

WARREN COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2020

WARREN COUNTY COMMUNITY COLLEGE
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FINANCIAL STATEMENTS



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Independent Auditors' Report

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

Report on the 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, 2020 and 2019, 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, 2020 and 2019, 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 and post-employment benefits schedules and the 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 15, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey
December 15, 2020

Nisivoccia LLP

NISIVOCCIA LLP

FY20 MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD & A) of Warren County Community College's ("College" or "WCCC") financial performance provides an overall review of the College's financial activities for the fiscal year ending June 30, 2020. The intent of this discussion and analysis is to look at the College's financial performance as a whole; readers also should review the financial statements, the notes to the financial statements and any management recommendations to enhance their understanding of the College's financial performance. This document is prepared by WCCC and represents management's interpretation of the financial data.

Overview of the Financial Statements

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

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

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

Net Pension Liabilities and OPEB Costs

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

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

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

Statement of Net Position: College Funds

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

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

The chart below shows total and net position for the College (exclusive of its component unit, the WCCC Foundation). The overall College net position as of June 30, 2020 exclusive of the state GASB 68 liabilities, was \$23.3 million. The overall College net position as of June 30, 2020, inclusive of the GASB liabilities was \$19.4 million.

Statement of Net Position: Excluding State GASB 68 (Rounded \$000)

Total Assets	<u>FY20</u>	<u>FY19</u>	<u>Change</u>
Current Assets	6,854	5,435	1,419
Capital Assets	<u>18,736</u>	<u>18,844</u>	<u>(107)</u>
Total Assets	25,591	24,279	1,312
Less Liabilities:			
Current Liabilities	2,178	1,039	1,139
Non-Current Liabilities (College)	<u>112</u>	<u>112</u>	<u>0</u>
Total Liabilities	2,290	1,151	1,139
Net Position	<u>23,300</u>	<u>23,127</u>	<u>173</u>
<u>Net Position (Excluding Pension)</u>			
Investment in Capital Assets	18,736	18,844	(107)
Restricted	24	61	(37)
Unrestricted-Designated	3,385	3,129	256
Unrestricted-Undesignated	<u>1,155</u>	<u>1,093</u>	<u>62</u>
Total Net Position	<u>23,300</u>	<u>23,127</u>	<u>173</u>

In order to understand the College's financial position, it is important to review each category of the net position statement: current assets, capital assets, liabilities, deferred inflows, deferred outflows and net position. The above chart does not include the net pension or the post-retirement benefits liabilities related to College employees, which are required to be reported on a GAAP

basis. These liabilities are the responsibility of the State of NJ. The June 30, 2019 net pension liability attributed to WCCC current and former employees was \$3,196,980. Had the net pension and the related deferred inflows and outflows for pensions been included in the chart above, the total net position would have reduced the net position by \$4,894,239.

Current Assets

Current assets include cash and cash equivalents, accounts receivable, inventory and prepaid expenses. As the chart on the prior page indicates, the College's current assets increased to over \$6.85 million, a \$1.4 million increase over the FY19 level. This change represents a) cash received for capital projects, including the HVAC replacement project; and b) funds received (and unearned) for federal CARES (COVID-relief) grants. Most Capital and CARES expenses will be incurred in FY21.

Capital Assets

Capital assets include facilities, building improvements, computers, furnishings and equipment and fixtures. The College's capital assets were just over \$18.7 million by the end of FY20, representing a slight decrease in net capital assets.

The change in capital assets by category is shown below.

Capital Assets (in \$000)			
<u>Asset Type</u>	<u>FY20</u>	<u>FY19</u>	<u>1 Year Change</u>
Computers & Equipment	2,255	2,251	4
Furniture & Fixtures	1,715	1,710	5
Building Improvements	3,674	2,749	926
Building	<u>23,455</u>	<u>23,455</u>	<u>0</u>
Total	31,099	30,164	935
Less Accumulated Depreciation	(12,363)	(11,321)	(1,042)
Net Capital Assets	18,736	18,844	(107)

The increase in the category of Building Improvements represents the installation of four new HVAC units in the original portion of the main campus along with the completion of phase II of the Building Annex Project. Phase II included parking lot, walkway and lighting upgrades. Due to the COVID pandemic, the College did not refresh computer labs, as these labs were not used for the fall, 2020 semester. The book value of capital assets is reduced annually by depreciation, which differs depending on the useful life of assets. The depreciation for FY20 was just under \$1.1 million.

The value of capital assets is important for a number of institutions as they can be leveraged for borrowing purposes (issuance of debt). However, in the case of WCCC, under state statute the

College is unable to issue bond funds. Bonds for WCCC may be issued by state or county governments and certain public authorities.

Current Liabilities

Also displayed in the *Statement of Net Position* are liabilities. Liabilities may be current or non-current (reflecting commitments to be realized in future years). Current liabilities include upcoming salary and vendor payments for services already incurred during the fiscal year, as well as unearned tuition and other revenue and an accrual to cover earned employee vacation time. Current liabilities were \$2.2 million at the end of FY20, over a \$1.1 million increase over the FY19 liabilities. There are three major items of note in the FY20 current liabilities. The first is \$667,000 in payments due for the four HVAC units, which were installed during the third week of June. The second item of note is just under \$638,000 in unearned federal CARES revenue student and institution COVID needs. These funds are to be spent no later than May, 2021. Finally, the last component representing an increase in current liabilities are funds attributed to the employee vacation accrual, which increased by just over \$40,000. This increase reflects additional unspent vacation hours as of June 30, 2020, due to travel restrictions/stay at home orders due to COVID 19. The College has offered employees more flexibility in FY21 to use accrued vacation time.

Long-Term Liabilities

The long-term liability of the College is the sick time and is actually an expense of the College. This reflects potential sick-leave payouts for faculty members. WCCC offers a sick leave payout of up to \$8,000 for faculty who have served for ten years in a full-time position and have provided one year's advance notice of retirement. The total set aside for this liability for FY20 is \$112,000, representing the maximum allocation available for eligible employees.

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

Net Position

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

Unrestricted, Designated and Restricted Net Position (Rounded \$000s)			
	FY20	FY19	Change
Undesignated	1,155	1,093	62
Designated			
Academic Student Programming	16	16	0
Phillipsburg Reserve	430	430	0
Washington Operating Reserve	260	260	0
Pathways Project/Salary Grant	0	8	(8)
Phi Theta Kappa	28	33	(4)
Drone Project	1	30	(29)
Website Development	100	100	0
ADA Accommodations	100	100	0
Strategic Planning	200	150	50
County Grant Writing (Bond Act)	50	0	50
Computer Replacement Schedule	516	545	(28)
Capital Renewal and Replacement	233	233	0
Small Capital Projects	141	141	0
HVAC Projects	0	471	(471)
Roof Repairs	578	351	227
Building Annex/Capital Reserve	<u>732</u>	<u>262</u>	<u>470</u>
Total Designated	3,385	3,129	256
Restricted	24	61	(37)

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 undesignated are combined together as “Unrestricted.” Undesignated funds as of 6/30/2020 increased slightly to \$1,155,211, representing 12.4% of FY20 expenses (excluding depreciation). This is consistent with the Board’s annual goal of maintaining a set-aside of approximately 10% to 12% of expenses for contingency needs. This level is also in accordance with the expectations of the College’s accreditor, the Middle State’s Commission on Higher Education.

Designated funds represent resources allocated by the Board of Trustees for specific projects. Designated funds as of June 30, 2020 were just over \$3.3 million, an increase primarily to support capital needs. WCCC went out to bid on a roof replacement project for summer 2020; however, this project was cancelled due to COVID-19.

The final component of net position is *restricted net position*. The funds in this category represent resources held by the College on behalf of student clubs and organizations and the WWII & Holocaust Grant. The decrease in this category represents the cessation of the Skylands Training partnership between WCCC and Sussex County Community College.

Statement of Net Position: WCCC Foundation

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

<u>Statement of Net Position-WCCC Foundation</u>			
	<u>FY20</u>	<u>FY19</u>	<u>Change</u>
Total Assets	1,026	1,166	(140)
Liabilities	<u>18</u>	<u>18</u>	<u>-</u>
Net Position	1,008	1,148	(139)
<u>Net Position</u>			
Restricted	393	555	(162)
Unrestricted	<u>615</u>	<u>593</u>	22
Total Net Position	1,008	1,148	(139)

From FY19 to FY20, the net position of the Foundation decreased by \$139,295. This reduction primarily relates to the transfer of \$150,000 from the Foundation to the College, representing the Foundation’s share of the Building Addition project. This is a one-time transfer of funds.

Restricted funds include both funds that have been designated and funds restricted by endowment agreements. The balance of funds are unrestricted. Note that the WCCC Foundation does not own any capital assets.

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

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

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

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

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

	<u>FY20</u>	<u>FY19</u>	<u>Change</u>	<u>% Change</u>
<u>Operating Revenues</u>				
Student tuition and fees	2,639	3,213	(574)	-17.9%
Federal grants and contracts	1,123	1,217	(94)	-7.7%
State/ local grants and contracts	1,226	1,004	222	22.1%
Other	<u>165</u>	<u>248</u>	<u>(83)</u>	<u>-33.5%</u>
Total Operating Revenues	5,153	5,682	(529)	-9.3%
<u>Non-Operating Revenues</u>				
State appropriations	1,984	2,243	(259)	-11.6%
State ABP	185	183	2	0.9%
County Operating	2,259	2,214	44	2.0%
Capital	648	1,678	(1,030)	-61.4%
Misc./Investment Income	<u>253</u>	<u>87</u>	<u>166</u>	<u>190.2%</u>
Total Non-Operating Revenues	5,328	6,406	(1,078)	-16.8%
Total Revenues	10,481	11,633	(1,152)	-9.9%
Total Expenses	10,349	10,267	83	0.8%
Change in Net Position	132	1,367		

Operating Revenues

Total FY20 College operating revenues were 9.3% lower than the prior year revenues, with variations in several categories. *Tuition and Fees*, is the largest, single source of income

Tuition and Fees

The SRECNP displays tuition and fees by funding source. Tuition and fee charges paid by state and federal financial aid grant funds are categorized under state or federal grants. This means that if a student receives financial aid to cover tuition and fees, the revenue is recorded as state or federal grant revenues, rather than tuition and fees. The next display shows total (gross) tuition and fee revenues for FY20 vs. FY19.

Change in Tuition Revenues	<u>FY20</u>	<u>FY19</u>	<u>1 Year Change</u>	<u>Percentage Change</u>
Credit Tuition and Fees	3,977	4,172	(195)	-4.7%
Non Credit-Tuition and Fees	274	397	(123)	-30.9%
Customized Training	26	123	(97)	-79.0%
Skylands Professional Training	<u>0</u>	<u>84</u>	<u>(84)</u>	<u>-100.0%</u>
Total	4,277	4,776	(499)	-10.4%

Gross credit tuition and fees decreased in FY20. Much of this was due to an enrollment reduction in on-campus credit classes. The Skylands Professional Training partnership ended on June 30, 2019, which accounts for the 100% decrease in that revenue. Decreases in non-credit tuition and fees and customized training efforts reflect cancellations due to COVID restrictions and stay-at-home orders in spring 2020. Many of these programs, particularly, the health-care initiatives, require face-to-face instruction, which has not been feasible since March 2020. Customized training initiatives will likely not resume until FY22.

Other Operating Revenues

The decrease in *Federal grants and contracts* reflects both increases and decreases in several programs. WCCC did earn just under \$49,000 in federal CARES grant revenues. However, federal Pell grants decreased by over \$78,000, in part related to the FY20 enrollment decline.

Conversely, *State grant and contracts* increased, reflecting an increase in state financial aid recipients, primarily through the County College Opportunity Grants program. This program began in spring 2019. The increase in FY20 reflected additional eligible students as well as the first full-year of the program.

Other revenues declined in FY20 related to the closure of the Follett Bookstore on the WCCC campus. This closure was the result of the College moving from textbooks to the Cengage Unlimited book subscription service.

Non-Operating Revenues

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

The *County appropriation* was \$2,258,601, represents a 2% increase from the prior fiscal year. In addition, the County provided matching funds for the GO bond project (see capital funds below).

The *State appropriation* of \$1,983,748 represents an 11% reduction from the FY19 level. The state reduced county college state aid payments by 50% in April, May and June 2020, due to a reduction in state revenue due to COVID 19.

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

Miscellaneous revenue includes testing fees, miscellaneous facility rental income and investment income. This category includes \$150,000 in Foundation reimbursement for its share of the Building Annex project.

Capital Income of reflects \$189,132 in one-time GO Bond grant funds for the Building Annex along with \$458,822 in County matching funds for this project and the HVAC replacement project. The Building Annex project and the HVAC project were completed and capitalized in FY20.

Operating Expenses by Functional Spending Categories

Expenses related to the operation of the College can be displayed by the functional categories unique to college and universities. The chart below shows expense by functional categories for both FY20 and FY19. These expenses have been recorded after capitalization, which means that the capital expenses (including the Building Annex, phone system, computer replacements and security system) have been moved to capital assets. This presentation allows us to compare operating expenses. Total FY20 expenses (exclusive of the NJ net pension liability) increased slightly (by .8%) from FY19 to FY20.

Expenses by Function (\$000)

<u>Category</u>	<u>FY20</u>	<u>FY19</u>	<u>Change</u>	<u>% Change</u>
Instruction	3,377	3,454	(77)	-2.2%
Institutional Support	1,999	1,978	22	1.1%
Public Service	474	432	42	9.8%
Academic Support	1,192	1,229	(37)	-3.0%
Physical Plant	1,109	1,156	(47)	-4.1%
Student Support	910	880	30	3.4%
Capital Expense	36	9	26	279.5%
Scholarships/Aid	178	163	15	9.4%
Debt Service	0	27	(27)	n/a
Depreciation/Deletions	<u>1,074</u>	<u>939</u>	<u>135</u>	<u>14.4%</u>
Total	10,349	10,267	83	0.8%

While overall expenses increased slightly, there were variations in categories. The largest increase in functional expenses was in the non-operational area of Depreciation. Depreciation costs have increased because the College added the Building Annex into its capital inventory in FY19 and began depreciating this asset in FY20.

In terms of actual operating cost increase, the largest increase was in the area of **Public Service**, which reflected the addition of a full-time position in this area. **Institutional Support** expenses increased slightly in FY20, reflecting related legal costs and memberships. **Student support** expenses also rose, reflecting an increase in grant fund expenses as well as additional ADA support services expenses. Scholarship expenses reflect federal COVID relief funds for students (CARES Act funds). The **Capital expense** increase reflects the purchase of certain items (mainly ceiling-mounted projectors) that were spent out of the capital budget but were below the capitalization threshold of \$2,500 per unit.

Most expense decreases were COVID-related. **Instruction** experienced a 2.2% reduction, primarily from items reduced due to COVID 19 (supplies, travel, spring nursing and summer

adjunct costs). *Academic Support* and *Physical Plant* also experienced expense reductions due to COVID-19. Tutoring expenses, library books, security and utility expenses were lower than in previous years.

The category of *Debt Service* has been eliminated due to the retirement of the College's Equipment Leasing Fund grant bond allocation. The College received bond funds in prior years to support the cost of equipment and software procurement.

Note that data shown above does not include expenses required for GASB 68 (Pension) or GASB 75 (Other Post-Employment Benefits or OPEB) paid by the State of New Jersey. These are included in the official schedules included in this Audit report. Because of the size of the state payments, they significantly distort the revenues and expenses of the College.

Expenses by Natural Spending Categories

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

Expenses by Natural Category (Rounded \$000)

<u>Category</u>	<u>FY20</u>	<u>FY19</u>	<u>Change</u>	<u>% Change</u>
Employee Salaries	4,727	4,710	17	0.4%
Employee Fringe Benefits	<u>1,705</u>	<u>1,697</u>	<u>8</u>	<u>0.5%</u>
Employee Salaries & Benefits	6,432	6,407	25	0.4%
Non-Salaries				
<i>Materials and Supplies</i>	408	532	(124)	-23.4%
<i>Services</i>	445	374	71	19.0%
<i>Computing/Equipment</i>	634	663	(28)	-4.2%
<i>Utilities/Insurance/Maint.</i>	900	973	(73)	-7.5%
<i>Scholarships and Student Texts</i>	415	332	83	24.9%
<i>Other</i>	<u>31</u>	<u>15</u>	<u>16</u>	<u>104.5%</u>
Subtotal, Non-Salaries	2,834	2,889	(56)	-1.9%
Total, Operating Expenses	9,265	9,297	(31)	-0.3%
Capital/Depreciation	1,084	970	114	11.7%
Total	10,349	10,267	83	0.8%

The largest segment of operating costs are employee costs, which total over \$6.4 million, represent 69% of the College's operating expenses. FY20 *Employee Salaries*, which totaled just over \$4.7 million, were virtually identical to the FY19 level, although there were some variance among college departments. *Employee Fringe Benefits* were similarly nearly identical to the cost of FY19 benefits at just over \$1.7 million. Salary and benefit costs were lower than budgeted in FY20 due to COVID 19 restrictions. For example, expenses for Continuing Education instructors,

work-study students, adjuncts and tutors were lower than initially anticipated due to COVID stay at home order.

Overall, non-salary expenses decreased by 1.9%. Non-salary expense reductions primarily reflect changes in operations due to the COVID 19 restrictions and the stay at home order. **Materials and Supplies** declined by 23.4%. Again, this reduction in spending reflects fewer supply purchases made due to the cancellation of in-person classes since mid-March. Reductions in the category of Utilities/Insurance/Maintenance reflect a decrease in spending for electric. Electric costs were lower than FY19 levels due to very limited usage of the Washington and Phillipsburg sites through June, 2020. Security costs also were reduced; however, these costs were partially offset by the purchase of additional maintenance supplies for prescribed cleaning requirements. WCCC purchased both PPE and cleaning materials in anticipation of the limited resumption of in-person classes and services, which began in early July, 2020. **Computing and Equipment** expenses also decreased slightly from the FY19 level. This reflects the non-renewal of certain software licenses for classroom computer access that was not needed during a period of remote learning.

Conversely, there were increases in three categories of expense. The largest increase was in the category of **Scholarships and Student Texts**, where expenses increased by \$83,000. This increase reflects the first full year of expenses related to the Cengage subscription agreement, which began in January 2019. Also included in this category are federal CARES scholarship funds. The College allocated over \$31,000 in emergency support through the CARES program for spring and early summer support. **Services** includes ADA sign language interpretation expenses, consultant payments for the conversion to on-line learning as well as additional legal expenses in FY20.¹ Because of a concern over increased ADA accommodation expenses, the Board also has set aside designated funds to cover any expenses beyond those in the annual operating budget.

Finally, The Category of **Other** includes two distinct expenses. First, a one-time payment of \$17,444 to Sussex County Community College, representing 50% of the net revenue earned by the Skylands Professional Training Center. WCCC administered this program for the three-year term of the contract (FY17 through FY19). The final proceeds were divided equally between the two colleges. Also under **Other** was a \$12,000 payment for “Vendor Stabilization” to our food services vendor in lieu of commission. This payment was covered through federal CARES Act funding.

Statement of Revenues and Expenses: WCCC Foundation

Revenues and expenses for the WCCC Foundation, a component unit within the College’s financial statements, are shown on the next page. As noted previously, the primary FY20 expense of the Foundation was the payment of \$150,000 to WCCC for the Foundation’s share of the Building Annex Project (Hall of Fame area). This was a one-time payment that was approved by the Foundation Board several years ago.

Total Foundation revenues for FY20 were \$135,705, including \$62,313 in fundraising revenues from the Comedy Night and the Warren County Hall of Fame. The balance of income represents restricted scholarship income, investment income and realized/unrealized gains on investments.

¹ By statute, WCCC is required to report annually on legal expenses and on any expenses for public relations firms. In FY20, legal expenses were \$76,144, while public relations expenses were \$15,300.

Foundation expenses of \$275,000 include \$150,000 as a one-time contribution to WCCC for the Building Annex Project (Hall of Fame).

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

	<u>FY20</u>	<u>FY19</u>	<u>Change</u>
Foundation Revenues			
Fundraising	62	57	5
Other	<u>74</u>	<u>55</u>	<u>(19)</u>
Total Revenues	136	112	(14)
Foundation Expenses	275	88	187
Increase/(Decrease) in Net Position	(139)	24	

Statement of Cash Flows

The third financial statement included in the audit is the Statement of Cash Flows. This statement documents the actual outlay and receipt of cash and cash equivalents of the College and reconciles the decreases in cash in accordance with GASB reporting. As this schedule notes, the overall cash position was \$6,423,928 at the close of FY20. This is a significant increase from the cash position of \$5,379,625 at the end of FY19. The increase in cash is related to both unspent CARES grants funds and to capital funds for the HVAC project completed just before June 30, 2020.

The College's cash position was \$6,296,695 as of June 30, 2020, compared with \$5,077,494 as of June 30, 2019. As noted in the prior paragraph, the cash on hand as of June 30, 2020 represented over \$600,000 in unspent CARES funds and nearly \$700,000 in obligated but unspent capital expenses.

The Foundation's cash and cash equivalents position stood at \$127,233 at the end of FY20. This is a significant decrease from the \$302,131 at the close of FY19 and represents the transfer of Foundation funds to the College for the Building Addition project.

Long-Term (State) Liabilities

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

In New Jersey, certain employees participate in the PERS pension system, which is a defined benefit plan. The New Jersey Division of Pensions has provided actuarial estimates, which show that the net pension liability for current WCCC employees and retirees. Eligible retirees receive OPEB benefits through PERS. Eligible Retirees through the Alternate Benefits Program (a defined contribution plan) receive OPEB benefits through an annual appropriation in the State budget. The NJ actuarial estimates for these costs are also shown in the financial statements.

The impact of these liabilities are shown on the financial statements along with the related deferred inflows and outflows. Pension and OPEB liabilities were \$3,196,980 and \$6,261,237 respectively in FY19. They are not recorded in the College's accounting system and are shown for GASB requirements only.

Future Developments

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

Impacts of COVID 19

Last year at this time, no one could have imagined the changes that have taken place in New Jersey or in higher education due to COVID 19. Because of the pandemic, the College moved to distance education beginning in March 2020. WCCC offered many of its fall 2020 classes through remote/distance education instruction and is scheduled to follow this same modality in spring 2021. The conversion to distance education was made easier as WCCC had already moved its textbook services to an on-line platform ("Cengage Unlimited"). In addition, all credit courses were required to have an on-line "course shell" on My Warren and to store relevant course information on this site. This made the conversion to on-line activities a bit easier for both WCCC students and WCCC faculty.

To support the new challenges from the pandemic, WCCC has made various technology enhancements in FY21, including moving its ERP and LMS systems to cloud technology and switching to managed network services via Jenzabar. WCCC has purchased licenses through spring 2021 for synchronous meeting activities (GoToMeeting, GoToWebinar and GoToRoom) to allow both classroom and office communications/meetings. The College also has purchased PPE and numerous products to aid with the sanitizing of the Washington and Phillipsburg facilities. Finally, the College is in the process of expanding its wireless into parking areas, so that students who have broadband access issues can use the College's network for access.

All of these enhancements have been funded through various COVID grants. WCCC has been awarded funds directly by the U.S. Department of Education through the federal CARES Act (also known as HEERF) as well as through the State of New Jersey (federal GEERF and CRF funds). These grants will be sufficient to cover all COVID-19 needs through spring 2021. Funds also are available to support emergency student financial needs due to the pandemic.

While COVID's direct costs will be covered through grant funds, WCCC has also had to manage the indirect impact of COVID-19. The virus has affected enrollment at colleges and universities, especially those at the community college level. More students are opting to stop out during the outbreak period. Some of this may be attributable to community college students requiring or desiring in-person instruction. While NJ community colleges were hit hard with enrollment reductions for the fall, WCCC has managed to plan these reductions and has made some adjustments in its budget to adapt to the enrollment reductions. As a result, the College does not foresee a major funding challenge for FY21. However, certain programs and services have been

dramatically affected by COVID, especially Continuing Education offerings and Customized Training services. We do not expect these programs to recover until FY22 and have budgeted accordingly.

It is our hope at this time that the College will be able to resume additional in-person courses in summer 2021 and will have a more normalized schedule by fall 2021.

Strategic Planning

During 2019-20, the College began development of a new strategic plan. The Board already has identified the following areas for initiatives

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

The details of this plan were to be developed through Strategic Planning Committees in spring 2020. While the spring 2020 planning efforts began and committees met at least twice prior to the pandemic, the closure of facilities on March 13 prompted WCCC to suspend the planning process until in-person activities can once again occur. We also envision that the adaptations made during the COVID 19 outbreak will cause some of our committees to re-examine programs and services contained in the new plan.

Facilities Renewal and Replacement

WCCC has been undertaking various upgrades to maintain its capital infrastructure. In addition to completing phase II of the Building Annex project in FY20, the College also replaced the four original rooftop HVAC units in the original section of the Washington facility. During FY19, WCCC completed the Building Annex project along with a boiler replacement project at the Phillipsburg campus. Several years ago, the College completed parking lot and walkway improvements. Many of these projects were partially subsidized by the Warren County Board of Chosen Freeholders.

In 2019, the College completed a renewal and replacement study for both Washington and Phillipsburg facilities. This report identified various projects of high priority for the renewal of campus facilities. During spring 2020, the College had begun the process to bid a roof replacement project in Phillipsburg. However, due to COVID 19, this project was deferred. WCCC hopes to complete this project in summer 2021 as it was the highest priority need identified in the Phillipsburg facility plan.

Enrollment Challenges

WCCC's enrollment trends over the past decade mirror regional and national trends for community colleges. There was substantial growth in enrollment during the recent economic recession, with enrollments leveling off and declining beginning in FY12. This trend also reflects a decline in high school enrollment in the region, which began in 2009. WCCC enrollment is not anticipated to grow significantly over the next several years related to demographic changes, as the Highlands Act in 2004 has significantly restricted property development in Warren County.

Colleges and universities in general are facing a reduction in enrollment and more competition for students due to national demographics (with a smaller Gen Z population replacing the previous Millennial Generation in the 18-24 year age group). As open admissions institutions, community colleges are especially vulnerable to enrollment changes, especially as four-year institutions lower admission standards to compete with open access institutions.

An additional complication relative to enrollment is COVID 19. The pandemic has hit community college enrollment quite dramatically, with most colleges experiencing double-digit enrollment reductions in fall 2020. What still is to be determined is what type of economic recovery assistance (including job training grants) might be available after COVID recedes that could be used to assist students at the community college level. WCCC is well positioned to take on new programs and services, particularly in support of entry-level health care positions. It is likely that any such initiatives will not have a major impact to WCCC until FY22.

WARREN COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2020 AND 2019

19

	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 6,390,459	\$ 5,270,418
Investments	899,010	863,620
Restricted cash and cash equivalents	33,469	109,207
Receivables:		
Student accounts receivable (less allowance for doubtful accounts of \$943,841 for 2020 and \$865,173 for 2019)	233,829	225,931
Third-party receivables	320,157	113,172
Prepaid expenses	3,631	18,483
Total Current Assets	7,880,555	6,600,831
Noncurrent Assets:		
Capital Assets:		
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	18,736,313	18,843,546
Total Noncurrent Assets	18,736,313	18,843,546
TOTAL ASSETS	26,616,868	25,444,377
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	572,701	822,525
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	1,487,726	971,813
Scholarship payable	14,658	17,929
Accrued compensated absences payable	175,560	135,277
Unearned revenue	714,465	55,600
Total Current Liabilities	2,392,409	1,180,619
Non-Current Liabilities	3,308,980	3,695,089
TOTAL LIABILITIES	5,701,389	4,875,708
<u>DEFERRED INFLOWS OF RESOURCES</u>		
TOTAL DEFERRED INFLOWS OF RESOURCES	2,073,871	2,331,824
<u>NET POSITION</u>		
Investment in capital assets	18,736,313	18,843,546
Restricted	638,827	653,821
Unrestricted/(Deficit)	39,169	(437,997)
TOTAL NET POSITION	\$ 19,414,309	\$ 19,059,370

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, 2020 AND 2019

20

	2020	2019
Operating Revenue:		
Student Tuition and Fees	\$ 2,639,312	\$ 3,213,404
Federal Grants and Contracts	1,123,305	1,216,556
State and Local Grants and Contracts	7,487,196	7,087,654
Foundation Revenue	135,705	112,147
Other	164,651	288,237
Total Operating Revenue	11,550,169	11,917,998
Operating Expenses:		
Instruction	3,377,417	3,453,924
Institutional Support	7,898,561	7,760,834
Public Service	474,159	431,802
Academic Support	1,192,277	1,228,922
Operation and Maintenance of Plant	1,108,939	1,156,377
Student Support	909,741	879,893
Capital Expenses	35,513	9,359
Scholarships and Student Aid	178,082	162,709
Foundation Expenses	275,000	88,319
Debt Service		27,119
Depreciation	1,073,878	938,826
Total Operating Expenses	16,523,567	16,138,084
Operating Loss	(4,973,398)	(4,220,086)
Nonoperating Revenue:		
State Appropriations	1,983,748	2,242,995
State Alternate Benefits Plan	184,730	183,040
County Appropriations	2,258,600	2,214,314
Other	203,586	15,014
Investment Income	49,719	72,273
Total Nonoperating Revenue	4,680,383	4,727,636
Other Revenue:		
Capital Contributions	647,954	1,678,228
Total Other Revenue	647,954	1,678,228
Change in Net Position	354,939	2,185,778
Net Position- Beginning of Year	19,059,370	16,873,592
Net Position - End of Year	\$ 19,414,309	\$ 19,059,370

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, 2020 AND 2019

21

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Students for Tuition and Fees	\$ 4,455,531	\$ 4,750,240
Grants and Contracts Received	1,799,089	2,098,896
Payments to Suppliers	(3,350,636)	(4,170,323)
Payment for Employee Salaries and Benefits	(6,391,348)	(6,314,354)
Other Receipts	205,365	247,632
Net Cash (Used for) Operating Activities	(3,281,999)	(3,387,909)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash Received from Capital Contributions	647,954	1,678,228
Cash Received from State Appropriations	1,983,748	2,242,995
Cash Received from State Appropriations - Alternate Benefits Plan	184,730	183,040
Cash Received from County Appropriations	2,258,600	2,214,314
Cash Received from Other Non-Operating Activities	203,586	15,014
Net Cash Provided by Noncapital Financing Activities	5,278,618	6,333,591
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(966,645)	(2,962,740)
Net (Cash Used) for Capital and Related Financing Activities	(966,645)	(2,962,740)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	49,719	72,273
Interest and Dividends - Reinvested	(18,998)	(16,712)
Unrealized Gains/Losses	(16,392)	(22,375)
Net Cash Provided by Investing Activities	14,329	33,186
Net Increase/(Decrease) in Cash and Cash Equivalents	1,044,303	16,128
Cash and Cash Equivalents - Beginning of Year	5,379,625	5,363,497
Cash and Cash Equivalents - End of Year	\$ 6,423,928	\$ 5,379,625
Reconciliation of operating loss to net cash used for operating activities:		
Operating Loss	\$ (4,973,398)	\$ (4,220,086)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	1,073,878	938,826
Changes in assets and liabilities:		
(Increase)/Decrease in Student accounts receivable	(7,898)	(34,474)
(Increase)/Decrease in Third-party receivables	(206,985)	308,757
(Increase)/Decrease in Prepaid expenses	14,852	(272)
(Increase)/Decrease in Deferred Outflows of Resources	249,824	615,613
Increase/(Decrease) in Accounts payable	515,913	(41,715)
Increase/(Decrease) in Scholarships payable	(3,271)	448
Increase/(Decrease) in Accrued compensated absences payable	40,283	12,196
Increase/(Decrease) in Unearned revenue	658,865	(90,400)
Increase/(Decrease) in Non current liabilities	(386,109)	(1,719,630)
Increase/(Decrease) in Deferred Inflows of Resources	(257,953)	842,828
Net Cash (Used for) Operating Activities	\$ (3,281,999)	\$ (3,387,909)

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020

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 including state and county appropriations as well as investment income. Restricted resources are spent and tracked at the discretion of the College within the guidelines of donor restrictions, if any.

Reporting Entity

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

Measurement Focus

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

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

Fund Accounting

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

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

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

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

Accounts included in the Restricted Funds are:

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

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

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

Net Position:

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

Compensated Absences:

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

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Inventory

The College had no inventory at June 30, 2020 or 2019.

Income Taxes

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

Allowance for Uncollectible Accounts:

The College had an allowance for uncollectible accounts of \$943,841 and \$865,173 at June 30, 2020 and 2019, respectively. The allowance for uncollectible accounts consists of all items that are currently 365 days or more overdue as well as 80% of the receivables over 120 days.

Deferred Outflows and Deferred Inflows of Resources:

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

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

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

Pensions:

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Management Estimates:

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

Note 2: Cash, Cash Equivalents, and Investments

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

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

Investments are presented in the financial statements in the aggregate at fair value based on quoted market prices. The College's investments for the years ended June 30, 2020 and 2019 consisted of investments with the New Jersey Cash Management Fund.

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

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

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

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

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

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

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

Cash and cash equivalents of the College as of June 30, 2020 consisted of the following:

	College	Foundation	Total
Cash, Checking and Cash Equivalents	\$ 2,997,123	\$ 127,234	\$ 3,124,357
New Jersey Cash Management Fund	3,299,571		3,299,571
	\$ 6,296,694	\$ 127,234	\$ 6,423,928

Cash and cash equivalents of the College as of June 30, 2019 consisted of the following:

	College	Foundation	Total
Cash, Checking and Cash Equivalents	\$ 1,827,640	\$ 302,132	\$ 2,129,772
New Jersey Cash Management Fund	3,249,853		3,249,853
	\$ 5,077,493	\$ 302,132	\$ 5,379,625

The carrying amount of the College's cash and cash equivalents at cost at June 30, 2020 was \$6,423,928 and the bank balance was \$6,462,971. The \$3,299,571 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, 2019 was \$5,379,625 and the bank balance was \$5,575,448. The \$3,249,853 with the New Jersey Cash Management Fund was uninsured and unregistered.

Investments

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Investments (Cont'd)

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

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

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

	<u>2020</u>	<u>2019</u>
Balance July 1	\$ 863,620	\$ 824,533
Investment activity:		
Realized gain/(loss) on investments	\$ 16,392	\$ 22,375
Dividend and Interest Income	18,998	16,712
Sale of Investments		
Purchase of Investments		
	<u>35,390</u>	<u>39,087</u>
Balance June 30	<u>\$ 899,010</u>	<u>\$ 863,620</u>

Investments consisted of the following:

	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Cost Value</u>	<u>Fair Value</u>	<u>Cost Value</u>	<u>Fair Value</u>
Mutual Funds	<u>\$ 604,887</u>	<u>\$ 899,010</u>	<u>\$ 604,887</u>	<u>\$ 863,620</u>
	<u>\$ 604,887</u>	<u>\$ 899,010</u>	<u>\$ 604,887</u>	<u>\$ 863,620</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
 (Continued)

Note 3: Student Accounts Receivable

Unpaid student accounts are included in the student accounts receivable, and students are notified of payments due to the College. No provision for delinquent penalty interest is provided. However, any grade or transcript release or future registration will be denied to any student with an unpaid obligation due to the College. The College does pursue collection through an agency, including litigation, if payment is not received during the next semester. During the fiscal year ended June 30, 2020, 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, 2020 and 2019, accounts receivable from students amounted to \$1,177,670 and \$1,091,104, respectively, excluding the allowance for doubtful accounts in the amount of \$943,841 for the fiscal year ending 2020 and \$865,173 in 2019. The allowance for doubtful accounts recorded for the fiscal year ended 2020 amounted to \$943,841 as a result of the following provision rates applied to the receivable balance per receivable aging category.

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

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

Note 4: Third-Party Receivables

As of June 30, 2020 and 2019, the College had third party-receivables in the amounts of \$320,157 and \$113,172, respectively.

Note 5: Prepaid Expenses

Prepaid expenses at June 30, 2020 and 2019 total \$3,631 and \$18,483, respectively, and include a number of small pre-payments for warranties, copier fees, and computer licenses. Prepaid expenses represent that portion of items paid or accrued which will be charged to operations over time.

Note 6: Capital Assets

Capital assets include property, plant equipment, and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the College as assets with an initial unit cost of \$2,500 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The County of Warren is responsible for the issuance of bonds and notes for the College's capital expenditures which are financed by bond ordinances. The County is also responsible for the payment of interest on issued bonded debt and the retirement of such obligations. Accordingly, this debt is reported in the financial statements of the County of Warren. Donated capital assets are recorded at acquisition value. Capital assets were reviewed for impairment.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 6: Capital Assets (Cont'd)

Capital assets are recorded at cost and consisted of the following, as of June 30, 2020 and 2019:

	Beginning Balance	Additions	Adjustments/ Deletions	Ending Balance
Capital Assets Being Depreciated:				
Building	\$ 23,454,990			\$ 23,454,990
Building Improvements	2,748,591	\$ 925,764		3,674,355
Furniture and Fixtures	1,709,563	5,054		1,714,617
Computer and Equipment	2,251,194	35,827	\$ (31,963)	2,255,058
	<u>30,164,338</u>	<u>966,645</u>	<u>(31,963)</u>	<u>31,099,020</u>
Less Accumulated Depreciation for:				
Building	(7,491,334)	(469,027)		(7,960,361)
Building Improvements	(957,904)	(240,574)		(1,198,478)
Furniture and Fixtures	(1,175,220)	(148,805)		(1,324,025)
Computer and Equipment	(1,696,334)	(215,472)	31,963	(1,879,843)
	<u>(11,320,792)</u>	<u>(1,073,878)</u>	<u>31,963</u>	<u>(12,362,707)</u>
Capital Assets,				
Net of Accumulated Depreciation	<u>\$ 18,843,546</u>	<u>\$ (107,233)</u>	<u>\$ -0-</u>	<u>\$ 18,736,313</u>

The College did not have active construction projects as of June 30, 2020.

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: Long-term Liabilities

The College's long-term liabilities consist of unused sick leave that is paid upon retirement, and net pension liability. The following table presents the changes in long term liabilities for the fiscal years ended June 30, 2020 and 2019:

	June 30,	
	2020	2019
Compensated Absences Payable - Current Portion	\$ 175,560	\$ 135,277
Compensated Absences - Long Term Portion	112,000	112,000
Net Pension Liability	3,196,980	3,583,089
	<u>\$ 3,484,540</u>	<u>\$ 3,830,366</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 7: Long-term Liabilities (Cont'd)

The only post-retirement benefit offered through the College is a sick leave payout of up to \$8,000 for faculty members meeting criteria contained within the faculty contract, including one year's advance notice of retirement. The Public Employee's Retirement System (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the Unrestricted Fund. The current portion of the net pension liability at June 30, 2020 is \$-0- and the long term portion is \$3,196,980. See Note 8 for further information on the PERS.

Note 8: Pension Plans

Substantially all of the College's employees participate in one of two contributory, defined benefit public employee retirement systems: the Public Employee's Retirement System (PERS) of New Jersey; and the New Jersey Alternate Benefit Program (ABP).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 8: Pension Plans (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. College contributions to PERS amounted to \$172,797 for fiscal year 2020.

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

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

At June 30, 2020, the College reported a liability of \$3,196,980 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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, 2019, the College's proportion was .0178%, which was a decrease of .0003% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized a pension benefit of \$184,215. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 8: Pension Plans (Cont'd)

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

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

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 8,449	
	2015	5.72	52,242	
	2016	5.57	258,539	
	2017	5.48		\$ 458,939
	2018	5.63		370,864
	2019	5.21		279,859
			<u>319,230</u>	<u>1,109,662</u>
Difference Between Expected and Actual Experience	2015	5.72	14,494	
	2016	5.57	7,846	
	2017	5.48	13,649	
	2018	5.63		14,123
	2019	5.21		
			<u>21,393</u>	<u>14,123</u>
			<u>57,382</u>	<u>14,123</u>
Changes in Proportion	2014	6.44		14,761
	2015	5.72		40,988
	2016	5.57		21,717
	2017	5.48		77,568
	2018	5.63		661,270
	2019	5.21		83,316
				<u>899,620</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2016	5.00		(59,007)
	2017	5.00		70,813
	2018	5.00		49,256
	2019	5.00		(10,596)
				<u>50,466</u>
Contribution Subsequent to the Measurement Date	2019	1.00	196,089	
			<u>\$ 572,701</u>	<u>\$ 2,073,871</u>

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 8: Pension Plans (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (92,314)
2021	(299,466)
2022	(267,405)
2023	(125,561)
2024	(12,893)
	\$ (797,639)

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 8: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2019 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 on 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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, 2020
(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, 2019 calculated using the discount rate as disclosed below, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	June 30, 2019		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
College's proportionate share of the Net Pension Liability	\$ 4,038,305	\$ 3,196,980	\$ 2,488,044

Pension plan Fiduciary Net Position

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

B. Alternate Benefit Program

Plan Description

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

Contributions

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

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 8: Pension Plans (Cont'd)

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

Contributions (Cont'd)

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

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

During the fiscal year end June 30, 2020 employee contributions to the plan were \$123,995 and College contributions were \$198,391. The State of New Jersey reimbursed the College a total of \$184,730 for eligible employees.

Note 9: Unearned Revenue

Unearned revenue consists of the unearned portion of tuition and fees for courses offered during the summer and fall, as well as advanced funding for summer courses. All tuition received for courses that were not more than 50% complete as of June 30 are recognized as tuition revenue in the subsequent fiscal year. As of June 30, 2020 and 2019, unearned revenue is a total of \$714,465 and \$55,600, respectively.

Note 10: Economic Dependency

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

Note 11: Risk Management

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 11: Risk Management (Cont'd)

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

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

The financial statements for the Fund for 2020 were not available at the time of audit. Selected summarized financial information for the Pool at December 31, 2019 and 2018 is as follows:

	New Jersey Community College Insurance Pool Worker's Compensation Fund	
	2019	2018
Total Assets	\$ 11,269,163	\$ 10,259,089
Net Position	\$ 4,847,219	\$ 3,759,138
Operating Revenue	\$ 1,321,203	\$ 1,310,482
Total Expenses and Adjustments	\$ 905,623	\$ 1,107,357
Nonoperating Revenue	\$ -0-	\$ -0-
Change in Net Position	\$ 415,580	\$ 203,125
Member Dividends	\$ -0-	\$ -0-

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

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

Note 12: Contingent Liabilities

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 13: Accounts Payable

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

	2020	2019
Accounts Payable, including accruals	\$ 977,633	\$ 542,315
Contribution Subsequent to Measurement Date - Pensions	196,089	163,761
Payroll Liabilities	310,722	265,514
	\$ 1,484,444	\$ 971,590

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

	2020	2019
Accounts Payable - Vendors	\$ 3,282	\$ 223
	\$ 3,282	\$ 223

Note 14: Operating Leases

The College did not have any operating leases as of June 30, 2020, or June 30, 2019.

Note 15: Restricted Net Position

There was restricted net position of \$638,827 and \$653,821 as of June 30, 2020 and June 30, 2019, respectively. The restricted net position of the College is for student group funds. The donor restricted net position of the Foundation is for temporary and permanently restricted awards.

Note 16: Related Party Transactions

During the fiscal years ended June 30, 2020 and 2019, the College recognized \$2,258,600 and \$2,214,314 in operating aid from the County of Warren.

Note 17: Unrestricted Net Position/(Deficit)

The total Unrestricted Net Position at June 30, 2020 and 2019, was \$39,169 and (\$437,997) respectively. The reduction in the Unrestricted Net Position exists primarily due to the net pension liability, and deferred inflows and outflows from pensions of \$4,894,239 in 2020. 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	\$ 4,933,408
GASB 68 - Pensions	(4,894,239)
Post GASB 68 - Net Position	\$ 39,169

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

Note 17: Unrestricted Net Position/(Deficit) (Cont'd)

Of the total Unrestricted Net Position, the following have been designated by the Board of Trustees as of June 30, 2020 and 2019:

	2020	2019
Designated for Future Projects	\$ 516,013	\$ 544,506
Designated for Building Projects	1,683,974	1,457,934
Designated for Subsequent Fiscal Year	1,185,107	1,126,961
	\$ 3,385,094	\$ 3,129,401

Note 18: Post-Employment Benefits Other Than Pensions (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

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

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

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

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 18: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

General Information about the OPEB Plan (Cont'd)

Employees Covered by Benefit Terms

At June 30, 2018, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	148,051
Active Plan Members	216,892
Total	364,943

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017 which was rolled forward to June 30, 2018.

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%	
	TPAF/ABP	PERS
Salary Increases:		
Through 2026	1.55 - 3.05% based on service years	2.00 - 6.00% based on service years
Thereafter	1.55 - 3.05% based on service years	3.00 - 7.00% based on service years

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020

(Continued)

Note 18: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP), “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount Rate

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

	Total OPEB Liability
Balance at June 30, 2018	\$ 6,083,428
Changes for Year:	
Service Cost	346,685
Interest on the Total OPEB Liability	245,271
Changes of Assumptions	(320,999)
Differences between Expected and Actual Experience	93,356
Gross Benefit Payments by the State	(192,201)
Contributions from Members	5,697
Net Changes	177,809
Balance at June 30, 2019	\$ 6,261,237

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 18: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

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

The following presents the total nonemployer OPEB Liability attributable to the College as of June 30, 2019, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the College would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	At 1% Decrease (2.50%)	At Discount Rate (3.50%)	At 1% Increase (4.50%)
Total OPEB Liability Attributable to the College	\$ 7,396,995	\$ 6,261,237	\$ 5,359,053

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

The following presents the total nonemployer OPEB Liability attributable to the College as of June 30, 2019, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the College would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2019		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the College	\$ 5,158,980	\$ 6,261,237	\$ 7,720,399

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Note 18: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

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

For the fiscal year ended June 30, 2020 the College recognized OPEB expense of \$458,426 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the College’s proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2019 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the College from the following sources:

	<u>Deferral</u> <u>Year</u>	<u>Period</u> <u>in Years</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes in Assumptions	2017	9.54		\$ 728,935
	2018	9.51		626,982
	2019	9.29	\$ 83,307	
			<u>83,307</u>	<u>1,355,917</u>
Differences between Expected and Actual Experience	2018	9.51		592,694
	2019	9.29		980,522
				<u>1,573,216</u>
Changes in Proportion	N/A	N/A	1,720,936	
			<u>\$ 1,804,243</u>	<u>\$ 2,929,133</u>

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020
 (Continued)

Note 18: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2020	\$ (382,093)
2021	(382,094)
2022	(382,093)
2023	(382,093)
2024	(382,093)
Thereafter	(935,360)
	\$ (2,845,826)

Note 19: Subsequent Event

The COVID-19 outbreak in the United States and specifically in New Jersey has caused disruption of the College’s normal financial operations. Though the impact on the College’s operations cannot be reasonably estimated at this date, it is likely that there will be an impact on certain revenue in the Operating Funds other than state aid and the tax levy. Also, there have been additional operating expenses in the Operating Funds not planned for or expected at the time of the adoption of the College’s 2020-21 budget related to COVID-19.

Additionally, the College’s cash flow in the Operating Funds may be affected by the timing of the collection of the College’s contribution from the County as well as certain State aid payments.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
College's proportion of the net pension liability	2.5610831400%	2.3919319800%	0.0235313329%	0.0227452015%	0.0181979693%	0.0177427815%
College's proportionate share of the net pension liability	\$ 4,795,048	\$ 5,369,408	\$ 6,969,306	\$ 5,294,719	\$ 3,583,089	\$ 3,196,980
College's covered employee payroll	\$ 1,263,741	\$ 1,289,532	\$ 1,305,864	\$ 1,373,086	\$ 1,302,570	\$ 1,265,405
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	379.43%	416.38%	533.69%	385.61%	275.08%	252.64%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

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

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

	Fiscal Year Ending June 30,					
	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 211,132	\$ 205,642	\$ 209,428	\$ 211,511	\$ 210,710	\$ 172,797
Contributions in relation to the contractually required contribution	(211,132)	(205,642)	(209,428)	(211,511)	(210,710)	(172,797)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
College's covered employee payroll	\$ 1,289,532	\$ 1,305,864	\$ 1,373,086	\$ 1,302,570	\$ 1,265,405	\$ 1,713,458
Contributions as a percentage of covered employee payroll	16.37%	15.75%	15.25%	16.24%	16.65%	10.08%

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

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

	Fiscal Year Ending June 30,		
	2017	2018	2019
Service Cost	\$ 542,245	\$ 456,786	\$ 346,685
Interest	203,542	242,755	245,271
Changes in Assumptions	(871,565)	(698,104)	(320,999)
Differences between Expected and Actual Experience		(162,864)	93,356
Member Contributions	5,460	5,622	5,697
Gross Benefit Payments	(148,282)	(162,669)	(192,201)
Net Change in Total OPEB Liability	(268,600)	(318,474)	177,809
Total OPEB Liability - Beginning	6,670,502	6,401,902	6,083,428
Total OPEB Liability - Ending	<u>\$ 6,401,902</u>	<u>\$ 6,083,428</u>	<u>\$ 6,261,237</u>
College's Covered Employee Payroll *	\$ 1,289,532	\$ 1,305,864	\$ 1,373,086
Total OPEB Liability as a Percentage of Covered Employee Payroll	496%	466%	456%

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

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

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.66% as of June 30, 2018 to 6.28% as of June 30, 2019. The municipal bond rate changed from 3.87% to 3.50%.

The inflation rate was 2.25% as of June 30, 2018. As of June 30, 2019, the inflation rate was as follows – Price – 2.75% and Wage – 3.25%. The salary increases as of June 30, 2018 were as follows: Through 2026 – 1.65% - 4.15% based on age and Thereafter – 2.65% - 5.15% based on age. The salary increases as of June 30, 2019 are as follows: Through 2026 – 2.00% - 6.00% based on years of service and Thereafter – 3.00% - 7.00% based on years of service.

The July 1, 2017 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the plan actuary's modified MP-2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The July 1, 2018 actuarial valuation utilized the following mortality rate assumptions:

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

B. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

WARREN COUNTY COMMUNITY COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

Changes of Actuarial Assumptions

The discount rate for June 30, 2019 was 3.50%. The discount rate for June 30, 2018 was 3.87%, a change of -.37%.

The mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using MP-2017 scale.

The mortality rates in the valuation as of June 30, 2019 were based on the following:

Pre-retirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, trend rate is initially 5.8% and decreases to a 5.0% long term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

The health care trend rates in the valuation as of June 30, 2019 were based on the following:

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 is reflected. The assumed post-65 medical trend rate is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

PART II

WARREN COUNTY COMMUNITY COLLEGE

FISCAL YEAR ENDED JUNE 30, 2020



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of Management and Budget, Department of the Treasury, State of New Jersey (the “Department”), the financial statements of the Warren County Community College, in the County of Warren (the “College”) as of, and for the fiscal year ended June 30, 2020, 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 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College’s internal control over financial reporting (internal control) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 15, 2020



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Independent Member
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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, 2020. The College's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal and State Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2020.

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 15, 2020

Nisivoccia LLP

NISIVOCCIA LLP

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Name of Federal Agency or Department/Cluster Title	C.F.D.A. Account No.	Name of Grant	Grant I.D. No.	Grant Period	Award Authorizations	Amount Received Fiscal Year 2020	Grant Expenditures Fiscal Year 2020	Amount Provided to Subrecipients
U.S. Department of Education Pass-Through NJ Department of Education	84.048	Carl D. Perkins Vocational and Technical Education	PSFS718007	7/1/19-6/30/20	\$ 85,097	\$ 85,097	\$ 85,097	
Student Financial Assistance Cluster:								
U.S. Department of Education	84.063	Federal Pell Grant	P063P004578	7/1/19-6/30/20	1,656,603	1,656,603	1,656,603	
U.S. Department of Education	84.007	Federal Supplemental Education Opportunity Grant*	P007A007578	7/1/19-6/30/20	41,863	41,863	41,863	
U.S. Department of Education	84.033	Federal Work Study Program*	P033A007578	7/1/19-6/30/20	31,413	31,413	31,413	
Federal Direct Student Loans Program:								
U.S. Department of Education	84.268	Direct Student Loans-Subsidized	N/A	7/1/19-6/30/20	111,365	111,365	111,365	
U.S. Department of Education	84.268	Direct Student Loans-Unsubsidized	N/A	7/1/19-6/30/20	241,076	241,076	241,076	
Total Federal Direct Student Loans Program						352,441	352,441	
Total Student Financial Assistance Cluster						2,082,320	2,082,320	
Coronavirus Aid, Relief, and Economic Security (CARES) Act								
COVID 19 - Higher Education Emergency Relief Fund	84.425E	Student Portion	P425E202574	4/25/20-4/24/21	323,186	31,365	31,365	
COVID 19 - Higher Education Emergency Relief Fund	84.425F	Institutional Portion	P425F201573	5/6/20-5/5/21	343,185	17,284	17,284	
Total Coronavirus Aid, Relief, and Economic Security (CARES) Act						48,649	48,649	
Total U.S. Department of Education						2,216,066	2,216,066	
Total Federal Awards						\$ 2,216,066	\$ 2,216,066	\$ -0-

*Represent the full amount provided to students. The College must match 25% of the funds. However, this match requirement was suspended after March 15, 2020 due to COVID 19.

N/A - Not Available

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

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2020

Name of State Agency or Department	Name of Grant	Account I.D. #	Grant Period	Award Authorizations	Amount Received Fiscal Year 2020	Grant Expenditures Fiscal Year 2020
Department of Education						
	ABE/GED Grant	20-100-034-2405-510	7/1/19-6/30/20	\$ 103,173	\$ 103,173	\$ 103,173
Department of Treasury						
	State Support Operational Costs	10-100-082-2155-015	7/1/19-6/30/20	1,983,748	1,983,748	1,983,748
	Alternate Benefit Plan	10-100-082-2155-017	7/1/19-6/30/20	184,730	184,730	184,730
Commission on Higher Education						
	EOF Summer	11-100-074-1401	7/1/19-6/30/20	49,033	49,022	49,022
	EOF Article III	11-100-074-1401	7/1/19-6/30/20	59,972	59,972	59,972
	EOF Article IV Academic Year	11-100-074-1401	7/1/19-6/30/20	71,353	71,353	71,353
Higher Education Assistance Authority						
	Tuition Aid Grant	20-100-074-2405-007	7/1/19-6/30/20	373,528	373,528	373,528
	NJ STARS	20-100-074-2405-313	7/1/19-6/30/20	83,288	83,288	83,288
	Community College Opp. Grant (CCOG)	20-100-074-2405-332	7/1/19-6/30/20	215,323	215,323	215,323
	CCOG Planning Grant	20-100-074-2405-332	7/1/19-6/30/20	265,000	265,000	265,000
Total State Awards				\$ 3,389,136	\$ 3,389,136	\$ 3,389,136

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, 2020

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, 2020. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the College, they are not intended to and do not present the financial position, changes in net position or cash flows of the College.

Note 2: Summary of Significant Accounting Policies:

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

Note 3: Indirect Cost Rate

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

Note 4: Relationship to Basic Financial Statements

There is an adjustment needed to reconcile the Schedule of Expenditures of Federal and State Awards to the basic financial statements. The adjustment for federal awards is (\$1,092,761) and the adjustment for state awards is (\$2,163,177). The adjustment is necessary because the College must reflect the entire drawdown amounts on the Schedules of Expenditures of Federal and State Awards. In the basic financial statements, the College is only reflecting the revenue and expenses pertaining to the College and is not accounting for awards that pass through the College and are refunded to the students.

Note 5: Relationship to Federal and State Financial Reports

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

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2020

Summary of Auditors' Results:

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

	<u>State Grant/ CFDA Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
State Support	10-100-082-			
Operational Costs	2155-015	7/01/19-6/30/20	\$ 1,983,748	\$ 1,983,748
<u>Federal:</u>				
Student Financial Assistance Cluster:				
Federal Pell Grant	84.063	7/01/19-6/30/20	1,656,603	1,656,603
Federal Supplemental Educational Opportunity Grant	84.007	7/01/19-6/30/20	41,863	41,863
Federal College Work Study	84.033	7/01/19-6/30/20	31,413	31,413
Federal Direct Student Loans Program -				
Subsidized Direct	84.268	7/01/19-6/30/20	111,365	111,365
Unsubsidized Direct	84.268	7/01/19-6/30/20	241,076	241,076

WARREN COUNTY COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

WARREN COUNTY COMMUNITY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2020

Status of Prior Year Findings:

There were no findings or questioned costs noted during the audit of the fiscal year ended June 30, 2019.