 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the College's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2021 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the College from the following sources:

	<u>Deferral</u> <u>Year</u>	<u>Period</u> <u>in Years</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes in Assumptions	2017	9.54		\$ 565,841
	2018	9.51		514,393
	2019	9.29	\$ 70,681	
	2020	9.24	1,628,418	
	2021		8,858	
				<u>1,707,957</u>
Differences between Expected and Actual Experience	2018	9.51		486,261
	2019	9.29		831,920
	2020	9.24	1,517,750	
	2021			1,703,492
				<u>1,517,750.00</u>
Changes in Proportion	N/A	N/A	<u>2,023,450</u>	
			<u>\$ 5,249,157</u>	<u>\$ 4,101,907</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 17: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired Employees Plan (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2022	\$ (198,371)
2023	(198,372)
2024	(198,371)
2025	(198,371)
2026	(141,039)
Thereafter	58,324
	<u>\$ (876,200)</u>

Note 18: Leases Receivable

	<u>Original</u> <u>Amount</u>	<u>Restated</u> <u>Outstanding</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Decrease</u>	<u>Outstanding</u> <u>June 30, 2022</u>
Building Sublease; interest at 4%, monthly payments of principal and interest range from \$13,488 to \$17,403, due 5/31/2028	<u>\$1,853,455</u>	<u>\$ 975,197</u>	<u>\$ -0-</u>	<u>\$ 149,588</u>	<u>\$ 825,609</u>
	<u>\$1,853,455</u>	<u>\$ 975,197</u>	<u>\$ -0-</u>	<u>\$ 149,588</u>	<u>\$ 825,609</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

Note 18: Leases Receivable (Cont'd)

Future maturities are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 146,775	\$ 36,395
2024	143,898	44,495
2025	140,969	52,642
2026	137,998	60,834
2027	134,998	69,056
2028	120,971	70,466
	<u>\$ 825,609</u>	<u>\$ 333,888</u>

Annual amortization of deferred inflow of resources mirror the principal payment maturities.

Note 19: Prior Period Adjustment

The College made a prior year adjustment in the financial statements to record a lease receivable and a related deferred inflow of resources as of June 30, 2021, as a result of implementing GASB Statement #87, *Leases*.

	<u>Balance 6/30/21</u> <u>as Previously</u> <u>Reported</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/21</u> <u>as Restated</u>
<u>Statement of Net Position:</u>			
<u>Governmental Activities:</u>			
<u>Statement of Net Position:</u>			
<u>Current Assets:</u>			
Leases Receivable	\$ -0-	\$ 975,197	\$ 975,197
Total Current Assets	27,297,092	975,197	28,272,289
<u>Deferred Inflows of Resources:</u>			
Deferred Lease Resources	-0-	975,197	975,197
Total Deferred Inflows of Resources	1,831,057	975,197	2,806,254
<u>Net Position:</u>			
Unrestricted/(Deficit)	2,658,880	-0-	2,658,880
Total Net Position	21,480,912	-0-	21,480,912

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,							
	2015	2016	2017	2018	2019	2020	2021	2022
College's proportion of the net pension liability	0.0256108314%	0.0239193198%	0.0233313329%	0.0227452015%	0.0181979693%	0.0177427815%	0.0179248666%	0.0196583392%
College's proportionate share of the net pension liability	\$ 4,795,048	\$ 5,369,408	\$ 6,969,306	\$ 5,294,719	\$ 3,583,089	\$ 3,196,980	\$ 2,923,077	\$ 2,328,825
College's covered employee payroll	\$ 1,263,741	\$ 1,289,532	\$ 1,305,864	\$ 1,373,086	\$ 1,302,570	\$ 1,263,405	\$ 1,713,458	\$ 1,357,419
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	379.43%	416.38%	533.69%	385.61%	275.08%	252.64%	170.60%	171.56%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%	58.32%	58.32%

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

WARREN COUNTY COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY
ASSOCIATED WITH THE COLLEGE AND RELATED RATIOS
LAST FIVE FISCAL YEARS

	Fiscal Year Ending June 30,				
	2017	2018	2019	2020	2021
Service Cost					
Interest	\$ 542,245	\$ 456,786	\$ 346,685	\$ 385,709	\$ 564,128
Change of Benefit Terms	203,542	242,755	245,271	229,472	261,182
Changes in Assumptions	(871,565)	(698,104)	(320,999)	1,977,939	(10,716)
Differences between Expected and Actual Experience	5,460	(162,864)	93,356	2,156,636	9,933
Member Contributions	(148,282)	5,622	5,697	5,714	(1,385,374)
Gross Benefit Payments		(162,669)	(192,201)	(188,510)	6,677
Net Change in Total OPEB Liability	(268,600)	(318,474)	177,809	4,566,960	(759,908)
Total OPEB Liability - Beginning	6,670,502	6,401,902	6,083,428	6,261,237	10,828,197
Total OPEB Liability - Ending	\$ 6,401,902	\$ 6,083,428	\$ 6,261,237	\$ 10,828,197	\$ 10,068,289
College's Covered Employee Payroll *	\$ 1,289,532	\$ 1,305,864	\$ 1,373,086	\$ 1,302,570	\$ 1,265,405
Total OPEB Liability as a Percentage of Covered Employee Payroll	496%	466%	456%	831%	796%

* - Covered payroll for the fiscal years ending June 30, 2017, 2018, 2019, 2020, and 2021 are based on the payroll on the June 30, 2016, 2017, 2018, 2019 and 2020 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2022

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2019 actuarial valuation the mortality improvement was based on Scale MP-2020 while in the July 1, 2020 actuarial valuation the mortality improvement was based on Scale MP-2021.

B. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate for June 30, 2021 was 2.16%. The discount rate for June 30, 2020 was 2.21%, a change of -.05%.

The salary increases for TPAF/ABP for thereafter were 1.55 – 4.45% in the valuation as of June 30, 2020 while the salary increases for TPAF/ABP for thereafter are 2.75 – 5.65% in the valuation as of June 30, 2021.

The salary increases for PFRS for thereafter were applied to all future years in the valuation as of June 30, 2020 while the salary increases for PFRS for thereafter are not applicable in the valuation as of June 30, 2021.

The mortality rates in the valuation as of June 30, 2021 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021 for current disabled retirees. Future disabled retirees were based on the Pub-2010 "Safety" (PFRS), "General" (PERS) and "Teachers" (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

The mortality rates in the valuation as of June 30, 2020 were based on the following:

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2022

(Continued)

B. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

The health care trend rates in the valuation as of June 30, 2021 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.5% long term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal years 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreasing to 4.5% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

The health care trend rates in the valuation as of June 30, 2020 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2021 through 2022 are reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

PART II

WARREN COUNTY COMMUNITY COLLEGE

FISCAL YEAR ENDED JUNE 30, 2022



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Report on Internal Control Over Financial Reporting and
 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of Management and Budget, Department of Treasury, State of New Jersey (the "Department"), the financial statements of the Warren County Community College (the "College") as of and for the fiscal year ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 20, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 results 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
February 20, 2023



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Report on Compliance For Each Major Federal and State Program:
Report on Internal Control Over Compliance Required by the
Uniform Guidance and NJOMB 15-08

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

Opinion on Each Major Federal and State Program

We have audited the Warren County Community College's (the "College's") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2022. 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.

In our opinion, the College complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Our responsibilities under those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey's OMB Circular 15-08, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

The Honorable Chairman and
Members of the Board of Trustees
Warren County Community College
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Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Mount Arlington, New Jersey
February 20, 2023

Nisivoccia LLP

NISIVOCCIA LLP

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Name of Federal Agency or Department/Cluster Title	Assistance Listing No.	Name of Grant	Grant I.D. No.	Grant Period	Award Authori- zations	Amount Received Fiscal Year 2022	Grant Ex- penditures Fiscal Year 2022	Amount Provided to Subrecipients
U.S. Department of Education Pass-Through NJ Department of Education	84.048	Carl D. Perkins Vocational and Technical Education	PSTS718007	7/1/21-6/30/22	\$ 81,577	\$ 81,577	\$ 81,577	
Student Financial Assistance Cluster:								
U.S. Department of Education	84.063	Federal Pell Grant	P063P004578	7/1/21-6/30/22	1,214,927	1,214,927	1,214,927	
U.S. Department of Education	84.007	Federal Supplemental Education Opportunity Grant	P007A007578	7/1/21-6/30/22	50,086	50,086	50,086	
U.S. Department of Education	84.053	Federal Work Study Program	P033A007578	7/1/21-6/30/22	10,398	10,398	10,398	
Federal Direct Student Loans Program:								
U.S. Department of Education	84.268	Direct Student Loans-Subsidized	N/A	7/1/21-6/30/22	28,176	28,176	28,176	
U.S. Department of Education	84.268	Direct Student Loans-Unsubsidized	N/A	7/1/21-6/30/22	44,146	44,146	44,146	
Total Federal Direct Student Loans Program					72,322	72,322	72,322	
Total Student Financial Assistance Cluster					1,347,733	1,347,733	1,347,733	
Education Stabilization Fund:								
COVID 19 - Higher Education Emergency Relief Fund	84.425E	Covid-19 Student Aid Portion	P425E202574	4/25/20-6/30/23	2,288,443	1,212,226	1,212,226	
COVID 19 - Higher Education Emergency Relief Fund	84.425F	Covid-19 Institutional Aid Portion	P425F201573	5/6/20-6/30/23	3,383,720	2,274,748	2,274,748	
Total Education Stabilization Fund					3,486,974	3,486,974	3,486,974	
Total U.S. Department of Education					4,916,284	4,916,284	4,916,284	
Total Federal Awards					\$ 4,916,284	\$ 4,916,284	\$ -0-	

N/A - Not Available

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

WARREN COUNTY COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED JUNE 30, 2022

Name of State Agency or Department	Name of Grant	Account I.D. #	Grant Period	Award Authorizations	Amount Received Fiscal Year 2022	Grant Expenditures Fiscal Year 2022
Department of Education:						
	ABE/GED Grant	22-100-034-2405-510	7/1/21-6/30/22	\$ 90,703	\$ 90,703	\$ 90,703
Department of Treasury:						
	State Support Operational Costs	10-100-082-2155-015	7/1/21-6/30/22	2,646,800	2,646,800	2,646,800
	Alternate Benefit Plan	10-100-082-2155-017	7/1/21-6/30/22	194,802	194,802	194,802
Office of the Secretary of Higher Education:						
	EOF Summer	11-100-074-1401	7/1/21-6/30/22	31,520	31,520	31,520
	EOF Article III	11-100-074-1401	7/1/21-6/30/22	38,652	38,652	38,652
	EOF Article IV Academic Year	11-100-074-1401	7/1/21-6/30/22	107,108	107,108	107,108
Higher Education Student Assistance Authority:						
	Tuition Aid Grant	22-100-074-2405-007	7/1/21-6/30/22	228,651	228,651	228,651
	NJ STARS	22-100-074-2405-313	7/1/21-6/30/22	71,409	71,409	71,409
	Community College Opp. Grant (CCOG)	22-100-074-2405-332	7/1/21-6/30/22	159,327	159,327	159,327
	CCOG Planning Grant	22-100-074-2405-332	7/1/21-6/30/22	146,831	146,831	146,831
Total State Awards				\$ 3,715,803	\$ 3,715,803	\$ 3,715,803

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, 2022

Note 1: Basis of Presentation

The accompanying schedules of expenditures of federal and state awards present the activity of federal and state award programs of the Warren County Community College (the "College") under programs of the federal and state governments for the fiscal year ended June 30, 2022. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the College, they are not intended to and do not present the financial position, changes in net position or cash flows of the College.

Note 2: Summary of Significant Accounting Policies:

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

Note 3: Indirect Cost Rate

The College has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Relationship to Basic Financial Statements

There is an adjustment needed to reconcile the Schedule of Expenditures of Federal and State Awards to the basic financial statements. The adjustment for federal awards is \$619,150 and the adjustment for state awards is (\$2,786,832). The adjustment is necessary because the College must reflect the entire drawdown amounts on the Schedules of Expenditures of Federal and State Awards. In the basic financial statements, the College is only reflecting the revenue and expenses pertaining to the College and is not accounting for awards that pass through the College and are refunded to the students.

Note 5: Relationship to Federal and State Financial Reports

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

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2022

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 the Uniform Guidance and NJOMB 15-08*.
- The auditor's report on compliance for each of the major federal and state programs for the College expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The College's programs tested as major federal and state programs for the current fiscal year consisted of the following:

<u>State:</u>	<u>State Grant/ Assistance Listing Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State Support Operational Costs	10-100-082- 2155-015	7/01/21-6/30/22	\$ 2,646,800	\$ 2,646,800
<u>Federal:</u>				
Education Stabilization Fund:				
COVID 19 - Higher Education:				
Emergency Relief Fund -				
Student Aid Portion	84.425E	4/25/20-5/16/22	2,288,443	1,212,266
Institutional Aid Portion	84.425F	5/6/20-5/16/22	3,383,720	2,274,748

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2022
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

WARREN COUNTY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2022

Status of Prior Year Findings:

There were no findings or questioned costs noted during the audit of the fiscal year ended June 30, 2021.