

WARREN COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2016

WARREN COUNTY COMMUNITY COLLEGE
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JUNE 30, 2016

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Warren County Community College (the "College") a component unit of the County of Warren, as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of Management and Budget, Department of the Treasury, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Warren County Community College, in the County of Warren, as of June 30, 2016 and 2015, and the respective changes in financial position, and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey
December 12, 2016



NISIVOCIA LLP

FY16 MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

This Management Discussion and Analysis (MD & A) of Warren County Community College's ("College" or "WCCC") financial performance provides an overall review of the College's financial activities for the fiscal year ending June 30, 2016. 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 Government Accounting Standards Board (GASB), which sets guidelines for financial reports prepared for public entities. The financial statements prescribed by GASB incorporate three statements:

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

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

Net Pension Liability

Beginning in FY2015, GASB required public entities to reflect the calculation of pension liabilities at June 30, 2015 in its financial statements. Warren County Community College's employees participate in either the Alternate Benefits Program (ABP), which is a defined contribution plan and therefore has no future pension obligations, 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 liabilities in the College's financial statements, the Division of Pensions and Benefits has provided data on future pension liabilities. For purposes of better reflecting the College's financial position, this Management Discussion and Analysis will show the pension liabilities separately.

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

Statement of Net Position: College Funds

The Statement of Net Position includes assets, liabilities, 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 inflows. The net position indicates both capital assets and fund assets. As the WCCC Foundation does not hold capital assets, the Foundation's net position represents fund assets only.

The chart below shows total and net position for the College (exclusive of its component group, the WCCC Foundation). The overall College net position as of June 30, 2016, exclusive of the state net pension liability, was \$21.9 million. The overall College net position as of June 30, 2016, inclusive of the net pension liability, was \$16.7 million.

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

	<u>FY16</u>	<u>FY15</u>	<u>Change</u>
Total Assets			
Current Assets	5,596	5,457	138
Capital Assets, Net	<u>17,486</u>	<u>18,013</u>	<u>(527)</u>
Total Assets	23,081	23,470	(389)
Liabilities:			
Current Liabilities	1,047	1,063	(16)
Non-Current Liabilities (College)	<u>136</u>	<u>136</u>	<u>-</u>
Total Liabilities	1,183	1,199	(16)
Net Position	21,899	22,271	(406)
<u>Net Position (Excluding Pension)</u>			
Investment in Capital Assets	17,486	18,013	(527)
Restricted	25	22	3
Unrestricted-Designated	3,322	3,164	157
Unrestricted-Undesignated	<u>1,066</u>	<u>1,073</u>	<u>(6)</u>
Total Net Position	21,899	22,271	(373)

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, inflows and outflows, and net position. The above chart is on a budgetary basis, and does not include the net pension liabilities of the College which are required to be reported on a GAAP basis. The 2016 net pension liability of the College was \$5,168,651. Had the net pension liability and the deferred inflows and outflows for pensions been included in the chart above, the total net position would have reduced the net position by \$5,369,408. Additionally, the College had deferred inflows in pensions due to the changes in assumptions of \$576,632, difference between expected and actual experience of \$128,095, and College contributions made subsequent to the measurement date of \$209,049. The College also had deferred inflows in pensions due to changes in proportion of \$417,640, and investments earnings on pension plan investments of \$86,330. Had the net pension liability been included in the chart above, the total net pension would have been \$16,730,076.

Current Assets

Current assets include cash and cash equivalents, accounts receivable, inventory and prepaid expenses. As the chart above indicates, the College's current assets increased in FY16 to a level just under \$5.6 million. This change represents an increase in the cash balance due largely to one-time grant funds.

Capital Assets, Net

Capital assets include facilities, building improvements, computers, furnishings and equipment and fixtures. The College's capital assets were just under \$17.5 million by the end of FY16, representing a \$527,093 decrease from the prior year. This reflects depreciation and a few equipment deletions, partially offset by capital assets acquired in FY16. Note that beginning in FY14, the College reduced the useful life for its desktop/laptop inventory to 4 years (from 5 years) based on the average lifecycle of those devices. This also caused an annual increase in depreciation expense.

The change in capital assets by category is shown below.

Capital Assets, Net (in \$000)

<u>Asset Type</u>	<u>FY16</u>	<u>FY15</u>	<u>1 Year Change</u>
Computers & Equipment	2,037	1,784	253
Furniture & Fixtures	1,432	1,353	79
Building Improvements	2,051	1,971	80
Building	<u>21,092</u>	<u>21,092</u>	<u>0</u>
Total	26,612	26,200	412
Less Accumulated Depreciation	(9,126)	(8,187)	(939)
Net Capital Assets	17,486	18,013	(527)

Current Liabilities

Also displayed in the *Statement of Net Position* are liabilities. Liabilities may be current or non-current (reflecting commitments to be realized in future years). Current liabilities include upcoming salary and vendor payments for services already incurred during the fiscal year, as well as unearned tuition revenue and an accrual to cover earned employee vacation time. Current liabilities were 1,046,648 as of June 30, 2016. The ratio of current assets to current liabilities was 5.3, indicative of the College's strong financial position at that time.

Long-Term Liabilities

The long-term liability of the College is the Other Post-Employment Benefits (OPEB) is actually an expense of the College. The OPEB 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 FY16 is \$136,000, representing the maximum allocation available for eligible employees.

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

Net Position

The final component of the *Statement of Net Position* is the College's net position. Conceptually, the net position is total assets and deferred outflows less total liabilities and 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 assets are classified on the next page as "restricted," "designated" or "unrestricted." Note the data and this section does not include the NJ Pension liability, which will be discussed in a later section.

The table below displays the College unrestricted net position (exclusive of Capital Assets NJ Pension and Foundation Funds) by category:

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

	<u>FY16</u>	<u>FY15</u>	<u>Change</u>
<i>Undesignated</i>	<i>1,066</i>	<i>1,073</i>	<i>(6)</i>
<i>Designated: Operating</i>			
Phillipsburg Stabilization	430	430	0
FY16 Budget	235	160	75
Academic Student Programming	29	44	(15)
Pathways/Salary Grant	167	235	(69)
Middle States/Assessment	25	0	25
Presidential Priorities	50	50	0
<i>Designated: Current Projects</i>			
Boilers/R & R Projects	507	412	95
Computers/Technology	487	591	(104)
Classroom Furnishings	122	32	90
Parking Lot Replacement 2016	225	225	0
ADA Walkway	60	0	60
Summer 2015 Renovations	121	121	0
Future Capital	<u>864</u>	<u>864</u>	<u>0</u>
<i>Total, Designated</i>	<i>3,322</i>	<i>3,164</i>	<i>157</i>
<i>Restricted (Student Clubs)</i>	<i>25</i>	<i>22</i>	<i>3</i>

Undesignated net position pertain to the aggregate of residual funds that are neither restricted nor designated at this time. Note that in the combined Statement of Net Position, the categories of designated and unrestricted are combined together as "Unrestricted." Undesignated funds as of 6/30/2016 decreased to \$1,036,377, representing 10% of FY16 unrestricted expenses. This is consistent with the Board's annual goal of maintaining a set-aside of approximately 10% of expenses. This level is also in accordance with the expectations of the College's accreditor, the Middle State's Commission on Higher Education.

Designated funds represent resources allocated by the Board of Trustees for specific projects. Designated funds as of 6/30/2016 were just under \$3.2 million. Some of the current projects are either completed (i.e., parking lot project) or are currently underway (such as the computers and technology, the Pathways Project and the Academic Student Programming). Funds also have been designated for future renewal and replacement HVAC needs at both Washington and Phillipsburg sites. In addition, funds have been targeted to assist the College with its transition to reduced revenues from rental income when the Phillipsburg School district vacates the Phillipsburg property later in FY17.

Also under designated funds is a set-aside for future capital needs. On June 30, 2016, the College was notified that it would be receiving \$2.0 million through the Higher Education General Obligation Funds (GO Bond). As part of the GO grant, WCCC must also match expenses. The grant and matching funds will be used to construct a building annex on the property currently occupied by the modular classrooms. This project is discussed for

The final component of net position is *restricted net position*. The funds in this category represent resources held by the College on behalf of student clubs and organizations. Restricted College funds include fund raising revenues from student organizations as well as a \$5,000 WWII & Holocaust Grant.

Statement of Net Position: WCCC Foundation

The Statement of Net Position for the WCCC Foundation component unit is shown on the next page.

From FY15 to FY16, the net position of the Foundation increased by \$29,340. Nearly all of the increase related to unrestricted assets, which increased as a result of the Foundation's fundraising activities during 2015-16. Restricted funds include scholarships and endowed funds with donor-imposed restrictions. Note that the WCCC Foundation does not own any capital assets.

WCCC Foundation Net Position (in Rounded \$000)

	<u>FY16</u>	<u>FY15</u>	<u>Change</u>	<u>% Change</u>
Total Assets	1,112	1,093	20	1.8%
Liabilities	<u>35</u>	<u>45</u>	<u>(10)</u>	<u>-21.6%</u>
Net Position	1,077	1,047	29	2.8%
<u>Net Position</u>				
Restricted	541	533	7	1.4%
Unrestricted	<u>536</u>	<u>514</u>	<u>22</u>	<u>4.3%</u>
Total Net Position	1,077	1,047	29	2.8%

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 and shows their result on the College's net position.

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

	<u>FY16</u>	<u>FY15</u>	<u>Change</u>	<u>% Change</u>
<u>Operating Revenues</u>				
Student tuition and fees	4,158	4,820	(662)	-13.7%
Federal grants and contracts	1,303	1,585	(281)	-17.8%
State/ local grants and contracts	670	723	(53)	-7.3%
Other	546	<u>553</u>	<u>(7)</u>	<u>-1.3%</u>
Total Operating Revenues	6,677	7,680	(1,003)	-13.1%
<u>Non-Operating Revenues</u>				
State appropriations	2,273	2,209	64	2.9%
State ABP	212	216	(4)	-1.7%
County appropriations	2,009	1,877	132	7.0%
Misc/Investment Income	<u>60</u>	<u>35</u>	<u>25</u>	<u>69.6%</u>
Total Non-Operating Revenues	4,554	4,337	217	5.0%
Total Revenues	11,231	<u>12,017</u>	<u>(786)</u>	<u>-6.5%</u>
Total Expenses	<u>11,604</u>	<u>12,370</u>	<u>(766)</u>	<u>-6.2%</u>
Revenue vs. Expenses	(373)	(353)		

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 for College funds (excluding Foundation resources) is shown on the next page. Note that total expenses actually exceeded total revenues in FY16. This is due to depreciation expense. These expenses are discussed in more detail under the display of expenses.

Operating Revenues

Total FY16 College operating revenues were below the FY15 level. This decrease can be attributed to enrollment decreases in both credit and non-credit enrollment. Non-credit revenues were also affected by a significant reduction in Customized Training revenues. Most Customized Training is conducted for Verizon employees, who were undergoing contract negotiations during FY16 and therefore not participating in much training during that year.

Student tuition and fees represented just under \$4.2 million of the total operating revenue, down from approximately \$4.8 million in FY15. Note that in the SRECNP, student tuition and fees paid through financial aid funds are shown under their funding source (federal or state grants).

Federal grants declined in FY16, reflecting a reduction in federal Pell grant funds due to an enrollment reduction, as well as declines in both the Federal Health Professions Operating Grant (HPOG) and Perkins (Vocational) grant funds. The HPOG grant program ended in early FY16.

State grant funds also decreased in FY16. This is related a fluctuation in one-time spending through state technology grants (Equipment Leasing Fund and Higher Education Technology Infrastructure) funds. Slight decreases also occurred with state financial assistance funds related to credit enrollment reductions.

Other revenues include rental payments, bookstore commission income and student club income. The slight decrease in this category during FY15 primarily reflects a reduction in the bookstore commission. On-campus bookstore revenues have been steadily declining as students seek other options for textbooks, such as book rental or procurement through on-line vendors.

Gross Tuition and Fee Revenues

The SRECNP displays tuition and fees by funding source. Tuition and fees paid by state and federal financial aid funds are categorized under state or federal grants. This means that if a student receives a Pell grant, the revenue is recorded as federal funds, rather than tuition and fees. The next display shows total (gross) tuition and fee revenues for FY15 and FY16.

Gross Tuition and Fee Revenues (Rounded \$000)

	<u>FY16</u>	<u>FY15</u>	<u>Change</u>	<u>% Change</u>
Revenue-Credit Programs	4,334.32	4,986	(652)	-13%
Write-off of Prior Bad Debt	(114)	(168)	54	-32%
Revenue-Non-Credit Programs	<u>1,227</u>	<u>2,077</u>	<u>(850)</u>	<u>-41%</u>
Total	5,448	6,896	(1,448)	-21%

As the chart above indicates, there was a decrease in gross tuition and fees, reflecting enrollment decreases in both credit and non-credit programs. This is part of an overall national and New Jersey trend of enrollment reductions at community colleges after several years of steep enrollment increases. This decrease is not as apparent in the comparison of audited credit hours, however, as dual enrollment credits are included in audited credits. There was a significant increase in dual enrollment students in FY16, which is why the enrollment reduction is less than the reduction in credit revenue.

	<u>FY16</u>	<u>FY15</u>	<u>Change</u>	<u>% Change</u>
Audited Credits	37,598	40,350	-2,752	-7%
Per Credit Charges	\$ 147.00	\$ 142.00	\$ 5.00	4%

Non-Operating Revenues

State and county appropriations, along with investment income, are classified as non-operating revenue. As a public county college, WCCC relies on these annual subsidies to meet its operating needs, as state and county funds account for just under 35% of the College's total expenses.

For FY16, *County funding* was \$2,009,127, an increase from the previous year.¹ State appropriations are determined through a sector-wide funding formula that considers several factors, including enrollment. *The State appropriation* of \$2,273,078 reflects a slight increase from FY15. State Alternate Benefit

¹ County funding for the College is on a fiscal year basis. The County appropriation is on a calendar basis. FY16 funding includes a funding increase from calendar 2015 deferred into the FY16 year. The actual county increase in 2016 was \$75,000.

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

Miscellaneous revenue includes testing fees, facility rental income and investment income.

Operating Expenses by Functional Spending Categories

Expenses related to the operation of the College can be displayed by the functional categories unique to college and universities. The chart on the next page shows expenses by category for College funds for FY15 and FY16.

As data indicate, total FY 16 expenses (exclusive of the Pension liability) decreased by 6.2% from FY15 to FY16. Note, however that there have been fluctuations in a few of the categories.

Expenses by Function (\$000)

<u>Category</u>	<u>FY16</u>	<u>FY15</u>	<u>Change</u>	<u>% Change</u>
Instruction	4,556	5,096	(540)	-10.6%
Institutional Support	2,030	2,005	25	1.3%
Public Service	577	571	6	1.1%
Academic Support	1,130	1,138	(8)	-0.7%
Physical Plant	1,216	1,264	(48)	-3.8%
Student Support	830	895	(66)	-7.3%
Capital Expense	14	67	(53)	-79.6%
Scholarships/Aid	249	345	(96)	-27.9%
Debt Service	27	27	(0)	0.0%
Depreciation/Deletions	<u>976</u>	<u>962</u>	<u>13</u>	<u>1.4%</u>
Total	11,604	12,370	(766)	-6.2%

The major area of decrease in FY16 was the category of *Instruction*. This reduction primarily reflects a reduction in Customized Training expenses (reflecting reduced customized training activities) in FY16. The balance of the reduction in the Instruction category reflects lower adjunct expenses as the number of courses taught was reduced commensurate with enrollment declines.

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

There were minor changes in most other categories. For example, the increase in *Institutional Support* reflects minor changes in several categories, and the reclassification of a part-time position to a full-time position in the Finance Office. The increase in *Depreciation/Deletions* reflects the book annual depreciation expense for newly acquired equipment obtained in FY15 and FY16. The decrease in *Capital Expense* reflects fewer professional service expenses (such as consultant services) in support of capital projects for FY16. These expenses are not normally capitalized unless they are part of an overall project. In addition, the above chart does not include the recognition of pension expenses that the College would recognize on a GAAP basis for 2016 of \$56,125.

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

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 WCCC Foundation) are shown below.

Expenses by Natural Category (Rounded \$000)

<u>Category</u>	<u>FY16</u>	<u>FY15</u>	<u>Change</u>	<u>% Change</u>
Employee Salaries	5,379	5,549	(170)	-3.1%
Employee Fringe Benefits	1,859	1,811	48	2.7%
Employee Salaries & Benefits	7,238	7,360	(121)	-1.6%
Non-Salaries				
<i>Materials and Supplies</i>	392	456	(63)	-13.9%
<i>Services</i>	334	425	(91)	-21.4%
<i>Customized Training Services</i>	670	992	(323)	-32.5%
<i>Computing/Equipment</i>	628	643	(15)	-2.3%
<i>Utilities/Insurance/Maint.</i>	1,071	1,126	(55)	-4.9%
<i>Scholarships</i>	249	345	(96)	-27.9%
<i>Other</i>	12	12	0	0.0%
Subtotal, Non-Salaries	3,356	3,999	(643)	-16.1%
Total, Operating Expenses	10,595	11,359	(764)	-6.7%
Capital/Depreciation	1,009	1,011	(2)	-0.2%
Total	11,604	12,370	(766)	-6.2%

While overall expenses decreased 6.2%, there were some expenditure changes of note among natural expense categories as shown above.

The largest segment of operating costs are employee costs, which totaled \$7.2 million in FY16. These represent 73% of the College’s unrestricted operating expenses. *Employee Salaries* decreased by \$169,551, reflecting salary turnover and various savings from not filling vacancies and a reduction in adjunct expenses. Of note is that *Employee Fringe Benefits* costs actually increased slightly in FY16. This reflects increases in health benefit program premiums.

The largest decrease in expenses was in the non-salary categories, which declined a total 6.7%. In addition to customized training, the category of *Services* also experienced a significant reduction. This reflects a drop in media advertising (as the College did not produce a commercial in FY16) as well as a decline in legal services and banking fees in that year.² The decrease in *Materials and Supplies* largely reflects fewer mailings as the College is able to communicate with current students electronically and a slight reduction in Graduation expenses. *Maintenance and Utilities* reflects lower utility prices in FY16.

² By statute, WCCC is required to report annually on legal expenses and on any expenses for public relations firms. Legal expenses were \$89,204 and 34,581 respectively, for FY15 and FY16. Public relations expenses were \$14,025 and \$15,300, respectively, for FY15 and FY16.

Statement of Revenues and Expenses: WCCC Foundation

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

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

	<u>FY16</u>	<u>FY15</u>	<u>Change</u>
Foundation Revenues			
Fundraising	101	101	0
Other	<u>23</u>	<u>42</u>	<u>(19)</u>
Total Revenues	124	143	(19)
Foundation Expenses	97	114	(16)
Increase in Net Position	27	85	

Total Foundation revenues for FY16 were \$142,799 including \$100,742 in fundraising revenues from the Golf Tournament, Comedy Night and the Warren County Hall of Fame. The balance of income represents restricted scholarship income, investment income and realized/unrealized gains. Expenses of \$113,622 included \$48,437 in direct fundraising costs and \$35,553 in scholarship payments. Revenue and expenses together resulted in a total increase in net position of \$29,177 for FY15.

Statement of Cash Flows

The third financial statement included in the audit is the Statement of Cash Flows. This statement documents the actual outlay and receipt of cash assets of the College and reconciles the decreases in cash and cash equivalents in accordance with GASB reporting. As this schedule notes, the overall cash and cash equivalents was \$5,508,142 at the close of FY16.

This increase reflected a change in the College's cash position, which increased to \$5.5 million. This is related to the planned set-aside of funds for future projects, including the capital, technology and operating needs. The College expects to begin significantly drawing down these resources beginning FY17 as additional designated projects are begun. The Foundation's cash position stood at \$486,557 at the close of FY16.

Net Pension Liability

As noted previously, GASB 68 requires entities to report future pension liabilities for their employees, even if they are not the entity responsible for assuming these expenses. In New Jersey, certain employees participate in the PERS pension system, which is a defined benefit plan. The New Jersey Division of Pensions and Benefits has provided actuarial estimates, which show the calculation of the net pension liability for current WCCC employees at a set date. These long-term liabilities for FY16 and FY15 are \$5,369,408 and \$4,795,048, respectively. These are reflected in the official Financial Statements but are a responsibility of the New Jersey Public Employee Retirement System (PERS) to assume.

The impact of the net pension liability on the College financial statements is shown on the financial statements along with the deferred inflows and outflows of pension funds. The net pension liability is not recorded on the College's internal accounting system and is shown for financial statement purposes only.

Future Developments

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

Strategic Planning

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

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

Activities are now underway to implement initiatives in each of these areas and the President provides the Board of Trustees with an annual update on the progress of the Strategic Plan.

Building Annex

On June 30, 2016, WCCC was notified that it had received \$2.0 million in state General Obligation (GO Bond) grant funds to support the construction of a building annex to replace the modular classroom building. This project would include a large computer lab, an auditorium, additional faculty office space and fully ADA compliant/gender neutral restrooms (a significant need for the campus). The entire project is budgeted at \$2.8 million, including funds that have been set aside for future construction needs by WCCC. The College currently is soliciting architectural services and expects to have the facility completed in August, 2018.

Technology Upgrades

In FY13, the College was awarded \$917,000 in state bond funds to support equipment and infrastructure needs, including the replacement of student and financial information systems. A total of \$500,000 will be provided through the Equipment Leasing Fund (ELF) and \$417,000 through the Higher Education Technology Infrastructure (HETI) program. As a condition of these grants, the College must match at least \$417,000 for the HETI funds and pay 25% of the debt service on its ELF share. The Board of Trustees designated net position in FY13 to cover these matching requirements.

As of June 30, 2016, most projects supported under ELF and HETI have been completed. The College is in the process of closing out these grants in FY17. Beginning in FY17, the College will begin to set aside renewal funds to continue to replace technology on planned life-cycle basis.

Enrollment Changes and Budget Challenges

After experiencing a 108% FTE enrollment increase from FY03 to FY11, the College experienced its first enrollment correction in FY12. This trend has continued through FY16.

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

Enrollment began levelling off nationally and at WCCC in FY12 and enrollment dropped significantly at most New Jersey community colleges in FY16. WCCC's enrollment trends mirror those of other NJ community colleges. Where the College has differed from its peers has been in how it managed enrollment fluctuations. When enrollment skyrocketed, WCCC did not add new full-time employees or develop plans for large new programs or facilities. Instead, the College and the Board recognized that the enrollment growth was a temporary phenomenon and that WCCC would likely experience a downward enrollment correction within a few years. Instead of adding staff and augmenting the operating budget, the Board made selective one-time capital or funded operating projects to support short-term program or service enhancements. As a result, the College has not been in the position of making that drastic budget cuts to meet revenue shortfalls.

WCCC anticipates a decline in enrollments during FY17, again mirroring the patterns also felt by other NJ community colleges and regional demographic changes (reflecting smaller high school classes). The College has considered this trend in developing the FY17 budget and multi-year financial plan and has set aside contingency funds to cover enrollment shortfalls. As part of its strategy of coping with additional budget constraints, the College also has adopted a hybrid teaching/administrative job classification ("Teaching Administrators") to support both instructional and academic/student support needs. These 12-month position allow the College to address functions and services outside of the normal 30 week faculty teaching schedule.

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

Minor Capital Projects

During the summer of 2016 (early FY17) the College completed the parking lot repaving project. Funds previously set aside for this purpose have been expended. The College anticipates completing a sidewalk repair project during summer 2017 and funds also have been set aside for this purpose. Capital resources are also being accumulated to support a boiler replacement project at the Phillipsburg site and HVAC rooftop replacements on the Washington campus.

Reaccreditation

Finally, WCCC is evaluated every 5 years for reaccreditation by the Middle States Commission on Higher Education (MSCHE). The College was last re-accredited in 2013 and is due for its next reaccreditation review in spring 2018. WCCC has received approval for its Self-Study design from Middle States and currently has a Steering Committee and various college-wide working groups participating in this process. The College will produce and Self-Study as part of this process and then a visiting team will arrive in spring 2018 to evaluate the College. The College will formally be considered for reaccreditation by MSCHE in June, 2018.

FINANCIAL STATEMENTS

WARREN COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 5,482,980	\$ 5,244,241
Investments	623,856	624,068
Restricted cash and cash equivalents	25,162	26,274
Receivables:		
Student accounts receivable (net of allowance for doubtful accounts of \$665,929 for 2016 and \$553,773 for 2015)	179,266	268,061
Third-party receivables	328,086	379,609
Other restricted receivables		4,500
Prepaid expenses	68,572	3,525
Total Current Assets	<u>6,707,922</u>	<u>6,550,278</u>
Noncurrent Assets:		
Capital Assets:		
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	17,485,626	18,012,718
Total Noncurrent Assets	<u>17,485,626</u>	<u>18,012,718</u>
TOTAL ASSETS	<u>24,193,548</u>	<u>24,562,996</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Changes in Assumptions - Pensions	576,632	150,782
Difference Between Expected and Actual Experience - Pensions	128,095	
College's Contribution Subsequent to Measurement Date - Pensions	209,049	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>913,776</u>	<u>150,782</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	1,015,678	763,868
Scholarship payable	27,707	35,553
Accrued compensated absences payable	123,844	155,913
Unearned revenue	123,809	152,856
Total Current Liabilities	<u>1,291,038</u>	<u>1,108,190</u>
Non-Current Liabilities	5,505,408	4,931,048
TOTAL LIABILITIES	<u>6,796,446</u>	<u>6,039,238</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Investment Gains - Pension	86,330	285,759
Changes in Proportions - Pensions	417,640	182,501
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>503,970</u>	<u>468,260</u>
<u>NET POSITION</u>		
Net investment in capital assets	17,485,626	18,012,718
Restricted	565,803	555,181
Unrestricted/(Deficit)	<u>(244,521)</u>	<u>(361,619)</u>
TOTAL NET POSITION	<u>\$ 17,806,908</u>	<u>\$ 18,206,280</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating Revenue:		
Student Tuition and Fees	\$ 4,157,826	\$ 4,819,577
Federal Grants and Contracts	1,303,280	1,584,673
State and Local Grants and Contracts	670,017	722,982
Foundation Revenue	126,750	142,799
Other	545,922	553,098
	<u>6,803,795</u>	<u>7,823,129</u>
Operating Expenses:		
Instruction	4,556,500	5,096,281
Institutional Support	2,086,095	2,006,393
Public Service	576,997	570,666
Academic Support	1,129,601	1,137,826
Operation and Maintenance of Plant	1,215,928	1,263,971
Student Support	829,850	895,458
Capital Expenses	13,624	66,779
Scholarships and Student Aid	248,850	345,101
Foundation Expenses	97,411	113,622
Debt Service	27,098	27,105
Depreciation	975,584	962,314
	<u>11,757,538</u>	<u>12,485,516</u>
Operating Loss	<u>(4,953,743)</u>	<u>(4,662,387)</u>
Nonoperating Revenue:		
State appropriations	2,273,078	2,208,882
State Alternate Benefits Plan	212,291	215,869
County appropriations	2,009,127	1,877,106
Miscellaneous	51,587	33,196
Investment income	8,288	2,110
	<u>4,554,371</u>	<u>4,337,163</u>
Change in Net Position	(399,372)	(325,224)
Net Position- Beginning of Year	<u>18,206,280</u>	<u>18,531,504</u>
Net Position - End of Year	<u>\$ 17,806,908</u>	<u>\$ 18,206,280</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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from students for tuition and fees	\$ 5,487,051	\$ 6,401,928
Grants and contracts received	651,564	725,303
Payments to suppliers	(3,315,591)	(3,744,444)
Payment for employee salaries and benefits	(7,237,409)	(7,371,074)
Other receipts	545,922	553,097
Net Cash Used for Operating Activities	(3,868,463)	(3,435,190)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from state appropriations	2,273,078	2,208,882
Cash received from state appropriations - Alternate Benefits Plan	212,291	215,869
Cash received from county appropriations	2,009,127	1,877,106
Cash received from other non-operating activities	51,587	33,196
Net Cash Provided by Noncapital Financing Activities	4,546,083	4,335,053
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(448,492)	(412,035)
Net Cash Used for Capital and Related Financing Activities	(448,492)	(412,035)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	8,288	2,110
Purchases of investments	(103,771)	(147,524)
Proceeds from sales of investments	109,614	162,344
Assets converted to cash	(1,000)	(1,500)
Interest and dividends - reinvested	(14,337)	(14,517)
Unrealized gains/losses	9,705	(3,055)
Net Cash Provided by Investing Activities	8,499	(2,142)
Net Increase in Cash and Cash Equivalents	237,627	485,686
Cash and Cash Equivalents - Beginning of Year	5,270,515	4,784,829
Cash and Cash Equivalents - End of Year	\$ 5,508,142	\$ 5,270,515
Reconciliation of operating loss to net cash used for operating activities:		
Operating Loss	\$ (4,953,743)	\$ (4,662,387)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	975,584	962,314
Changes in assets and liabilities:		
(Increase)/Decrease in Student accounts receivable	88,796	(44,921)
(Increase)/Decrease in Third-party receivables	51,523	211,571
(Increase)/Decrease in Other restricted receivables	4,500	5,500
(Increase)/Decrease in Prepayments and other assets	(65,047)	64,770
(Increase)/Decrease in Deferred Outflows of Resources	(762,994)	(150,782)
Increase/(Decrease) in Accounts payable	251,810	2,224
Increase/(Decrease) in Scholarships payable	(7,846)	(5,901)
Increase/(Decrease) in Accrued compensated absences payable	(32,069)	30,752
Increase/(Decrease) in Unearned revenue	(29,047)	(850)
Increase/(Decrease) in Non current liabilities payable	574,360	(315,740)
Increase/(Decrease) in Deferred Inflows of Resources	35,710	468,260
Net Cash Used for Operating Activities	\$ (3,868,463)	\$ (3,435,190)

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016

Note 1: Organization and Summary of Significant Accounting Policies

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

Basis of Accounting

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

The College makes a distinction between operating and non-operating revenues and expenses. The College's policy for defining operating activities as reported on the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 34, including state and county appropriations as well as investment income. Restricted resources are spent and tracked at the discretion of the College within the guidelines of donor restrictions, if any.

Reporting Entity

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

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

Measurement Focus

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

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

Fund Accounting

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

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

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

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

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

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

Accounts included in the Restricted Funds are:

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

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

Net Position:

Net position represents the difference between assets, deferred inflows and outflows, and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the College or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The College's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Compensated Absences:

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

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

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

Inventory

The College had no inventory at June 30, 2016 or 2015.

Income Taxes

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Allowance for Uncollectible Accounts:

The College had an allowance for uncollectible accounts of \$665,929 and \$553,773 at June 30, 2016 and 2015, 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.

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.

Management Estimates:

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

Note 2: Cash, Cash Equivalents, and Investments

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

Investments are presented in the financial statements in the aggregate at fair value based on quoted market prices. The College's investments for the years ended June 30, 2016 and 2015 consisted of investments with the New Jersey Cash Management Fund.

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

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

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, 2016 consisted of the following:

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

Cash and cash equivalents of the College as of June 30, 2015 consisted of the following:

	College	Foundation	Total
Cash, Checking and Cash Equivalents	\$ 1,404,226	\$ 464,043	\$ 1,868,269
New Jersey Cash Management Fund	3,402,246		3,402,246
	\$ 4,806,472	\$ 464,043	\$ 5,270,515

The carrying amount of the College's cash and cash equivalents at cost at June 30, 2016 was \$5,508,142 and the bank balance was \$5,926,493. The \$3,410,534 with the New Jersey Cash Management Fund was uninsured and unregistered. The carrying amount of the College's cash and cash equivalents at cost at June 30, 2015 was \$5,270,515 and the bank balance was \$5,350,607. The \$3,402,246 with the New Jersey Cash Management Fund was uninsured and unregistered.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Investments

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

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
5. Local government investment pools;
6. Deposits with the State of New Jersey Cash Management Fund; or
7. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs 1 and 3 above;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in statute; and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Investments (Cont'd)

	<u>2016</u>	<u>2015</u>
Balance July 1	\$ 624,068	\$ 619,816
Investment activity:		
Realized gain/(loss) on investments	\$ (9,706)	\$ 3,055
Dividend and Interest Income	14,337	14,517
Assets Converted to Cash	1,000	1,500
Sale of Investments	(109,614)	(162,344)
Purchase of Investments	<u>103,771</u>	<u>147,524</u>
	(212)	4,252
Balance June 30	<u>\$ 623,856</u>	<u>\$ 624,068</u>

	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Cost Value</u>	<u>Fair Value</u>	<u>Cost Value</u>	<u>Fair Value</u>
Mutual Funds	<u>\$ 604,887</u>	<u>\$ 623,856</u>	<u>\$ 603,887</u>	<u>\$ 624,068</u>
	<u>\$ 604,887</u>	<u>\$ 623,856</u>	<u>\$ 603,887</u>	<u>\$ 624,068</u>

Note 3: Student Accounts Receivable

Unpaid student accounts are charged to student accounts receivable, and students are notified of payments due to the College. No provision for delinquent penalty interest is provided. However, any grade or transcript release or future registration will be denied to any student with an unpaid obligation due to the College. The College does pursue collection through an agency, including litigation, if payment is not received during the next semester. During the fiscal year ended June 30, 2016, 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, 2016 and 2015, accounts receivable from students amounted to \$845,195 and \$821,834, respectively, excluding the allowance for doubtful accounts in the amount of \$665,929 for the fiscal year ending 2016 and \$553,773 in 2015. The allowance for doubtful accounts recorded for the fiscal year ended 2016 amounted to \$665,929 as a result of the following provision rates applied to the receivable balance per receivable aging category.

<u>Age in Days</u>	<u>Provision Rate</u>
121-365	80%
365 and over	100%

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 4: Third-Party Receivables

As of June 30, 2016 and 2015, the College had third party-receivables in the amounts of \$328,086 and \$379,609, respectively. This receivable consists mainly of \$113,798 in state grant and pension reimbursements and \$102,262 in customized training revenues in fiscal year 2016. As of June 30, the College had financial awards receivable in the amount of \$28,643 which is included in the third-party receivables on the statement of net position.

Note 5: Prepaid Expenses

Prepaid expenses at June 30, 2016 total \$68,572, and include a number of small pre-payments for warrantees, copier fees, and computer licenses.

Note 6: Capital Assets

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

Capital assets are recorded at cost and consisted of the following, as of June 30, 2016 and 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Building	\$ 21,091,674			\$ 21,091,674
Building Improvements	1,971,307	\$ 79,545		2,050,852
Furniture and Fixtures	1,353,044	78,856		1,431,900
Computer and Equipment	1,783,887	290,091	\$ (36,845)	2,037,133
	<u>26,199,912</u>	<u>448,492</u>	<u>(36,845)</u>	<u>26,611,559</u>
Less Accumulated Depreciation for:				
Building	(5,804,292)	(421,760)		(6,226,052)
Building Improvements	(667,153)	(132,239)		(799,392)
Furniture and Fixtures	(568,401)	(182,238)		(750,639)
Computer and Equipment	(1,147,348)	(239,347)	36,845	(1,349,850)
	<u>(8,187,194)</u>	<u>(975,584)</u>	<u>36,845</u>	<u>(9,125,933)</u>
Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,012,718</u>	<u>\$ (527,092)</u>	<u>\$ -0-</u>	<u>\$ 17,485,626</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 6: Capital Assets (Cont'd)

The College did not have active construction projects as of June 30, 2016.

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

Note 7: A. Accrued Expenses

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

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Compensated Absences Payable - Current Portion	\$ 123,844	\$ 155,913
Compensated Absences - Long Term Portion	136,000	136,000
Net Pension Liability	5,369,408	4,795,048
	<u>\$ 5,629,252</u>	<u>\$ 5,086,961</u>

The only post-retirement benefit offered through the College is a sick leave payout of up to \$8,000 for faculty members meeting criteria contained within the faculty contract, including one year's advance notice of retirement.

B. Net Pension Liability

The Public Employee's Retirement System (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long term portion is \$5,369,408. See Note 8 for further information on the PERS.

Note 8: Pension Plans

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8: Pension Plans (Cont'd)

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

Benefits Provided

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 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. 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 \$12,296 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8: Pension Plans (Cont'd)

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

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

At June 30, 2016, the College reported a liability of \$5,369,408 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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, 2015, the College's proportion was 0.024%, which was a decrease of 0.001% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$12,296. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 114,937	
	2015	5.72	461,695	
Difference Between Expected and Actual Experience	2015	5.72	128,095	
Changes in Proportion	2014	6.44		\$ 148,953
	2015	5.72		268,687
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00		200,164
	2015	5.00		(113,834)
District Contribution Subsequent to the Measurement Date	2015	1.00	209,049	
			<u>\$ 913,776</u>	<u>\$ 503,970</u>

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

Fiscal Year Ending June 30,	Total
2016	\$ 112,580
2017	112,579
2018	112,579
2019	179,301
2020	101,358
	<u>\$ 618,397</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8: Pension Plans (Cont'd)

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

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) 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 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, 2015 are summarized in the following table:

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 8: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(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, 2015 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:

	Fiscal Year Ended June 30, 2015		
	1%	Current	1%
	Decrease (3.90%)	Discount Rate (4.90%)	Increase (5.90%)
College's proportionate share of the Net Pension Liability	\$ 6,673,517	\$ 5,369,408	\$ 4,276,052

Pension plan Fiduciary Net Position

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

Note 9: Unearned Revenue

Unearned revenue consists of the unearned portion of tuition and fees for courses offered during the summer and fall, as well as advanced funding for summer courses. All tuition received for courses that were not more than 50% complete as of June 30 are recognized as tuition revenue in the subsequent fiscal year. As of June 30, 2016 and 2015, unearned revenue is a total of \$123,809 and \$152,856, respectively.

Note 10: Economic Dependency

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 11: Post-Employment Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created a separate fund outside of the pension plan for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

Note 12: Risk Management

The College maintains commercial insurance coverage for property, liability, student accident and surety bonds. The College is a member of a joint insurance Pool for workers' compensation. Health benefits are provided to employees through the State of New Jersey Health Benefits Plan.

The College is a member of the New Jersey Community College Insurance Pool Worker's Compensation Fund (the "Pool"). The Pool provides the College with workers' compensation insurance. The Pool is a risk-sharing public entity risk pool that is both an insured and self-administered group of school Colleges established for the purpose of providing low-cost insurance coverage for its members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective College for the purpose of creating a governing body from which officers for the Pool are elected.

As a member of the Pool, the College could be subject to supplemental assessments in the event of deficiencies. If the assets of the Pool were to be exhausted, members would become responsible for their respective shares of the Pool's liabilities.

The Pool can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 12: Risk Management (Cont'd)

The financial statements for the Fund for 2016 were not available at the time of audit. Selected summarized financial information for the Pool at June 30, 2015 and 2014 is as follows:

	<u>New Jersey Community College</u> <u>Insurance Pool Worker's Compensation Fund</u>	
	<u>2015</u>	<u>2014</u>
Total Assets	\$ 8,425,039	\$ 8,190,611
Net Position	\$ (679,429)	\$ (1,956,294)
Operating Revenue	\$ 2,821,231	\$ 2,771,601
Total Expenses and Adjustments	\$ 1,719,491	\$ 3,667,062
Nonoperating Revenue	\$ 175,125	\$ 143,925
Change in Net Position	\$ 1,276,865	\$ (751,536)
Member Dividends	\$ -0-	\$ -0-

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

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

Note 13: Contingent Liabilities

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

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

Note 14: Accounts Payable

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

	<u>2016</u>	<u>2015</u>
Accounts payable, including accruals	\$ 705,765	\$ 484,458
Payroll liabilities	302,239	269,843
	<u>\$ 1,008,004</u>	<u>\$ 754,301</u>

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

	<u>2016</u>	<u>2015</u>
Accounts Payable - Vendors	\$ 7,674	\$ 9,567
	<u>\$ 7,674</u>	<u>\$ 9,567</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 15: Operating Leases

The College did not have any operating leases as of June 30, 2016, or June 30, 2015.

Note 16: Restricted Net Position

There was restricted net position of the College of \$565,803 and \$555,181 as of June 30, 2016 and June 30, 2015, respectively. The restricted net position of the College is for student group funds. The restricted net position of the Foundation is for permanently restricted awards.

Note 17: Related Party Transactions

During the fiscal years ended June 30, 2016 and 2015, the College recognized \$2,009,127 and \$1,877,106 in operating aid from the County of Warren.

Note 18: Unrestricted Net Position/(Deficit)

The total Unrestricted Net Position at June 30, 2016 and 2015, was (\$244,521) and (\$361,619) respectively. A deficit in the Unrestricted Net Position exists due to the net pension liability of \$5,369,408 and \$4,795,048 in 2016 and 2015, respectively. This does not reflect that the College is in financial hardship and is a permitted practice under Generally Accepted Accounting Principles.

Pre-GASB 68 – Net Position	\$ 23,176,316
GASB 68 – Pension Liability	<u>(5,369,408)</u>
Post GASB 68 – Net Pension	<u>\$ 17,806,908</u>

Of the total Unrestricted Net Position, the following have been designated by the Board of Trustees as of June 30, 2016:

	<u>2016</u>	<u>2015</u>
Designated for Future Projects	\$ 864,299	\$ 864,299
Designated for Building Projects	1,521,469	1,380,480
Designated for Subsequent Fiscal Year	<u>935,847</u>	<u>919,481</u>
	<u>\$ 3,321,615</u>	<u>\$ 3,164,260</u>

PART II

WARREN COUNTY COMMUNITY COLLEGE

FISCAL YEAR ENDED JUNE 30, 2016



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07858
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of Management and Budget, Department of the Treasury, State of New Jersey (the "Department"), the financial statements of the Warren County Community College, in the County of Warren (the "College") as of, and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 12, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mount Arlington, New Jersey
December 12, 2016

NISIVOCIA LLP

NISIVOCIA LLP



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

Independent Auditors' Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the Warren County Community College (the "College's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the fiscal year ended June 30, 2016. The College's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the College's compliance.

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

Opinion on Each Major Federal and State Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

Mount Arlington, New Jersey
December 12, 2016

NISIVOCIA LLP

NISIVOCIA LLP

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results:

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

	<u>State Grant/ CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
State Support	16-100-082-			
Operational Costs	2155-015	7/01/15-6/30/16	\$ 2,273,078	\$ 2,273,078
<u>Federal:</u>				
Student Financial Aid Cluster:				
Federal Pell Grant	84.063	7/01/15-6/30/16	1,647,916	1,647,916
Federal Supplemental Education				
Opportunity Grant	84.007	7/01/15-6/30/16	28,064	28,064
Federal College Work Study	84.033	7/01/15-6/30/16	32,895	32,895
Federal Direct Student Loans Program	84.268	7/01/15-6/30/16	956,147	956,147

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

WARREN COUNTY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

There were no findings or questioned costs noted during the audit of the fiscal year ended June 30, 2015.

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2016

Name of Federal Agency or Department/ Pass Through Grantor/Cluster Title	C.F.D.A. Account No.	Name of Grant	Grant I.D. No.	Grant Period	Award Authori- zations	Amount Received Fiscal Year 2016	Grant Ex- penditures Fiscal Year 2016	Amount Provided to Subrecipients
U.S. Department of Education Pass-Through NJ Department of Education	84.048A	Carl D. Perkins Vocational and Technical Education	PSFS718007	7/1/15-6/30/16	\$ 58,583	\$ 58,583	\$ 58,583	
						<u>58,583</u>	<u>58,583</u>	
Student Financial Assistance Cluster:								
U.S. Department of Education	84.063	Federal Pell Grant	P063P004578	7/1/15-6/30/16	1,647,916	1,647,916	1,647,916	
U.S. Department of Education	84.007	Federal Supplemental Education Opportunity Grant*	P007A007578	7/1/15-6/30/16	28,064	28,064	28,064	
U.S. Department of Education Total Student Financial Assistance Cluster	84.033	Federal Work Study Program*	P033A007578	7/1/15-6/30/16	32,895	<u>32,895</u>	<u>32,895</u>	
						<u>1,708,875</u>	<u>1,708,875</u>	
Federal Direct Student Loans Program:								
U.S. Department of Education	84.268	Unsubsidized Direct	N/A	7/1/15-6/30/16	599,800	599,800	599,800	
U.S. Department of Education Total Federal Direct Student Loans Program	84.268	Subsidized Direct	N/A	7/1/15-6/30/16	356,347	<u>356,347</u>	<u>356,347</u>	
						<u>956,147</u>	<u>956,147</u>	
Total U.S. Department of Education						<u>2,723,605</u>	<u>2,723,605</u>	
U.S. Department of Health & Human Services Pass-Through Bergen Community College	93.093	Health Programs Opportunity Grant	N/A	7/1/15-6/30/16	162,730	<u>162,730</u>	<u>162,730</u>	
Total U.S. Department of Health & Human Services						<u>162,730</u>	<u>162,730</u>	
Total Federal Awards						<u>\$ 2,886,335</u>	<u>\$ 2,886,335</u>	<u>\$ -0-</u>

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

N/A - Not Available

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FISCAL YEAR ENDED JUNE 30, 2016

<u>Name of State Agency or Department</u>	<u>Name of Grant</u>	<u>Account I.D. #</u>	<u>Grant Period</u>	<u>Award Authorizations</u>	<u>Amount Received Fiscal Year 2016</u>	<u>Grant Ex- penditures Fiscal Year 2016</u>
Department of Treasury						
	State Support Operational Costs	16-100-082-2155-015	7/1/15-6/30/16	\$ 2,273,078	\$ 2,273,078	\$ 2,273,078
	Alternate Benefit Plan	16-100-082-2155-017	7/1/15-6/30/16	212,291	<u>212,291</u>	<u>212,291</u>
					<u>2,485,369</u>	<u>2,485,369</u>
Commission on Higher Education						
	EOF Summer	16-100-074-1401	7/1/15-6/30/19	33,220	32,072	32,072
	EOF Article III	16-100-074-1401	7/1/15-6/30/16	37,674	37,674	37,674
	EOF Article IV Academic Year	16-100-074-1401	7/1/15-6/30/16	80,248	<u>78,447</u>	<u>78,447</u>
					<u>148,193</u>	<u>148,193</u>
Higher Education Assistance Authority						
	Tuition Aid Grant	15-100-074-2405-007	7/1/15-6/30/16	249,924	249,924	249,924
	NJ STARS	15-100-074-2405-313	7/1/15-6/30/16	43,918	<u>43,918</u>	<u>43,918</u>
					<u>293,842</u>	<u>293,842</u>
Total State Awards					<u>\$ 2,927,404</u>	<u>\$ 2,927,404</u>

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FISCAL YEAR ENDED JUNE 30, 2016

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies:

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

Note 3: Indirect Cost Rate

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

Note 4: Relationship to Basic Financial Statements

There is an adjustment needed to reconcile the Schedule of Expenditures of Federal and State Awards to the basic financial statements. The adjustment for federal awards is (\$1,583,055) and the adjustment for state awards is (\$2,257,387). The adjustment is necessary because the College must reflect the entire drawdown amounts on the Schedules of Expenditures of Federal and State Awards. In the basic financial statements, the College is only reflecting the revenue and expenses pertaining to the College, and is not accounting for awards that pass through the College and are refunded to the students.

Note 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.