

**MERCER COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of the County of Mercer, State of New Jersey)**

**Basic Financial Statements, Management's Discussion and  
Analysis, Required Supplementary Information and Schedules of  
Expenditures of Federal Awards and State Financial Assistance**

**June 30, 2019 and 2018**  
**(With Independent Auditor's Reports Thereon)**

**Mercer County Community College  
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## INTRODUCTORY SECTION

**Mercer County Community College  
Members of the Board of Trustees  
As of June 30, 2019**

<b><u>NAME</u></b>	<b><u>TERM EXPIRES</u></b>
Reverend William E. Coleman, Jr.	September 2019
Kevin Drennan (Vice-Chair)	March 2020
David Fried	November 2021
Lawrence Nespoli	October 2022
Yasmin Hernandez-Manno, County Superintendent	Ex-officio by position
Pamela Hersh	November 2014 (expired)
Anthony Inverso	November 2021
Walt McDonald (Treasurer)	August 2020
Mark Matzen (Chair)	November 2014 (expired)
Angela Delli Santi	February 2023
Jianping Wang, Ed.D., President (Secretary)	Ex-officio by position
Carly Layton (Alumni Trustee)	June 2019
Perry Lattiboudere (College Counsel)	

## FINANCIAL SECTION

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Mercer County Community College  
West Windsor, New Jersey 08550

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

We have audited the accompanying financial statements of the business-type activities of **Mercer County Community College** (the "College"), a component unit of the County of Mercer, State of New Jersey, and its discretely presented component unit (Mercer County Community College Foundation), as of and for the fiscal years ended June 30, 2019 and 2018, 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, as of and for the fiscal years ended June 30, 2019 and 2018. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the College's discretely presented component unit were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*. 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 auditors' 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 entity'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 entity'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.

## **Opinions**

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of **Mercer County Community College** and the College's discretely presented component unit, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows, 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, schedule of the College's proportionate share of the net pension liability, schedule of the College's pension contributions, and schedule of changes in the College's total OPEB liability and related ratios, as listed in the table of contents, 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 audits were 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 Awards and State Financial Assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, 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 Awards and State Financial Assistance are the responsibility of management and were derived from and relates 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 accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2020, on our consideration of **Mercer County Community College's** internal control over financial reporting and 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 **Mercer County Community 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.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
January 29, 2020



**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 AUDITOR'S REPORT**

Board of Trustees  
Mercer County Community College  
West Windsor, New Jersey 08550

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of **Mercer County Community College** (the "College"), a component unit of the County of Mercer, State of New Jersey, and its discretely presented component unit (Mercer County Community College Foundation), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 29, 2020. Our report includes a reference to other auditors who audited the financial statements of the College's discretely presented component unit (Mercer County Community College Foundation), as described in our report on the College's financial statements. The financial statements of the College's discretely presented component unit were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered **Mercer County Community College's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of **Mercer County Community 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
January 29, 2020

REQUIRED SUPPLEMENTARY INFORMATION – PART I

## MERCER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2019 and 2018

(Unaudited)

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The discussion and analysis section of Mercer County Community College's financial statements presents management's analysis of the College's financial performance during the fiscal years ended June 30, 2019, 2018, and 2017. As this discussion and analysis focuses on current activities, resulting changes and current known facts, it must be read in conjunction with the College's basic financial statements and the footnotes. Visit [www.mccc.edu](http://www.mccc.edu) for the College's contact information.

### Using this Annual Report

This report consists of three basic financial statements and focuses on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Position presents the financial position of the College, which combines and consolidates current financial resources with capital assets. The Statement of Revenues, Expenses and Changes in Net Position focuses on both the gross costs and the net costs of College activities which are supported mainly by tuition, state and local appropriations, and other revenues. The Statement of Cash Flows shows the sources and uses of the College's cash from operations, noncapital financing, capital and related financing, and investment activities. This approach is intended to summarize and simplify the user's analysis of the cost to provide various College services to students and the public.

In accordance with GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, these statements also include the most recent audited financial statements of Mercer County Community College Foundation, which per the above noted GASB Statements, is considered to be a discretely presented component unit of the College. The analysis below will focus on the College only.

### Enrollment

The College enrollment is comprised of both credit and non-credit full time equated students. Only credit classes are considered eligible for support under the State of New Jersey funding formula. In light of the continued challenges with enrollment due to the demographic trends within Mercer County and surrounding New Jersey counties, the College experienced a slight decrease in credit hour enrollment in fiscal year 2019. The College has budgeted for credit hour enrollment to stabilize and begin a slight increase beginning in FY20.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change</u> <u>2019-2018</u>	<u>% Change</u> <u>2019-2018</u>
Credit Hours	<u>144,291</u>	<u>145,727</u>	<u>148,600</u>	<u>(1,436)</u>	<u>-0.99%</u>

## MERCER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2019 and 2018

(Unaudited)

### Impact of GASB 68, GASB 71 and GASB 75 Implementation

GASB Statement No.68 – *Accounting and Financial Reporting for Pensions*, GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 75 - *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions* have all been implemented. These statements deal with benefits provided to employees of state and local governmental employers. GASB Statement No.68 – *Accounting and Financial Reporting for Pensions*, GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires that the College recognize its share of the net pension liability, and deferred inflows and outflows-related to pensions. The notes to the financial statements will provide thorough discussion of the implementation of these GASB statements and its impact on unrestricted net position.

### Financial Highlights

This schedule is prepared from the College's statement of net position that is presented on an accrual basis of accounting where assets are capitalized and depreciated.

### Condensed Schedule of Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Change</u> <u>2019-2018</u>	<u>Change</u> <u>2018-2017</u>
Current Assets	\$ 18,432,064	\$ 15,378,352	\$ 14,886,797	\$ 3,053,712	\$ 491,555
Capital Assets, net of Depreciation	<u>74,078,845</u>	<u>74,733,285</u>	<u>76,201,683</u>	<u>(654,440)</u>	<u>(1,468,398)</u>
Total Assets	<u>92,510,909</u>	<u>90,111,637</u>	<u>91,088,480</u>	<u>2,399,272</u>	<u>(976,843)</u>
Deferred Outflows of Resources	<u>6,694,768</u>	<u>9,788,715</u>	<u>14,182,875</u>	<u>(3,093,947)</u>	<u>(4,394,160)</u>
Current Liabilities	11,777,772	9,641,740	9,445,579	2,136,032	196,161
Non-Current Liabilities	<u>30,578,020</u>	<u>37,218,968</u>	<u>50,023,189</u>	<u>(6,640,948)</u>	<u>(12,804,221)</u>
Total Liabilities	<u>42,355,792</u>	<u>46,860,708</u>	<u>59,468,768</u>	<u>(4,504,916)</u>	<u>(12,608,060)</u>
Deferred Inflows of Resources	<u>13,899,663</u>	<u>11,329,237</u>	<u>3,313,857</u>	<u>2,570,426</u>	<u>8,015,380</u>
Net Position					
Net Investment in Capital Assets	74,078,845	74,733,285	76,201,683	(654,440)	(1,468,398)
Restricted	499,183	495,655	514,510	3,528	(18,855)
Unrestricted	<u>(31,627,806)</u>	<u>(33,518,533)</u>	<u>(34,227,463)</u>	<u>1,890,727</u>	<u>708,930</u>
Total Net Position	<u>\$ 42,950,222</u>	<u>\$ 41,710,407</u>	<u>\$ 42,488,730</u>	<u>\$ 1,239,815</u>	<u>\$ (778,323)</u>

Current assets increased from 2018 to 2019 by \$3,053,712, due to an increase in cash, and partially offset by an increase in current liabilities. The College's improvement in its cash position is due to a reduction in operating expenses and steady support from the County of Mercer in our operating allocation. Current assets increased by \$491,555 from 2017 to 2018, due to an increase in account receivable offset by decreases in cash, cash equivalents and investments.

## MERCER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2019 and 2018

(Unaudited)

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### Capital Assets

Capital activity for the fiscal years ended June 30, 2019, 2018 and 2017 is as follows:

	<b>Balance</b>				<b>Balance</b>	<b>Balance</b>
	<b>June 30, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>June 30, 2019</b>	<b>June 30, 2017</b>
Land	\$ 1,599,769	\$ -	\$ -	\$ -	\$ 1,599,769	\$ 1,599,769
Construction in Progress	1,053,440	1,981,248	-	(931,256)	2,103,432	3,054,856
Land Improvements	3,681,452	10,420	-	-	3,691,872	3,667,952
Buildings and Improvements	99,359,637	1,132,189	-	931,256	101,423,082	97,028,346
Equipment	11,565,423	364,607	(405,973)	-	11,524,057	9,427,817
	117,259,721	3,488,464	(405,973)	-	120,342,213	114,778,740
Less Accumulated Depreciation	(42,526,436)	(4,137,697)	400,766	-	(46,263,367)	(38,577,057)
Capital Assets, net	<u>\$ 74,733,285</u>	<u>\$ (649,233)</u>	<u>\$ (5,207)</u>	<u>\$ -</u>	<u>\$ 74,078,845</u>	<u>\$ 76,201,683</u>

Capital assets in total declined in FY19 when compared to FY18 due to an increase in depreciation expense.

The College, through support from the state and county, continues to reinvest in its infrastructure and physical assets. With financial support from Chapter 12 and the County of Mercer specifically, the following projects were begun in FY2019:

- HVAC was added to the PE Building where it had not existed previously.
- Construction of the building addition known as the University Center, scheduled to house our four-year partner schools, began in FY19
- Upgrade to the Student Center with the new One-Stop Center began in FY19
- PC acquisitions which could previously be capitalized are now expensed due to the PC refresh project, which is funded through an operating lease
- Renovated six (6) classrooms
- Renovated four (4) restrooms

Capital Assets, net has decreased over the previous year as a result of an increase in the current year depreciation expense along with less computers being purchased.

### Outstanding Debt

The College has the following outstanding debt as of June 30, 2019:

- Loan Payable of \$200,000

**MERCER COUNTY COMMUNITY COLLEGE**

## Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2019 and 2018

(Unaudited)

**Summary of Revenues, Expenses and Changes in Net Position**

The College received its operating revenue from three primary sources; tuition and fees, grants and auxiliary enterprises.

**Condensed Schedule of Revenues, Expenses and Changes in Net Position**

	<u>2019</u>	<u>2018</u>	<u>2017 *</u>	<u>Change 2019-2018</u>	<u>Change 2018-2017</u>
Operating Revenues:					
Student tuition and fees, net	\$ 27,202,213	\$ 24,172,153	\$ 20,994,994	\$ 3,030,060	\$ 3,177,159
Federal, state and local grants	4,346,377	5,127,948	5,202,253	(781,571)	(74,305)
Other	3,610,204	3,903,303	3,749,125	(293,099)	154,178
Auxiliary enterprises	<u>1,873,937</u>	<u>1,929,426</u>	<u>1,928,591</u>	<u>(55,489)</u>	<u>835</u>
Total operating revenues	<u>37,032,731</u>	<u>35,132,830</u>	<u>31,874,963</u>	<u>1,899,901</u>	<u>3,257,867</u>
Operating Expenses:					
Educational and general:					
Instruction	29,154,530	31,702,582	30,756,356	(2,548,052)	946,226
Public service	3,577,585	3,744,181	3,918,705	(166,596)	(174,524)
Academic support	3,918,600	3,832,383	4,105,976	86,217	(273,593)
Student services	5,115,500	5,508,835	5,346,770	(393,335)	162,065
Institutional support	22,814,251	21,895,380	26,003,888	918,871	(4,108,508)
Operations and maintenance of plant	7,798,887	7,243,016	6,307,341	555,871	935,675
Scholarship and other student aid	3,663,473	3,587,042	2,242,720	76,431	1,344,322
Depreciation	4,137,697	3,949,379	3,426,424	188,318	522,955
Auxiliary enterprises	<u>460,320</u>	<u>446,225</u>	<u>497,504</u>	<u>14,095</u>	<u>(51,279)</u>
Total operating expenses	<u>80,640,843</u>	<u>81,909,023</u>	<u>82,605,685</u>	<u>(1,268,180)</u>	<u>(696,662)</u>
Operating loss	(43,608,112)	(46,776,193)	(50,730,722)	3,168,081	3,954,529
Non-operating revenues, net	41,641,397	44,149,143	45,290,216	(2,507,746)	(1,141,073)
Capital grants	<u>3,206,530</u>	<u>1,848,727</u>	<u>11,908,564</u>	<u>1,357,803</u>	<u>(10,059,837)</u>
Change in net position	1,239,815	(778,323)	6,468,058	2,018,138	(7,246,381)
Net position-beginning of year	<u>41,710,407</u>	<u>42,488,730</u>	<u>36,020,672</u>	<u>(778,323)</u>	<u>6,468,058</u>
Net position-end of year	<u>\$ 42,950,222</u>	<u>\$ 41,710,407</u>	<u>\$ 42,488,730</u>	<u>\$ 1,239,815</u>	<u>\$ (778,323)</u>

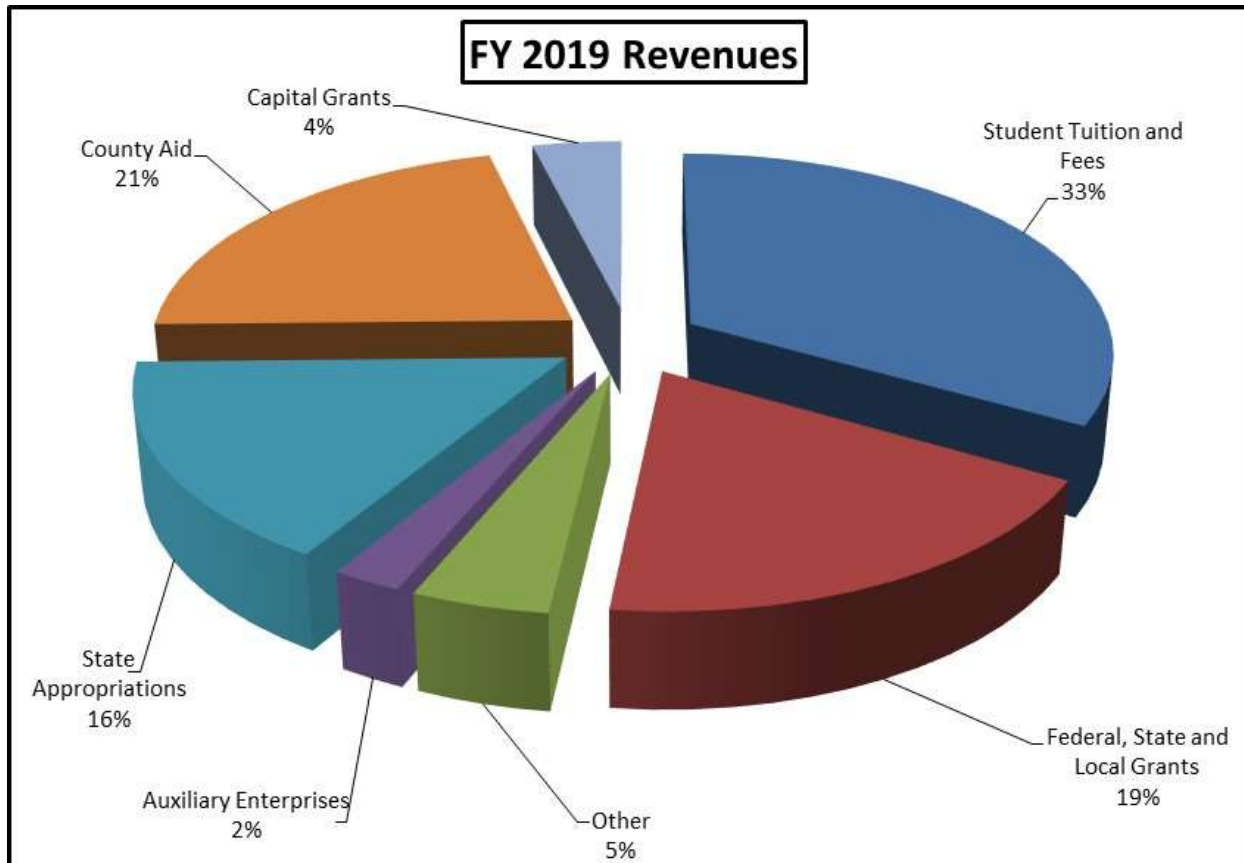
\*Certain account balances have been reclassified to conform with current year presentation.

## MERCER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2019 and 2018

(Unaudited)



Operating revenues increased by \$1.9 million in FY2019 compared to FY2018. The primary driver for this increase was the 4.1% increase for in-county tuition and mandatory fees along with the continued growth of the College's aviation program. The tuition and fee increase accounted for over \$1 million of this change and the flight fees for the aviation program comprised another \$2 million in revenue. The College did see declines in auxiliary revenues (\$55,000) from bookstore commissions along with a 7.7% decline in the other category of over \$290,000. The responsible areas here are the summer camps, both athletic and youth camp programs along with our printing services profit center.

Grant Revenue declined by \$782,000 or 15% due to several grants ending/expiring, notable are the TAACT grant (\$350,000), Project Smile (\$200,000), and Gear-Up (\$170,000) along with Title III beginning to be phased out (\$180,000).

As previously indicated, the College experienced a decline of 0.985% in credit hour tuition. This decline in enrollment was offset by the tuition increase along with the mix of non-Mercer County students, who pay higher tuition rates depending on whether they reside in New Jersey or not.

The College continues to explore articulation agreements with four-year colleges and universities along with exploring additional university partners to host classes on our campuses, joining the existing five universities.

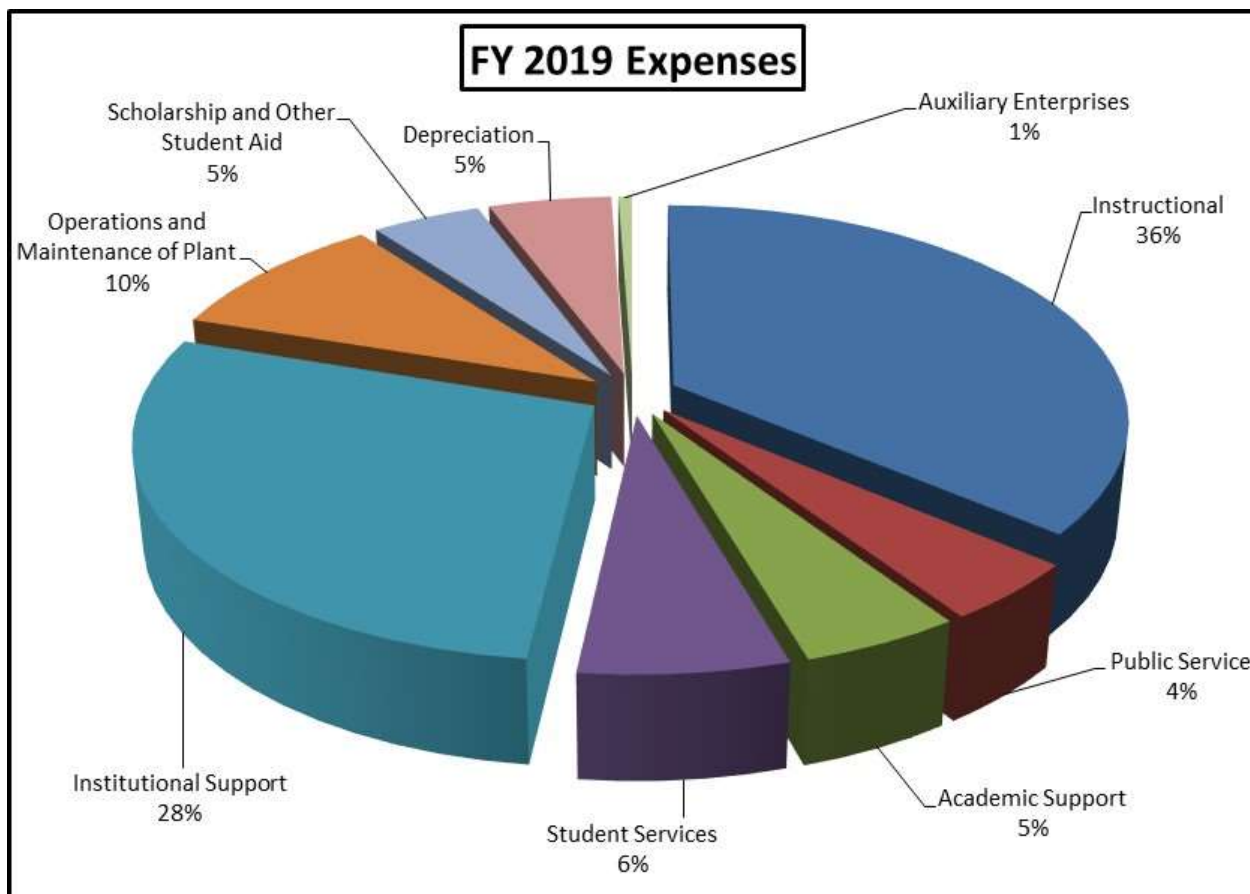


## MERCER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2019 and 2018

(Unaudited)



Operating expenses decreased approximately \$1,300,000 due to several reasons, including a decrease of \$2.5 million in instruction offset by an increase of over \$1.4 million in payments for third-party flight fees due to the continued growth in the college's aviation program. Third-party flight fees, collected by the College on the revenue side, are paid entirely to the flight school providing the outsourced instruction. The reasoning behind the decrease in operating expenses is mainly within salaries and benefits as FY2019 was the first full-year of savings from a previously enacted voluntary retirement plan.

Institutional support increased over \$900,000 or 4.1% from prior year. Increases in bad debt and legal expenses, along with \$250,000 in computer leasing expenses as FY2019 was the first full year of the PC Refresh program and the payments reflected this.

Scholarships and financial aid has increased in FY2019 compared to FY2018 as the College continues to attract and support students with some financial need. In addition, the College has an increased emphasis on philanthropy by raising scholarship funds through the MCCC Foundation and awarding these funds through a qualified, application based process. In the Spring of 2019 the College, along with a dozen other New Jersey Community Colleges participated in the state-funded community college opportunity grant or CCOG, which is a last-dollar scholarship award under the Governor's free community college initiative.

Operations of facilities and plant increased 7.67% or over \$550,000 due primarily to the newly leased property at 101 North Broad as part of the College's Trenton expansion program.

## **MERCER COUNTY COMMUNITY COLLEGE**

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2019 and 2018

(Unaudited)

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### **Economic and Other Factors that will Affect the Future**

There are the following significant events that will impact the College's future financial statements.

- The College, like many New Jersey community colleges has experienced enrollment declines in recent years. Mercer County Community College specifically has seen enrollment decline since 2010, which is consistent with a study the College commissioned with an independent outside firm known as the Hanover Group, approximately ten years ago. In 2016 there was a slight increase in credit hour enrollment of .32% over 2015 levels, but to date this has been the exception thus far. The College has budgeted for credit hour enrollment to stabilize and begin a slight increase beginning in FY20. In Fiscal 2019 the decline in credit hours was just under 1%. Community colleges have an inverse relationship with the economy, both locally and nationally and with unemployment at historical low numbers the enrollment challenge is significant.
- All 5 of the College's collective bargaining units have contracts in effect through June 30, 2021 with the exception of the adjunct faculty, whose contract expired June 30, 2019.
- The decrease in credit hour enrollment will be partially offset by some of the following initiatives:
  - The College has increased credit hour tuition rates and the 2 mandatory fees for FY20 by a combined \$7.25 per credit hour for in-county students, or 4.1%. This tuition increase is smaller than the previous year but necessary to keep pace with increases in salaries and benefits and other operating costs.
  - The College continues to experience a healthy mix of in-county, out of county and out of state students than most of the other New Jersey community colleges. This is due to our unique programs such as Funeral Services, HRIM and Aviation along with an athletic program that has a strong regional and national brand.
- The Title III grant, which spans 5 years was in full operation and there is budget relief in this grant for certain operating expenses. The grant is to focus on student enrollment and retention, and the benefits have begun to expire.
- The impact of several retirements through a volunteer retirement initiative that began in FY17 was fully recognized in FY19 and will assist the college in future years.
- Mercer continues to partner with 4-year colleges and universities making it easier for our students to transfer to these bachelor degree granting institutions and assisting with our own enrollment
- The increased emphasis on enrollment and retention by Mercer, aligning ourselves with the completion agenda in Washington. The College is placing specific attention and added resources to our James Kearney Campus in Trenton, NJ.
- The College takes a strategic approach with filling vacant positions and does so in a very systematic fashion, making certain that the necessary resources are available to fund all position requests, new and replacement
- The College continues to monitor any potential changes to the state health care law which could impact the offerings the college makes to its employees. In FY20 the College will see some savings in health care costs from the changes in the state plan. However, the minimum wage in New Jersey will continue to increase beginning January 1<sup>st</sup> of each year eroding some of the anticipated savings.
- The Community College Opportunity Grant or CCOG, began in the Spring of 2019 and is a last-dollar scholarship under the state's free community college initiative. The state provides \$250,000 of operating expense allocation and this has provided some budget relief to Mercer. This allocation is also available in FY20 and will provide additional operating expense relief to the college.

**MERCER COUNTY COMMUNITY COLLEGE**

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2019 and 2018

(Unaudited)

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**Requests for Information**

Requests for information concerning any facts provided in this report can be addressed to:

Mercer County Community College

1200 Old Trenton Road

West Windsor, NJ 08550

## BASIC FINANCIAL STATEMENTS

**MERCER COUNTY COMMUNITY COLLEGE**  
Statements of Net Position  
As of June 30, 2019 and 2018

	2019		2018	
	College	Component Unit MCCC Foundation	College	Component Unit MCCC Foundation
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 9,640,897	\$ 508,372	\$ 4,015,462	\$ 513,912
Investments	527,557	11,353,768	673,364	11,259,761
Accounts Receivable, net	5,121,138		7,650,424	
Pledges Receivable, net of discount		80,885		113,428
Inventories	10,677		9,432	
Prepaid Expenses	1,084,103	888	1,062,196	10,543
Loan Receivable, current portion		50,000		
Capital Appropriation Receivables	2,047,692		1,967,474	
Total Current Assets	18,432,064	11,993,913	15,378,352	11,897,644
Non-Current Assets:				
Capital Assets, net	74,078,845		74,733,285	
Loan Receivable, noncurrent portion		150,000		
Total Non-Current Assets	74,078,845	150,000	74,733,285	-
Total Assets	92,510,909	12,143,913	90,111,637	11,897,644
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Related to Pensions	6,694,768	-	9,788,715	-
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable:				
Related to Pensions	1,350,254		1,468,532	
Other	3,603,865	61,645	2,244,982	24,278
Due to Mercer County Community College		87,568		62,701
Accrued Expenses	1,299,182		583,633	
Accrued Compensated Absences	267,115		298,739	
Loan Payable, current portion	50,000			
Unearned Revenue:				
Student Tuition and Fees	5,207,356		5,045,854	
Total Current Liabilities	11,777,772	149,213	9,641,740	86,979
Noncurrent Liabilities:				
Accrued Compensated Absences	1,358,618		1,328,480	
Loan Payable, noncurrent portion	150,000			
Net Pension Liability	29,069,402		35,890,488	
Total Noncurrent Liabilities	30,578,020	-	37,218,968	-
Total Liabilities	42,355,792	149,213	46,860,708	86,979
<b>DEFERRED INFLOW OF RESOURCES</b>				
Related to Pensions	13,899,663	-	11,329,237	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	74,078,845		74,733,285	
Restricted for:				
Nonexpendable:				
Scholarships	180,878	2,894,994	181,878	2,863,324
Expendable:				
Scholarships and Grants Programs	318,305	5,144,656	313,777	4,860,038
Capital Improvements		608,324		597,049
Capital Improvements		122,451		460,630
Unrestricted (Deficit)	(31,627,806)	3,224,275	(33,518,533)	3,029,624
Total Net Position	\$ 42,950,222	\$ 11,994,700	\$ 41,710,407	\$ 11,810,665

The Accompanying Notes to Financial Statements are an integral part of these statements.

**MERCER COUNTY COMMUNITY COLLEGE**  
 Statements of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Years Ended June 30, 2019 and 2018

	<u>2019</u>		<u>2018</u>	
	<u>College</u>	<u>Component Unit MCCC Foundation</u>	<u>College</u>	<u>Component Unit MCCC Foundation</u>
<b>REVENUES</b>				
Operating Revenues:				
Student Tuition and Fees, net	\$ 27,202,213		\$ 24,172,153	
Federal, State and Local Grants	4,346,377		5,127,948	
Gifts and Contributions		\$ 692,609		\$ 685,101
Other	3,610,204	240,668	3,903,303	206,351
Auxiliary Enterprises	1,873,937		1,929,426	
Total Operating Revenue	<u>37,032,731</u>	<u>933,277</u>	<u>35,132,830</u>	<u>891,452</u>
<b>EXPENSES</b>				
Operating Expenses:				
Educational and General:				
Instructional	29,154,530		31,702,582	
Public Service	3,577,585		3,744,181	
Academic Support	3,918,600		3,832,383	
Student Services	5,115,500		5,508,835	
Institutional Support	22,814,251		21,895,380	
Operations and Maintenance of Plant	7,798,887		7,243,016	
Scholarships and Other Student Aid	3,663,473	518,438	3,587,042	485,300
Depreciation	4,137,697		3,949,379	
Other Expenditures		946,796		344,244
Auxiliary Enterprises	460,320		446,225	
Total Operating Expenses	<u>80,640,843</u>	<u>1,465,234</u>	<u>81,909,023</u>	<u>829,544</u>
Operating Income (Loss)	<u>(43,608,112)</u>	<u>(531,957)</u>	<u>(46,776,193)</u>	<u>61,908</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State Appropriations:				
State Aid	7,208,538		7,179,831	
On-Behalf Fringe Benefits:				
Alternate Benefit Program	1,133,370		1,136,373	
Teachers' Pension and Annuity Fund	45,290		57,489	
Other Post Employment Benefits	4,735,468		8,041,552	
County Operating Appropriations:				
County Aid	17,520,000		17,177,000	
Federal and State Student Financial Aid	10,912,749		10,554,611	
Investment Income	85,982	715,992	2,287	812,326
Total Non-Operating Revenues (Expenses)	<u>41,641,397</u>	<u>715,992</u>	<u>44,149,143</u>	<u>812,326</u>
Income (Loss) Before Capital Grants and Contributions	(1,966,715)	184,035	(2,627,050)	874,234
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>3,206,530</u>		<u>1,848,727</u>	
Increase (Decrease) in Net Position	1,239,815	184,035	(778,323)	874,234
Net Position - Beginning of Year	<u>41,710,407</u>	<u>11,810,665</u>	<u>42,488,730</u>	<u>10,936,431</u>
Net Position - End of Year	<u>\$ 42,950,222</u>	<u>\$ 11,994,700</u>	<u>\$ 41,710,407</u>	<u>\$ 11,810,665</u>

The Accompanying Notes to Financial Statements are an integral part of these statements.

**MERCER COUNTY COMMUNITY COLLEGE**  
Statements of Cash Flows  
For the Fiscal Years Ended June 30, 2018 and 2017

	<b>2019</b>	<b>2018</b>
	<b>College</b>	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tuition and Fees	\$ 29,893,001	\$ 20,498,196
Receipts from Grants and Contracts	4,346,377	5,127,948
Other Receipts	5,023,821	5,386,504
Payments to Employees and Fringe Benefits	(46,395,485)	(45,963,779)
Payments to Vendors and Suppliers	(19,471,047)	(19,452,460)
Payments for Scholarships and Student Aid	(3,487,362)	(3,391,726)
Net Cash Used in Operating Activities	<u>(30,090,695)</u>	<u>(37,795,317)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	7,208,538	7,179,831
County Appropriations	17,520,000	17,177,000
Receipts from Grants and Contracts	10,912,749	10,554,611
Net Cash Provided by Noncapital Financing Activities	<u>35,641,287</u>	<u>34,911,442</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Assets	(3,483,258)	(2,480,981)
Proceeds from Capital Debt	200,000	
Capital Grants Received	3,126,312	2,004,005
Net Cash Used in Capital and Related Financing Activities	<u>(156,946)</u>	<u>(476,976)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments	145,807	1,010,953
Interest and Dividends on Investments	85,982	2,287
Net Cash Provided by Investing Activities	<u>231,789</u>	<u>1,013,240</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,625,435	(2,347,611)
Cash and Cash Equivalents - Beginning of Year	4,015,462	6,363,073
Cash and Cash Equivalents - End of Year	<u>\$ 9,640,897</u>	<u>\$ 4,015,462</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	\$ (43,608,112)	\$ (46,776,193)
Adjustment to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Used in Operating Activities:		
Depreciation Expense	4,137,697	3,949,379
Bad Debt Expense	1,563,893	1,851,163
Pension Expense	193,542	1,432,817
State Appropriations - On-Behalf Fringe Benefits:		
Alternate Benefit Program	1,133,370	1,136,373
Teachers' Pension and Annuity Fund	45,290	57,489
Other Post Employment Benefits	4,735,468	8,041,552
Changes in Assets and Liabilities:		
Receivables, net	965,393	(5,624,209)
Inventories	(1,245)	179
Prepaid Items	(21,907)	(232,530)
Accounts Payable and Accrued Expenses	1,956,154	(201,667)
Compensated Absences	(1,486)	(60,227)
Unearned Revenue	161,502	99,089
Deferred Outflows of Resources - Related to Pensions:		
Contributions Made After the Measurement Date	(1,350,254)	(1,468,532)
Net Cash Used in Operating Activities	<u>\$ (30,090,695)</u>	<u>\$ (37,795,317)</u>

The Accompanying Notes to Financial Statements are an integral part of these statements.

**MERCER COUNTY COMMUNITY COLLEGE**  
Notes to Financial Statements  
For the Fiscal Years Ended June 30, 2019 and 2018

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Financial Reporting Entity** - Mercer County Community College (the "College") is a comprehensive, coeducational, community college, founded in 1966. Mercer County Community College is an instrumentality of the State of New Jersey, established to function as a two-year community college. The College is an accredited member of the Middle States Association of Colleges and Schools. The College operates one main campus in West Windsor, New Jersey. In addition, the College operates a campus in the City of Trenton.

The College is a collegiate institution that is dedicated to the intellectual development of students and instilling in them the skills, habits and inclinations with which they will continue to educate themselves. The College is also a community institution that is entrusted with the responsibility of preparing a well-educated and informed citizenry able to undertake the responsibilities of good citizenship. Additionally, the College is a community forum and a source of programs and services that addresses the current and emerging human resource needs of area employers, meets the continuing education needs of a variety of community residents, and enriches the cultural and artistic life of the Mercer County community.

Mercer County Community College is a component unit of the County of Mercer as described in Governmental Accounting Standards Board (GASB) Statement No. 61 – *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and 34*. The financial statements of the College would be either blended or discreetly presented as part of the County's financial statements if the County prepared its financial statements in accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The County of Mercer currently follows a basis of accounting and reporting model that is prescribed by the Department of Community Affairs, Division of Local Government Services, State of New Jersey. Therefore, the financial statements of the College are not presented with the County of Mercer's.

**Component Units** - In evaluating how to define the College for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the College was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, would in-substance be part of the College's operations, however, each discreetly presented component unit would be reported in a separate column in the College's financial statements to emphasize that it is legally separate from the College.

The basic-but not the only-criterion for including a potential component unit within the College is the College's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the College and / or its students.



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Component Units (Cont'd)** - A third criterion used to evaluate potential component units for inclusion or exclusion from the College is the existence of special financing relationships, regardless of whether the College is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the College could warrant its inclusion within the College's financial statements.

Based upon the application of these criteria, the College has determined that Mercer County Community College Foundation (the "Foundation") meets the requirement for discrete presentation in the financial statements of the College. In accordance with GASB Statement 34 and 35, certain presentation adjustments to the financial statements of the Foundation were required to conform to the classification and display requirements in the aforementioned GASB Statements, as applicable to the College.

Mercer County Community College Foundation is a New Jersey non-profit corporation. It is operated exclusively for the purpose of assisting the board of trustees of the College in holding, investing and administering property and making expenditures to or for the benefit of the College, its students and its faculty. The Foundation solicits public and private contributions to carry out its objectives. The Foundation is governed by a board of directors, which includes representation by the College president and several College board members. In addition, College employees and facilities are used to support some activities of the Foundation. The Foundation reports under Financial Accounting Standards Board (FASB) Standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

During the fiscal years June 30, 2019 and 2018, the Foundation distributed \$518,439 and \$485,300, respectively, to the College for scholarships and other support.

A separate report of audit for the Foundation for the fiscal years ended June 30, 2019 and 2018, can be obtained at the Foundation's offices at the following address during normal business hours:

Mercer County Community College Foundation  
1200 Old Trenton Road  
West Windsor, New Jersey 08550

**Basis of Presentation** - The accompanying financial statements include all activities that are directly controlled by the College. In addition, the financial statements include the financial position and activities of the College's discretely presented component unit, Mercer County Community College Foundation. The financial statements are presented in accordance with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as adopted by the Governmental Accounting Standards Board (GASB) Statement No. 35 – *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, cash flows and replaces the fund-group perspective previously required.

**Basis of Accounting and Measurement Focus** - For financial reporting purposes, the College is considered a special-purpose government engaged in only business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Cash and Cash Equivalents and Investments** - For the purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

The College accounts for its investments at fair value in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (“GUDPA”), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The College has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act.

**Accounts Receivable / Allowance for Doubtful Accounts** - Accounts receivable consists of tuition and fees charged to students and various other receivables. Accounts receivable are recorded net of estimated uncollectible amounts. During the year ended June 30, 2019, the College amended the policy adopted during the prior year. In accordance with this amended policy, the College reserves 100% of all student tuition receivables over 180 days old and 10% of tuition receivables less than 180 days old. During the year ended June 30, 2018, the College amended the policy adopted during the prior year. In addition to the College reserving 100% of all student tuition receivables over two years old and 75% of tuition receivables over one year old, the newly adopted policy adds reserving 39% of the current year student tuition receivables. In years prior to June 30, 2017, the College’s adopted policy was to reserve 100% of all student tuition receivables over two years old and 75% of tuition receivables over one year old. The allowances for June 30, 2019 and 2018 were \$6,856,794 and \$5,292,901, respectively.

**Tuition** - Each year the Board of Trustees sets tuition rates based on a per credit hour rate. Rates vary based upon residence within Mercer County, out of county, out of state, international students and whether instruction is provided face-to-face or via an on-line learning platform. Tuition revenue is earned in the fiscal year the classes are taken.

**State Aid** - The New Jersey Department of Treasury, Office of Management and Budget (OMB) allocates the annual appropriation for community college operating aid according to credit hour enrollments as prescribed by N.J.S.A. 18A:64A-22. Aid is based upon audited enrollments.

**County Aid** - N.J.S.A. 18A:64A-22 States that each county which operates a county college shall continue to provide moneys for the support of the college in an amount no less than those moneys provided in the year in which this act is enacted or 25% of the operational expense in the base State fiscal year, whichever is greater.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Unearned Revenue** - Unearned revenue represents tuition revenue that has been received before June 30<sup>th</sup> for classes that are scheduled to begin the next fiscal year. It also includes cash, which has been received for grants, but not yet earned.

**Prepaid Expenses** - Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30<sup>th</sup>.

**Compensated Absences** - Compensated absences are those absences for which employees will be paid for vacation and sick leave when used. A liability is accrued for compensated absences that are earned and unused in accordance with College policy at June 30<sup>th</sup> of each fiscal year. Eligible employees earn a right to vacation benefits and some sick leave benefits in accordance with relative bargaining unit agreements and the employee handbook.

**Capital Assets** - Capital assets include land, land improvements, buildings and building improvements, equipment and furnishing. Assets acquired or constructed during the year are recorded at actual cost. The College defines capital assets as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years. Donated capital assets are valued at their estimated fair market value on the date of donation. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

Capital assets of the College are depreciated using the straight-line method over the following useful lives:

	<u>Useful Lives</u>
Land Improvements	20
Buildings and Building Improvements	20-45
Equipment and Furnishing	5-20

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Scholarship Discounts and Allowances** - Student tuition and fees revenue, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowance are the difference between the stated charge for goods and services provided by the College and the amount paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. The amount of scholarship discount and allowance for the fiscal years ended June 30, 2019 and 2018 were \$7,430,421 and \$7,202,742, respectively.

**Reclassifications** - Certain 2018 amounts have been reclassified to conform to 2019 presentation.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Non-Current Liabilities** - Non-current liabilities include principal amounts of loans with maturities greater than one year and estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

**Financial Dependency** - Among the College's largest revenue sources include appropriations from the State of New Jersey and County of Mercer, including contributions made by the State on behalf of the College for the Alternate Benefit Program. The College is economically dependent on these appropriations to carry out its operations.

**State of New Jersey On-Behalf Payments for Fringe Benefits** - The State of New Jersey, through separate appropriations, pays certain fringe benefits on-behalf of College employees. These benefits include Alternate Benefit Program pension contributions and certain retiree health benefits. These amounts are included in both the State of New Jersey appropriations revenues and operating expenses in the accompanying financial statements.

**Income Taxes** - The College is a political subdivision of the State of New Jersey and is excluded from Federal income taxes under Section 115 (1) of the Internal Revenue Code, as amended.

**Classification of Revenues** - The College has classified its revenues as either operating or non-operating revenues in accordance with GASB Statement No. 33 – *Accounting and Financial Reporting for Non-exchange Transactions*.

**Operating Revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local government grants and contracts as well as federal appropriations.

**Non-Operating Revenues** - Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9 – Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB Statement No. 35, such as state appropriations, county appropriations, certain federal and state student financial aid, investment income, and amounts paid by the State of New Jersey on behalf of the College for the employer contribution to the Alternate Benefit Program (ABP), TPAF and certain retiree health benefits.

**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 outflows 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 the Governmental Accounting Standards Board (GASB) standards. The College is required to report the following as deferred outflows of resources and deferred inflows of resources: defined benefit pension plans.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Net Position** - The College's net position is classified as follows:

**Net Investment in Capital Assets** - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets.

**Restricted Net Position - Non-Expendable** - Restricted non-expendable is comprised of donor-restricted endowment funds. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity.

**Restricted Net Position - Expendable** - Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with the restrictions imposed by external third parties.

**Unrestricted Net Position** - Unrestricted net position represent resources derived from student tuition and fees, state and county appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for the transactions related to the educational and general operations of the College, and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College's policy is to first utilize available restricted expendable, and then unrestricted, resources in the conduct of its operations.

**Impact of Recently Issued Accounting Principles**

**Recently Issued and Adopted Accounting Pronouncements**

The GASB has issued the following Statements that will become effective for the College for fiscal years ending after June 30, 2019:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the College in the fiscal year ending June 30, 2021. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the College.

**Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. Although the College does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the College in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the College relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of June 30, 2019, and 2018 College's bank balances were insured, collateralized and uninsured as follows:

	<u>2019</u>	<u>2018</u>
Insured	\$ 835,609	\$ 721,297
Collateralized under GUDPA	11,097,369	4,270,909
Uninsured and Uncollateralized	<u>-</u>	<u>-</u>
Cash and Cash Equivalents	<u>\$ 11,932,979</u>	<u>\$ 4,992,206</u>

**Investments**

*Custodial Credit Risk Related to Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. All of the College's investments are in United States Treasury Obligations and are held in the name of the College.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College does not have a formal written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Services, Inc. New Jersey Statutes do not limit the investment types that County Colleges may purchase and the College has no investment policy that would limit its investment choices. All of the College's investments are in United States Treasury Obligations with AAA Moody's rating.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a college's investment in a single issuer. The College does not place a limit on the amount that may be invested in any one issuer. The College's investments are in United States Treasury Obligations.

**Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONT'D)***Fair Value Measurements of Investments*

Fair value measurements and disclosures provide the framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques require maximization of observable inputs and minimization of unobservable inputs. The levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

As of June 30, 2019 and 2018, the College had the following investments which are valued using quoted market prices (Level 1 inputs).

<u>Investment</u>	<u>Moody's Credit Rating</u>	<u>Fair Value</u>	
		<u>2019</u>	<u>2018</u>
United States Treasury Obligations	AAA	<u>\$ 527,557</u>	<u>\$ 673,364</u>

**Note 3: ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at the end of fiscal years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Student Accounts Receivable	\$ 8,482,502	\$ 6,846,924
Feder, State and Local Grants Receivable	2,945,343	3,051,068
Other Accounts Receivable	<u>550,087</u>	<u>3,045,333</u>
	11,977,932	12,943,325
Less: Allowance for Doubtful Accounts	<u>6,856,794</u>	<u>5,292,901</u>
Net Accounts Receivable	<u>\$ 5,121,138</u>	<u>\$ 7,650,424</u>
Student Accounts Receivable, Net	\$ 1,625,708	\$ 1,554,023
Other Receivables	<u>3,495,430</u>	<u>6,096,401</u>
	<u>\$ 5,121,138</u>	<u>\$ 7,650,424</u>

**Note 4: CAPITAL ASSETS**

A summary of changes in the various capital asset categories for the years ended June 30, 2019 and 2018 are presented as follows:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 1,599,769	\$ -	\$ -	\$ -	\$ 1,599,769
Construction in Progress	1,053,440	1,981,248		(931,256)	2,103,432
<b>Total Non-Depreciable Capital Assets</b>	<b>2,653,209</b>	<b>1,981,248</b>	<b>-</b>	<b>(931,256)</b>	<b>3,703,201</b>
<b>Depreciable Capital Assets:</b>					
Land Improvements	3,681,452	10,420			3,691,872
Buildings and Improvements	99,359,637	1,132,189		931,256	101,423,082
Furniture, Machinery and Equipment	11,565,423	364,607	(405,973)		11,524,057
<b>Total Depreciable Capital Assets</b>	<b>114,606,512</b>	<b>1,507,216</b>	<b>(405,973)</b>	<b>931,256</b>	<b>116,639,011</b>
<b>Less Accumulated Depreciation For:</b>					
Land Improvements	(3,879,595)	(674,534)			(4,554,129)
Buildings and Improvements	(31,432,782)	(2,632,426)			(34,065,208)
Furniture, Machinery and Equipment	(7,214,059)	(830,737)	400,766		(7,644,030)
<b>Total Accumulated Depreciation</b>	<b>(42,526,436)</b>	<b>(4,137,697)</b>	<b>400,766</b>	<b>-</b>	<b>(46,263,367)</b>
<b>Depreciable Capital Assets</b>	<b>72,080,076</b>	<b>(2,630,481)</b>	<b>(5,207)</b>	<b>931,256</b>	<b>70,375,644</b>
<b>Total Capital Assets, Net</b>	<b>\$ 74,733,285</b>	<b>\$ (649,233)</b>	<b>\$ (5,207)</b>	<b>\$ -</b>	<b>\$ 74,078,845</b>

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 1,599,769	\$ -	\$ -	\$ -	\$ 1,599,769
Construction in Progress	3,054,856	1,021,737		(3,023,153)	1,053,440
<b>Total Non-Depreciable Capital Assets</b>	<b>4,654,625</b>	<b>1,021,737</b>	<b>-</b>	<b>(3,023,153)</b>	<b>2,653,209</b>
<b>Depreciable Capital Assets:</b>					
Land Improvements	3,667,952	13,500			3,681,452
Buildings and Improvements	97,028,346	691,652		1,639,639	99,359,637
Furniture, Machinery and Equipment	9,427,817	754,092		1,383,514	11,565,423
<b>Total Depreciable Capital Assets</b>	<b>110,124,115</b>	<b>1,459,244</b>	<b>-</b>	<b>3,023,153</b>	<b>114,606,512</b>
<b>Less Accumulated Depreciation For:</b>					
Land Improvements	(3,205,572)	(674,023)			(3,879,595)
Buildings and Improvements	(28,909,860)	(2,522,922)			(31,432,782)
Furniture, Machinery and Equipment	(6,461,625)	(752,434)			(7,214,059)
<b>Total Accumulated Depreciation</b>	<b>(38,577,057)</b>	<b>(3,949,379)</b>	<b>-</b>	<b>-</b>	<b>(42,526,436)</b>
<b>Depreciable Capital Assets</b>	<b>71,547,058</b>	<b>(2,490,135)</b>	<b>-</b>	<b>3,023,153</b>	<b>72,080,076</b>
<b>Total Capital Assets, Net</b>	<b>\$ 76,201,683</b>	<b>\$ (1,468,398)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 74,733,285</b>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$4,137,697 and \$3,949,379, respectively. The amounts in the transfer column represent projects being completed and reclassified from construction in progress.



**Note 5: LONG-TERM LIABILITIES**

During the fiscal years ended June 30, 2019 and 2018, the following changes occurred in long-term obligations:

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019	Due Within One Year
Compensated Absences	\$ 1,627,219	\$ 170,759	\$ (172,245)	\$ 1,625,733	\$ 267,115
Loan Payable		200,000		200,000	50,000
Net Pension Liability	35,890,488	16,867,293	(23,688,379)	29,069,402	
	<u>\$ 37,517,707</u>	<u>\$ 17,238,052</u>	<u>\$ (23,860,624)</u>	<u>\$ 30,895,135</u>	<u>\$ 317,115</u>

	Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018	Due Within One Year
Compensated Absences	\$ 1,687,446	\$ 276,140	\$ (336,367)	\$ 1,627,219	\$ 298,739
Net Pension Liability	48,335,743	13,066,857	(25,512,112)	35,890,488	
	<u>\$ 50,023,189</u>	<u>\$ 13,342,997</u>	<u>\$ (25,848,479)</u>	<u>\$ 37,517,707</u>	<u>\$ 298,739</u>

**Compensated Absences** - As stated in note 10, compensated absences will be paid in accordance with the College's policy.

**Loan Payable** – During the fiscal year ended June 30, 2019, the College entered into a \$200,000 loan arrangement with the Mercer County Community College Foundation for the installation of an artificial turf infield on the College's baseball field. The loan is payable to the foundation over four years at an annual interest rate of 3%.

**Net Pension Liability** - For details on the net pension liability, refer to note 6.

**Note 6: PENSION PLANS**

The College participates in several retirement plans, administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"), covering its employees – the Public Employees' Retirement System ("PERS"), the Teachers' Pension and Annuity Fund ("TPAF"), the New Jersey Alternate Benefit Program ("ABP") and the Defined Contribution Retirement Program ("DCRP"). PERS and TPAF are defined benefit pension plans while ABP and DCRP are defined contribution pension plans. Generally, all employees, except certain part-time employees, participate in one of these plans.

Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS and TPAF plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

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**Note 6: PENSION PLANS (CONT'D)****General Information About the Pension Plans****Plan Descriptions**

**Public Employees' Retirement System** - The PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the College, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

**Teachers' Pension and Annuity Fund** - The TPAF is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

**Alternate Benefit Program** - The ABP is a tax-sheltered, defined contribution retirement program for certain higher education faculty, instructors and administrators which was established pursuant to P.L.1969, c. 242 (N.J.S.A. 52:18A-107 et seq., specifically, 18A:66-192). The ABP is an agency fund overseen by the State of New Jersey Division of Pensions and Benefits.

**Defined Contribution Retirement Program** - The DCRP is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000 annually.

**Note 6: PENSION PLANS (CONT'D)****General Information About the Pension Plans (Cont'd)****Vesting and Benefits Provisions**

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

The following represents the membership tiers for PERS:

**Tier Definition**

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

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

**Teachers' Pension and Annuity Fund** - The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The membership tiers for TPAF are the same as previously noted for PERS.

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 before age 65 with 30 years or more of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. 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.

**Alternate Benefit Program** - ABP provides retirement benefits, life insurance and disability coverage to qualified members. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service.

**Note 6: PENSION PLANS (CONT'D)****General Information About the Pension Plans (Cont'd)****Vesting and Benefits Provisions (Cont'd)**

**Defined Contribution Retirement Program** - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rates were 7.50% and 7.34% in State fiscal years 2019 and 2018, respectively. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10%. Employer contribution amounts are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The College's contractually required contribution rates were 13.86% and 14.69% of the College's covered payroll for the fiscal years ended June 30, 2019 and 2018, respectively. These amounts were actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2018, the College's contractually required contribution to the pension plan for the fiscal year ended June 30, 2019 was \$1,468,632, and was paid by April 1, 2019. College employee contributions to the pension plan during the fiscal year ended June 30, 2019 were \$735,339.73.

Based on the PERS measurement date of June 30, 2017, the College's contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was \$1,428,307, and was paid by April 1, 2018. College employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$741,487.

**Teachers' Pension and Annuity Fund** - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.50% and 7.34% in State fiscal years 2019 and 2018, respectively. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. For fiscal year 2018 and 2017, the State's pension contribution was less than the actuarial determined amount.

**Note 6: PENSION PLANS (CONT'D)****General Information About the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Teachers' Pension and Annuity Fund (Cont'd)** - Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the College and all other related non-contributing employers. No normal or accrued liability contribution by the College has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The College's contractually required contribution rate for the fiscal year ended June 30, 2019 and 2018 was 14.50% and 10.92%, respectively, of the College's covered payroll, of which 0.00% of payroll was required from the College and 100.00% of payroll was required from the State of New Jersey. The College was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2019 or 2018 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2018, the State's contractually required contribution, on-behalf of the College, to the pension plan for the fiscal year ended June 30, 2019 was \$18,460, and was paid by April 1, 2019. There were no College employee's currently enrolled in TPAF during the fiscal year ended June 30, 2019.

Based on the TPAF measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the College, to the pension plan for the fiscal year ended June 30, 2018 was \$13,821, and was paid by April 1, 2018. There were no College employee's currently enrolled in TPAF during the fiscal year ended June 30, 2019.

**Alternate Benefit Program** - 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.

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

Teacher's Insurance and Annuity Association/TIAA  
 ING Life Insurance and Annuity Company  
 AXA Financial (Equitable)  
 The Variable Annuity Life Insurance Company (VALIC)  
 The Hartford Group  
 MetLife  
 Prudential

**Note 6: PENSION PLANS (CONT'D)****General Information About the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Alternate Benefit Program (Cont'd)** - During the fiscal year end June 30, 2019, the College's share of the employer contributions for participants not eligible for State reimbursement was \$151,248, employee contributions to the plan were \$803,897, and the State of New Jersey made on-behalf payments for the College contributions of \$1,133,370.

During the fiscal year end June 30, 2018, the College's share of the employer contributions for participants not eligible for State reimbursement was \$100,356, employee contributions to the plan were \$778,637, and the State of New Jersey made on-behalf payments for the College contributions of \$1,136,373.

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the College contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2019, employee contributions totaled \$73,102, and the College recognized pension expense of \$39,874. There were no forfeitures during this fiscal year. For the fiscal year ended June 30, 2018, employee contributions totaled \$84,275, and the College recognized pension expense of \$45,942. There were no forfeitures during this fiscal year.

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

**Public Employees' Retirement System** - The College reported a liability of \$29,069,402 and \$35,890,488 for its proportionate share of the net pension liability for the fiscal years ended June 30, 2019 and 2018, respectively.

The net pension liability reported at June 30, 2019 was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. 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 employers, actuarially determined. For the June 30, 2018 measurement date, the College's proportion was .1476390949%, which was a decrease of .0065402534% from its proportion measured as of June 30, 2017.

The net pension liability reported at June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. 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 employers, actuarially determined. For the June 30, 2017 measurement date, the College's proportion was .1541793483%, which was a decrease of .0090226227% from its proportion measured as of June 30, 2016.

The College recognized \$193,542 and \$1,432,817, in its financial statements for pension expense for PERS, for the fiscal years ended June 30, 2019 and 2018, respectively. These amounts were based on the Plans June 30, 2018 and 2017 measurement dates, respectively.

**Note 6: PENSION PLANS (CONT'D)**

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

**Teachers' Pension and Annuity Fund** - At June 30, 2019 and 2018, the College was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of net pension liability, associated with the College, as of these date is as follows:

	<u>2019</u>	<u>2018</u>
College's Proportionate Share of Net Pension Liability	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the College	<u>776,889</u>	<u>829,861</u>
	<u>\$ 776,889</u>	<u>\$ 829,861</u>

The net pension liability reported at June 30, 2019, was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. For the June 30, 2018 measurement date, 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 employers and the State of New Jersey, actuarially determined. The College proportion was 0.00% due to the 100% special funding situation with the State of New Jersey, and State's proportionate share of the TPAF net pension liability, associated with the College, was .0012211811%, which was a decrease of .0000096356% from its proportion measured as of June 30, 2017.

The net pension liability reported at June 30, 2018, was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. For the June 30, 2017 measurement date, 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 employers and the State of New Jersey, actuarially determined. The College proportion was 0.00% due to the 100% special funding situation with the State of New Jersey, and State's proportionate share of the TPAF net pension liability, associated with the College, was .0012308167%, which was an increase of .0000065495% from its proportion measured as of June 30, 2016.

The College recognized \$45,290 and \$57,489, in its financial statements for pension expense, for the State of New Jersey on-behalf TPAF pension contributions, for the fiscal years ended June 30, 2019 and 2018, respectively. These amounts were bases on the Plans June 30, 2018 and 2017 measurement dates, respectively.

Note 6: **PENSION PLANS (CONT'D)**

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

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Measurement Date</u> <u>June 30, 2018</u>		<u>Measurement Date</u> <u>June 30, 2017</u>	
	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Differences between Expected and Actual Experience	\$ 554,358	\$ 149,891	\$ 845,097	\$ -
Changes of Assumptions	4,790,156	9,294,849	7,230,696	7,204,187
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	272,672	244,390	-
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	-	4,182,251	-	4,125,050
College Contributions Subsequent to the Measurement Date	<u>1,350,254</u>	<u>-</u>	<u>1,468,532</u>	<u>-</u>
	<u>\$ 6,694,768</u>	<u>\$ 13,899,663</u>	<u>\$ 9,788,715</u>	<u>\$ 11,329,237</u>

\$1,350,254 and \$1,468,532 included in deferred outflows of resources, for the June 30, 2018 and June 30, 2017 measurement dates, respectively, will be included as a reduction of the net pension liability in fiscal year ending June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal</b>	
<b>Year Ending</b>	
<b><u>June 30,</u></b>	
2020	\$ (1,216,168)
2021	(1,574,597)
2022	(2,872,743)
2023	(2,170,595)
2024	<u>(721,046)</u>
	<u>\$ (8,555,149)</u>



**Note 6: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

		<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience			
Year of Pension Plan Deferral:			
	June 30, 2014	-	-
	June 30, 2015	5.72	-
	June 30, 2016	5.57	-
	June 30, 2017	5.48	-
	June 30, 2018	-	5.63
Changes of Assumptions			
Year of Pension Plan Deferral:			
	June 30, 2014	6.44	-
	June 30, 2015	5.72	-
	June 30, 2016	5.57	-
	June 30, 2017	-	5.48
	June 30, 2018	-	5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments			
Year of Pension Plan Deferral:			
	June 30, 2014	-	5.00
	June 30, 2015	5.00	-
	June 30, 2016	5.00	-
	June 30, 2017	-	5.00
	June 30, 2018	-	5.00
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions			
Year of Pension Plan Deferral:			
	June 30, 2014	6.44	6.44
	June 30, 2015	5.72	5.72
	June 30, 2016	5.57	5.57
	June 30, 2017	5.48	5.48
	June 30, 2018	5.63	5.63

**Actuarial Assumptions**

The net pension liability at June 30, 2019 was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018.

**Note 6: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

The net pension liability at June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017.

These actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation	2.25%	2.25%
Salary Increases:		
Through 2026	1.55% - 4.15% Based on Years of Service	1.65% - 4.15% Based on Age
Thereafter	2.00% - 5.45% Based on Years of Service	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2012 - June 30, 2015	July 1, 2011 - June 30, 2014

**Mortality Rates - PERS** - For the June 30, 2018 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. 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. Postretirement 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 using a generational approach based on the Conduent modified 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 1 year for females).

For the June 30, 2017 measurement date, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. 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 plan actuary's modified MP-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 and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. 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 1 year for females).

**Note 6: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

**Mortality Rates - TPAF** - For the June 30, 2018 measurement date, pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

For the June 30, 2017 measurement date, pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

For PERS and TPAF, in accordance with State statute, the long-term expected rate of return on plan investments (7.00% for the June 30, 2018 and the June 30, 2017 measurement dates) 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 rates of return for each major asset class included in PERS and TPAF's target asset allocation as of the June 30, 2018 and the June 30, 2017 measurement dates are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

**Note 6: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

**Discount Rate June 30, 2018 Measurement Date** - The discount rates used to measure the total pension liability at June 30, 2018 were 5.66% and 4.86% for PERS and TPAF, respectively. For PERS and TPAF, the respective single blended discount rates were 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, 2018, 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 rates 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 the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined amount for PERS and TPAF and the local employers contributed 100% of the actuarially determined amount for PERS. The local employers were not required to make contributions for TPAF. 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 2046 and 2040 for PERS and TPAF, respectively. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and 2040 for PERS and TPAF, respectively, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Discount Rate June 30, 2017 Measurement Date** - The discount rates used to measure the total pension liability at June 30, 2017 were 5.00% and 4.25% for PERS and TPAF, respectively. For PERS and TPAF, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, 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 rates 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 the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined amount for PERS and TPAF and the local employers contributed 100% of the actuarially determined amount for PERS. The local employers were not required to make contributions for TPAF. 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 2040 and 2036 for PERS and TPAF, respectively. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and 2036 for PERS and TPAF, respectively, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Note 6: PENSION PLANS (CONT'D)****Sensitivity of College's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

**Public Employees' Retirement System (PERS)** - The following presents the College's proportionate share of the net pension liability as of the June 30, 2018 and the June 30, 2017, the measurement dates, respectively. These amount were calculated using a discount rate of 5.66% for June 30, 2018 and 5.00% for June 30, 2017, 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% lower or 1% higher than the current rates used:

	<b>PERS - June 30, 2018 Measurement Date</b>		
	<b>1% Decrease <u>(4.66%)</u></b>	<b>Current Discount Rate <u>(5.66%)</u></b>	<b>1% Increase <u>(6.66%)</u></b>
College's Proportionate Share of the Net Pension Liability	<u>\$ 36,551,423</u>	<u>\$ 29,069,402</u>	<u>\$ 22,792,464</u>
	<b>PERS - June 30, 2017 Measurement Date</b>		
	<b>1% Decrease <u>(4.00%)</u></b>	<b>Current Discount Rate <u>(5.00%)</u></b>	<b>1% Increase <u>(6.00%)</u></b>
College's Proportionate Share of the Net Pension Liability	<u>\$ 44,524,586</u>	<u>\$ 35,890,488</u>	<u>\$ 28,697,214</u>

**Note 6: PENSION PLANS (CONT'D)****Sensitivity of College's Proportionate Share of Net Pension Liability to Changes in the Discount Rate (Cont'd)**

**Teachers' Pension and Annuity Fund (TPAF)** - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the College's annual required contribution. As such, the proportionate share of the net pension liability as of the June 30, 2018 and the June 30, 2017, measurement dates, respectively, attributable to the College is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the College, using a discount rate of 4.86% for June 30, 2018 and 4.25% for June 30, 2017, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<b>TPAF - June 30, 2018 Measurement Date</b>		
	<b>1% Decrease (3.86%)</b>	<b>Current Discount Rate (4.86%)</b>	<b>1% Increase (5.86%)</b>
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the College	918,268	776,889	659,689
	<u>\$ 918,268</u>	<u>\$ 776,889</u>	<u>\$ 659,689</u>
	<b>TPAF - June 30, 2017 Measurement Date</b>		
	<b>1% Decrease (3.25%)</b>	<b>Current Discount Rate (4.25%)</b>	<b>1% Increase (5.25%)</b>
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the College	985,901	829,861	701,315
	<u>\$ 985,901</u>	<u>\$ 829,861</u>	<u>\$ 701,315</u>

**Pension Plan Fiduciary Net Position**

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 respective fiduciary net position of the PERS and TPAF and additions to/deductions from PERS and TPAF's respective, fiduciary net position have been determined on the same basis as they are reported by PERS and TPAF. Accordingly, 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. For additional information about PERS and TPAF, please refer to the plans' Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN**

**General Information about the OPEB Plan**

**Plan Description and Benefits Provided** - The State Health Benefit Local Education Retired Employees Plan (the "OPEB Plan") is a multiple-employer defined benefit OPEB plan, with a special funding situation, that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75 - *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The OPEB Plan is administered by the State of New Jersey Division of Pensions and Benefits (the "Division") and is part of the New Jersey State Health Benefits Program (SHBP). The Division issues a publically available financial report that includes financial statements and required supplementary information which can be obtained by writing to or at the following website:

State of New Jersey  
 Division of Pensions and Benefits  
 P.O. Box 295  
 Trenton, New Jersey 08625-0295  
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

The OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

**Contributions** - The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey (the "State") 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 or more years 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.

**Employees Covered by Benefit Terms** - At June 30, 2018, the most recent OPEB Plan's measurement date, the entire State Health Benefit Local Education Retired Employees OPEB Plan consisted of the following members.

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	145,050
Inactive Plan Members Entitled to but Not Yet Receiving Benefit Payments	-
	362,181

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)(CONT'D)**

**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)**

**Total Non-Employer OPEB Liability**

The State of New Jersey, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to the OPEB Plan for qualified retired TPAF, PERS, and ABP participants. The College's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the College did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

The State's proportionate share of the net OPEB liability associated with the College was \$76,042,627 and \$95,782,447 as of June 30, 2019 and June 30, 2018, respectively. Since the OPEB liability associated with the College is 100% attributable to the State, the OPEB liability will be referred to as the total Non-Employer OPEB Liability.

The total Non-Employer OPEB Liability reported at June 30, 2019 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. For the June 30, 2018 measurement date, the State's proportionate share of the Non-Employer OPEB Plan Liability associated with the College was .1649127159%, which was a decrease of .0136531480% from its proportion measured as of June 30, 2017.

The total Non-Employer OPEB Liability reported at June 30, 2018 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. For the June 30, 2017 measurement date, the State's proportionate share of the Non-Employer OPEB Plan Liability associated with the College was .1785658639%, which was an increase of .0031292343% from its proportion measured as of June 30, 2016.

**Actuarial Assumptions and Other Inputs** - The actuarial assumptions and other inputs vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuations at June 30, 2017 and June 30, 2016 used the following actuarial assumptions, applied to the June 30, 2018 measurement date and the June 30, 2017 measurement date, respectively:

**Salary Increases (June 30, 2018 and June 30, 2017 Measurement Dates) -**

	<u>TPAF/ABP (1)</u>	<u>PERS (2)</u>	<u>PFRS (2)</u>
Through 2026	1.55% - 4.55%	2.15% - 4.15%	2.10% - 8.98%
Thereafter	2.00% - 5.45%	3.15% - 5.15%	3.10% - 9.98%

(1) - Based on years of service

(2) - Based on age

**Inflation Rate (June 30, 2018 and June 30, 2017 Measurement Dates) - 2.50%.**

**Mortality Rates (June 30, 2018 Measurement Date)** - Preretirement 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. Postretirement 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 the MP-2017 scale.



**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)(CONT'D)****STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Total Non-Employer OPEB Liability (Cont'd)**

**Mortality Rates (June 30, 2017 Measurement Date)** - Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 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-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

**Experience Studies (June 30, 2018 Measurement Date)** - The actuarial assumptions were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2011 - June 30, 2014, and July 1, 2010 - June 30, 2013 for TPAF, PERS and PFRS, respectively. 100% of all retirees who currently have healthcare coverage were assumed to continue with that coverage. 100% of active members were considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

**Experience Studies (June 30, 2017 Measurement Date)** - The actuarial assumptions were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

**Health Care Trend Assumptions (June 30, 2018 Measurement Date)** - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the 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 trend 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.

**Health Care Trend Assumptions (June 30, 2017 Measurement Date)** - For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight 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.

**Discount Rate** - The discount rate for the June 30, 2018 and the June 30, 2017 measurement dates were 3.87% and 3.58%, respectively. These represents the municipal bond return rates as chosen by the Division. 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.

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)(CONT'D)****STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****Changes in the Total Non-Employer OPEB Liability**

The below table summarizes the State's proportionate share of the change in the total Non-Employer OPEB Liability, associated with the College, for the June 30, 2018 and the June 30, 2017 measurement dates:

Balance at June 30, 2018		\$	95,782,447
Changes for the Year:			
Service Cost	\$	5,190,033	
Interest Cost		3,579,985	
Difference Between Expected and Actual Experience		(17,820,490)	
Changes in Assumptions		(8,726,272)	
Gross Benefit Payments		(2,033,352)	
Member Contributions		<u>70,276</u>	
Net Changes			<u>(19,739,820)</u>
Balance at June 30, 2019		\$	<u>76,042,627</u>
Balance at June 30, 2017		\$	101,458,133
Changes for the Year:			
Service Cost	\$	6,165,926	
Interest Cost		3,037,050	
Difference Between Expected and Actual Experience		-	
Changes in Assumptions		(12,741,829)	
Gross Benefit Payments		(2,218,525)	
Member Contributions		<u>81,692</u>	
Net Changes			<u>(5,675,686)</u>
Balance at June 30, 2018		\$	<u>95,782,447</u>

There were no changes in benefit terms between the June 30, 2017 measurement date and the June 30, 2018 measurement date.

Differences between expected and actual experience reflect a decrease in liability from June 30, 2017 to June 30, 2018 is due to changes in the census, claims and premiums experience.

Changes of Assumptions reflect a decrease in the liability from June 30, 2017 to June 30, 2018 due to the increase in the assumed discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018; and a decrease in the assumed health care cost trend and excise tax assumptions.

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)(CONT'D)**

**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)**

**Changes in the Total Non-Employer OPEB Liability (Cont'd)**

**Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate** - The State's proportionate share of the total Non-Employer OPEB Liability, associated with the College, as of the June 30, 2018 and the June 30, 2017 measurement dates, using a discount rate of 3.87% and 3.58%, respectively, as well as using a discount rate that is 1% lower or 1% higher than the current rates used are as follows:

	<b>June 30, 2018 Measurement Date</b>		
	<b>1% Decrease <u>(2.87%)</u></b>	<b>Current Discount Rate <u>(3.87%)</u></b>	<b>1% Increase <u>(4.87%)</u></b>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	<u>\$ 89,897,865</u>	<u>\$ 76,042,627</u>	<u>\$ 65,029,144</u>
	<b>June 30, 2017 Measurement Date</b>		
	<b>1% Decrease <u>(2.58%)</u></b>	<b>Current Discount Rate <u>(3.58%)</u></b>	<b>1% Increase <u>(4.58%)</u></b>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	<u>\$ 113,700,675</u>	<u>\$ 95,782,447</u>	<u>\$ 81,569,538</u>

**Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The State's proportionate share of the total Non-Employer OPEB Liability, associated with the College, as of the June 30, 2018 and the June 30, 2017 measurement dates, using the healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used are as follows:

	<b>June 30, 2018 Measurement Date</b>		
	<b>1% Decrease <u>(2.58%)</u></b>	<b>Healthcare Cost Trend Rates <u>(3.58%)</u></b>	<b>1% Increase <u>(4.58%)</u></b>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	<u>\$ 62,853,660</u>	<u>\$ 76,042,627</u>	<u>\$ 93,485,541</u>
	<b>June 30, 2017 Measurement Date</b>		
	<b>1% Decrease <u>(2.58%)</u></b>	<b>Healthcare Cost Trend Rates <u>(3.58%)</u></b>	<b>1% Increase <u>(4.58%)</u></b>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	<u>\$ 78,771,803</u>	<u>\$ 95,782,447</u>	<u>\$ 118,372,382</u>

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)(CONT'D)**

**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Total Non-Employer OPEB Liability**

For the fiscal years ended June 30, 2019 and June 30, 2018, the College recognized \$4,735,468 and \$8,041,552, respectively, in OPEB expense and revenue, for the State's proportionate share of the OPEB Plan's OPEB Expense, associated with the College. This expense and revenue was based on the OPEB Plan's June 30, 2018 and June 30, 2017 measurement dates.

In accordance with GASBS No. 75, the College's proportionate share of the OPEB liability is zero. As such, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources by the College. However, at June 30, 2019 and June 30, 2018, the State's proportionate share of the total Non-Employer OPEB Liability's deferred outflows of resources and deferred inflows of resources, associated with College, from the following sources are as follows:

	<u>Measurement Date</u> <u>June 30, 2018</u>		<u>Measurement Date</u> <u>June 30, 2017</u>	
	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Changes in Proportion	\$ 1,262,798	\$ 7,328,755	\$ 1,430,278	\$ 301
Difference Between Expected and Actual Experience	-	7,381,635	-	-
Changes of Assumptions	-	17,045,343	-	11,327,806
	<u>\$ 1,262,798</u>	<u>\$ 31,755,733</u>	<u>\$ 1,430,278</u>	<u>\$ 11,328,107</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability, associated with the College, will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2020	\$ (3,703,735)
2021	(3,703,735)
2022	(3,703,735)
2023	(3,703,735)
2024	(3,703,735)
Thereafter	<u>(11,974,260)</u>
	<u>\$ (30,492,935)</u>

**Note 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)(CONT'D)****STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)****OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Total Non-Employer OPEB Liability (Cont'd)**

The amortization of the above deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability, associated with the College, will be over the following number of years:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes in Proportion		
Year of OPEB Plan Deferral:		
June 30, 2017	9.54	9.54
June 30, 2018	9.51	9.51
Difference Between Expected and Actual Experience		
Year of OPEB Plan Deferral:		
June 30, 2017	-	-
June 30, 2018	-	9.51
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	9.54
June 30, 2018	-	9.51

**Note 8: OPERATING LEASES**

At June 30, 2019 and 2018, the College had operating lease agreements in effect for copy machines, mail machines, computers and a building. The present value of the future minimum rental payments under the operating lease agreements are as follows:

<b><u>Fiscal Year Ended June 30,</u></b>	<b><u>Amount</u></b>
2020	\$ 577,203.00
2021	577,203.00
2022	504,115.00
2023	377,505.00
2024	257,168.00
2025-2029	1,285,840.00
2030-2034	1,285,840.00
2035-2038	1,092,964.00
	<u>\$ 5,957,838.00</u>

Rental payments under operating leases for the fiscal year ended June 30, 2019 and 2018 were \$512,911 and \$320,035, respectively.

**Note 9: RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts' theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The College maintains commercial insurance coverage for property (including crime and physical damage, liability (general and automobile), boiler and machinery, and surety bonds.)

Joint Insurance Pool - The College is a member of the New Jersey County College Insurance Pool ("Fund") for the purpose of obtaining workers' compensation insurance coverage. Contributions to the Fund are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. Contributions to the Fund for the fiscal years ended June 30, 2019 and 2018 were \$197,889 and \$220,219, respectively.

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The College is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

The audit report for the Pool can be obtained from:

New Jersey County College Workers' Compensation Pool  
1200 Old Trenton Road  
Trenton, New Jersey 08690

**Note 10: COMPENSATED ABSENCES**

Accrued vacation represents the College's liability for the cost of unused employee vacation time payable in the event of employee termination. College employees are granted vacation time in varying amounts under the College's personnel policies and labor negotiated contracts. Regular sick leave benefits provide for ordinary sick pay and begin vesting after a predetermined number of years of service, with a maximum payout of \$15,000. As of June 30, 2019 and 2018, the liabilities for accrued compensated absences are included in accrued expenses and consist of the following:

	Balance <u>June 30, 2019</u>	Balance <u>June 30, 2018</u>
Vacation	\$ 1,284,691	\$ 1,337,542
Sick	<u>341,042</u>	<u>289,677</u>
Total	<u>\$ 1,625,733</u>	<u>\$ 1,627,219</u>

**Note 11: DEFERRED COMPENSATION SALARY ACCOUNT**

The College offers its employees a choice of deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

*Teachers' Insurance and Annuity Association*  
*ING Life Insurance and Annuity Company*  
*Equitable Life*  
*The Variable Annuity Life Insurance Company*  
*The Hartford Group*  
*MetLife*  
*Prudential*

**Note 12: EDUCATIONAL AND GENERAL EXPENSES BY NATURAL CLASSIFICATION**

The College's operating expenses by natural classification for the fiscal years ended June 30, 2019 and 2018 are presented as follows:

For the Year Ended June 30, 2019							
Educational and General Expenditures	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Instruction	\$ 21,996,528	\$ 2,172,286	\$ 4,983,504		\$ 2,212		\$ 29,154,530
Public Service	2,365,845	666,257	514,435		31,048		3,577,585
Academic Support	2,957,926	641,887	318,786				3,918,600
Student Services	4,342,621	601,864	171,015				5,115,500
Institutional Support	16,347,751	4,193,023	1,951,335		322,143		22,814,251
Operation and Maintenance of Plant	2,846,585	1,303,182	645,544		3,003,575		7,798,887
Scholarship and Other Student Aid	176,111			\$ 3,487,362			3,663,473
Depreciation						\$ 4,137,697	4,137,697
Subtotal	<u>\$ 51,033,366</u>	<u>\$ 9,578,500</u>	<u>\$ 8,584,620</u>	<u>\$ 3,487,362</u>	<u>\$ 3,358,978</u>	<u>\$ 4,137,697</u>	80,180,523
Auxiliary Expenses							460,320
						Total Functional Expenses	<u>\$ 80,640,843</u>

For the Year Ended June 30, 2018							
Educational and General Expenditures	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Instruction	\$ 25,310,615	\$ 2,500,714	\$ 3,594,728		\$ 296,527		\$ 31,702,583
Public Service	2,612,923	531,538	566,961		32,760		3,744,183
Academic Support	2,464,074	570,281	798,028				3,832,383
Student Services	4,710,523	670,148	128,163				5,508,835
Institutional Support	16,859,425	3,575,736	1,458,616		1,602		21,895,379
Operation and Maintenance of Plant	2,990,602	1,101,016	1,609,280		1,542,118		7,243,016
Scholarship and Other Student Aid	195,316			\$ 3,391,726			3,587,042
Depreciation						\$ 3,949,379	3,949,379
Subtotal	<u>\$ 55,143,477</u>	<u>\$ 8,949,434</u>	<u>\$ 8,155,775</u>	<u>\$ 3,391,726</u>	<u>\$ 1,873,008</u>	<u>\$ 3,949,379</u>	81,462,799
Auxiliary Expenses							446,225
						Total Functional Expenses	<u>\$ 81,909,023</u>

**Note 13: BOOKSTORE**

The College has an agreement with Follett, Inc., a private contractor, for the operation of the official Campus Bookstore at both the Trenton and the West Windsor campuses. The agreement is for a period of five years commencing July 1, 2011, and ending June 30, 2016, with an option to renew the contract for an additional five years. On March 18, 2016, the option to renew the contract was exercised and extended through June 30, 2021.

Net commissions paid to the College for the fiscal years ended June 30, 2019 and 2018, were \$302,849 and \$337,114, respectively.

**Note 14: CONTINGENCIES**

**Grantor Agencies** - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the College expects such amount, if any, to be immaterial.

**Litigation** - The College is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the College, from such litigation is either unknown or potential losses, if any, have either been recorded as an accrued expense or would not be material to the financial statements.

**Note 15: CONCENTRATIONS**

The College depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the College is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

**Note 16: NET POSITION**

The following is a summary of the College's designations of unrestricted net position for the fiscal years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Designated for:		
Unemployment	\$ 500,000	\$ 500,000
Technology	100,000	100,000
Educational Broadcast Service	150,000	150,000
Insurance	100,000	100,000
WWFM Radio	250,000	150,000
Operating Revenue	3,896,745	3,381,009
Capital Projects	<u>1,000,000</u>	<u>1,000,000</u>
Undesignated Before GASB 68 and 71 Pension Related Items	5,996,745	5,381,009
Effect of GASB 68 Pension Related Items	<u>(37,624,551)</u>	<u>(38,899,542)</u>
Total Components of Net Position	<u>\$ (31,627,806)</u>	<u>\$ (33,518,533)</u>

**Note 17: SUBSEQUENT EVENTS**

The College evaluated subsequent events through January 29, 2020, the date the financial statements were available to be issued. The College is not aware of any subsequent events which would require recognition in the financial statements.

**Note 18: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES**

The significant disclosures of the discretely presented component unit, Mercer County Community College Foundation, are as follows.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The Mercer County Community College Foundation, Inc. (the "Foundation") is a not-for-profit foundation organized in the State of NJ and exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). It is operated exclusively for the purpose of assisting the board of directors of the College in holding, investing and administering property and making expenditures to or for the benefit of the College, its students and its faculty.

**Basis of Accounting and Presentation** - The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.



**Note 18: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)****A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Basis of Accounting and Presentation (Cont'd)** - The Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes. Net assets without donor restrictions include both designated and undesignated funds. At June 30, 2019 and 2018, the Foundation had net assets without donor restrictions of \$3,224,275 and \$3,029,624, respectively.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or by the passage of time. Net assets with donor restrictions include donor-restricted endowment funds requiring investment of a gift in perpetuity or for a specified term as well as the investment return thereon until the returns are appropriated for expenditure. This includes the funds passed through the College to the Foundation in 2018 for Title III monies, where corpus as well as earnings on the corpus are treated as an endowment for 20 years. At June 30, 2019 and 2018, the Organization had net assets with donor restrictions of \$8,770,425 and \$8,781,041, respectively.

**Use of Estimates** - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** - For purposes of the statements of financial position and statements of cash flows, the Foundation considers all unrestricted, highly liquid investments with an initial maturity date of 90 days or less to be cash equivalents.

The Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Foundation monitors the health of these banking institutions and has not experienced any losses in such accounts.

**Investments** - The Foundation reports investments at fair value. Investment return, including interest, dividends and realized and unrealized gains and losses, net of investment expenses, are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law.

**Pledges and Loan Receivable** - The Foundation considers all pledges and loan receivable to be fully collectible; accordingly, no allowances for doubtful amount is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made. Pledge receivables with expected collection terms of greater than two years are presented at their net present value.

**Income Taxes** - The Foundation is exempt from income taxes under Section 501(c)(3) of the Code and applicable state law. Income generated by activities that would be considered unrelated to the Foundation's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended June 30, 2019 or 2018.

US GAAP requires management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

**Note 18: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)****A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Income Taxes (Cont'd)** – The Foundation did not record any interest or penalties on uncertain tax positions in its financial statements as of or for the year ended June 30, 2019 or 2018. If the Foundation were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

**B. INVESTMENTS**

Investments, carried at fair value, at June 30, 2019 and 2018 are as follows:

	2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate Fixed Income	\$ 4,620,995	\$ 4,741,293	\$ 120,298
Mutual Funds	5,463,701	6,612,475	1,148,774
	<u>\$ 10,084,696</u>	<u>\$ 11,353,768</u>	<u>\$ 1,269,072</u>
	2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate Fixed Income	\$ 4,563,136	\$ 4,425,109	\$ (138,027)
Mutual Funds	5,620,020	6,834,652	1,214,632
	<u>\$ 10,183,156</u>	<u>\$ 11,259,761</u>	<u>\$ 1,076,605</u>

The following schedule summarizes the investment return and its classification:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 167,386	\$ 137,413	\$ 304,799
Realized gain	146,962	74,036	220,998
Unrealized Gain	14,335	175,860	190,195
Investment Fees	(57,530)	-	(57,530)
Total investment return	<u>\$ 271,153</u>	<u>\$ 387,309</u>	<u>\$ 658,462</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 112,641	\$ 148,056	\$ 260,697
Realized gain	128,548	113,401	241,949
Unrealized Gain	183,878	125,802	309,680
Investment Fees	(57,158)	-	(57,158)
Total investment return	<u>\$ 367,909</u>	<u>\$ 387,259</u>	<u>\$ 755,168</u>

**Note 18: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)****C. FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 - Quoted prices for identical assets and liabilities traded in active exchange markets.

Level 2 - Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended June 30, 2019 and 2018, there were no changes to the Foundation's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value: Corporate fixed income and Mutual funds - The fair value is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The Foundation considers all investments to be Level 1.

The primary objective of the Foundation's investments is capital appreciation and return without undue exposure to risk. Investment funds are selected to support long term goals, and provide growth of endowment assets at a rate that that will provide available funds for expenses and scholarships and growth to endowment assets.

**Note 18: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)****D. NET ASSETS****Without Donor Restrictions**

The Foundation's board of directors has chosen to place the following limitations on unrestricted net assets:

	June 30,	
	<u>2019</u>	<u>2018</u>
Designated for scholarships and programs	\$ 63,872	\$ 36,169
Designated for student assistance	1,293,910	1,000,000
Designated for major gifts campaign	436,018	474,170
Undesignated	<u>1,430,475</u>	<u>1,519,285</u>
Total	<u>\$ 3,224,275</u>	<u>\$ 3,029,624</u>

**With Donor Restrictions**

Net assets with donor restrictions are comprised of the following at June 30, 2019 and 2018:

	June 30,	
	<u>2019</u>	<u>2018</u>
Purpose Restricted:		
Scholarships	\$ 5,144,656	\$ 4,860,038
Programs	608,324	597,049
Capital Improvements	122,451	460,630
Endowments given in perpetuity:		
Original gifts	<u>2,894,994</u>	<u>2,863,324</u>
Total	<u>\$ 8,770,425</u>	<u>\$ 8,781,041</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART II

**MERCER COUNTY COMMUNITY COLLEGE**  
 Required Supplementary Information - Part II  
 Schedule of the College's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
 Last Six Plan Years

	<u>Plan Measurement Date Ending June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
College's Proportion of the Net Pension Liability	0.1476390949%	0.1541793483%	0.1632019710%
College's Proportionate Share of the Net Pension Liability	\$ 29,069,402	\$ 35,890,488	\$ 48,335,743
College's Covered Payroll (Plan Measurement Date)	\$ 10,601,160	\$ 10,840,436	\$ 11,428,960
College's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	274.21%	331.08%	422.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%
	<u>Plan Measurement Date Ending June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
College's Proportion of the Net Pension Liability	0.1754379672%	0.1838515911%	0.1864619887%
College's Proportionate Share of the Net Pension Liability	\$ 39,382,308	\$ 34,422,046	\$ 35,636,591
College's Covered Payroll (Plan Measurement Date)	\$ 12,307,496	\$ 13,219,828	\$ 13,295,564
College's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	319.99%	260.38%	268.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**MERCER COUNTY COMMUNITY COLLEGE**  
 Required Supplementary Information - Part II  
 Schedule of the College's Contributions  
 Public Employees' Retirement System (PERS)  
 Last Six Fiscal Years

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Contractually Required Contribution	\$ 1,350,254	\$ 1,468,532	\$ 1,428,307
Contributions in Relation to the Contractually Required Contribution	<u>(1,350,254)</u>	<u>(1,468,532)</u>	<u>(1,428,307)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll (Fiscal Year)	\$ 9,745,282	\$ 9,997,972	\$ 10,370,749
Contributions as a Percentage of College's Covered Payroll	13.86%	14.69%	13.77%
	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Contractually Required Contribution	\$ 1,449,863	\$ 1,508,296	\$ 1,515,646
Contributions in Relation to the Contractually Required Contribution	<u>(1,449,863)</u>	<u>(1,508,296)</u>	<u>(1,515,646)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll (Fiscal Year)	\$ 10,986,418	\$ 11,723,492	\$ 12,380,006
Contributions as a Percentage of College's Covered Payroll	13.20%	12.87%	12.24%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**MERCER COUNTY COMMUNITY COLLEGE**  
 Required Supplementary Information - Part II  
 Schedule of the College's Proportionate Share of the Net Pension Liability  
 Teachers' Pension and Annuity Fund (TPAF)  
 Last Six Plan Years

	<u>Plan Measurement Date Ending June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
College's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%
State's Proportion of the Net Pension Liability Associated with the College	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the College	<u>776,889.00</u>	<u>829,861.00</u>	<u>963,087.00</u>
	<u>\$ 776,889.00</u>	<u>\$ 829,861.00</u>	<u>\$ 963,087.00</u>
College's Covered Payroll	\$ 127,340.00	\$ 127,340.00	\$ 126,720.00
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	610.09%	651.69%	760.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%	22.33%
	<u>Plan Measurement Date Ending June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
College's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%
State's Proportion of the Net Pension Liability Associated with the College	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the College	<u>1,502,958.00</u>	<u>1,858,482.00</u>	<u>1,727,027.00</u>
	<u>\$ 1,502,958.00</u>	<u>\$ 1,858,482.00</u>	<u>\$ 1,727,027.00</u>
College's Covered Payroll	\$ 124,292.00	\$ 351,000.00	\$ 384,312.00
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	1209.22%	529.48%	449.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%	33.76%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.  
 However, until a full 10-year trend is compiled, this presentation will only include information  
 for those years for which information is available.



**MERCER COUNTY COMMUNITY COLLEGE**  
Required Supplementary Information - Part II  
Schedule of College's Contributions  
Teachers' Pension and Annuity Fund (TPAF)  
Last Ten Fiscal Years

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This schedule is not applicable.

The College is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

**MERCER COUNTY COMMUNITY COLLEGE**  
Notes to Required Supplementary Information - Part II  
For the Fiscal Year Ended June 30, 2019

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**Public Employees' Retirement System (PERS)**

Changes in Benefit Terms - None

Changes in Assumptions - The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017 and 5.66% 2018.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the Plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

For 2015, the social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually.

**Teachers' Pension and Annuity Fund (TPAF)**

Changes in Benefit Terms - None

Changes in Assumptions - The Discount Rate changed at June 30th over the following years, 4.68% 2014, 4.13% 2015, 3.22% 2016, 4.25% 2017 and 4.86% 2018.

The Long-term Expected Rate of Return changed at June 30th over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011- June 30, 2015 experience study.

REQUIRED SUPPLEMENTARY INFORMATION – PART III

**MERCER COUNTY COMMUNITY COLLEGE**  
 Required Supplementary Information - Part III  
 Schedule of Changes in the College's Total OPEB Liability and Related Ratios  
 Last Two Plan Years

	<b>Measurement Date Ending June 30, <u>2018</u></b>	<b>Measurement Date Ending June 30, <u>2017</u></b>
<b>Total Non-Employer OPEB Liability - State's Proportionate Share of the Total OPEB Liability Associated with the College</b>		
Changes for the Year:		
Service Cost	\$ 5,190,033	\$ 6,165,926
Interest Cost	3,579,985	3,037,050
Difference Between Expected and Actual Experience	(17,820,490)	
Changes in Assumptions	(8,726,272)	(12,741,829)
Gross Benefit Payments	(2,033,352)	(2,218,525)
Member Contributions	<u>70,276</u>	<u>81,692</u>
Net Change in Total Non-Employer OPEB Liability	(19,739,820)	(5,675,686)
Total Non-Employer OPEB Liability - Beginning of Fiscal Year	<u>95,782,447</u>	<u>101,458,133</u>
Total Non-Employer OPEB Liability - End of Fiscal Year	<u>\$ 76,042,627</u>	<u>\$ 95,782,447</u>
College's Covered Payroll (Plan Measurement Period)	<u>\$ 9,997,972</u>	<u>\$ 10,498,089</u>
State's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College as a Percentage of Covered Payroll	760.58%	912.38%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**MERCER COUNTY COMMUNITY COLLEGE**  
Notes to Required Supplementary Information - Part III  
For the Fiscal Year Ended June 30, 2019

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Changes of Benefit Terms - None

Differences Between Expected and Actual Experience - The decrease in liability from June 30, 2017 to June 30, 2018 is due to changes in the census, claims and premiums experience.

Changes of Assumptions - The decrease in the liability from June 30, 2017 to June 30, 2018 is due to the increase in the assumed discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018; and a decrease in the assumed health care cost trend and excise tax assumptions.

SINGLE AUDIT SECTION

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Mercer County Community College  
West Windsor, New Jersey 08550

***Report on Compliance for Each Major Federal and State Program***

We have audited **Mercer County Community College's** (the "College"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State 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, 2019. The College's major federal and state programs are identified in the *Summary of Auditor's 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 of its federal and state awards applicable to its federal and state programs.

***Auditor's 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; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance, and State of New Jersey Circular 15-08-OMB, 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.

***Opinion on Each Major Federal and State Program***

In our opinion, **Mercer County Community 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, 2019.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-OMB, and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Finding 2019-001, Finding 2019-002, Finding 2019-003, Finding 2019-004, Finding 2019-005 and Finding 2019-006. Our opinion on each major federal and state program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## **Report on Internal Control Over Compliance**

Management of **Mercer County Community 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 or 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 or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-OMB, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying *Schedule of Findings and Questioned Costs* as Finding 2019-001, Finding 2019-002, Finding 2019-003, Finding 2019-004, Finding 2019-005 and Finding 2019-006, which we consider to be significant deficiencies.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.



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 and State of New Jersey Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
January 29, 2020

**MERCER COUNTY COMMUNITY COLLEGE**  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2019

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Funds Received</u>	<u>Grant Period</u>		<u>FY 2019 Expenditures</u>	<u>Passed Through to Subrecipients</u>
					<u>From</u>	<u>To</u>		
<b>US Department of Education:</b>								
<b>Student Financial Aid Cluster (Direct Funding):</b>								
Federal Direct Student Loans - Subsidized	84.268	N/A	\$ 1,448,484	\$ 1,448,484	07/01/18	06/30/19	\$ 1,448,484	\$ -
Federal Direct Student Loans - Unsubsidized	84.268	N/A	1,922,958	1,922,958	07/01/18	06/30/19	1,922,958	
							3,371,442	-
Federal Pell Grant Program	84.063	N/A	8,876,925	8,876,925	07/01/18	06/30/19	8,876,925	
Federal Supplemental Educational Opportunity Grants	84.007	N/A	188,258	188,258	07/01/18	06/30/19	188,258	
Federal Work-Study Program	84.033	N/A	178,913	178,913	07/01/18	06/30/19	178,913	
Total Student Financial Aid Cluster							12,615,538	-
<b>Other Federal Programs (Direct Funding):</b>								
<b>TRIO Cluster:</b>								
TRIO - Talent Search	84.044	N/A	300,030	300,030	09/01/18	08/31/19	300,030	
TRIO - Talent Search	84.044	N/A	55,024	55,024	09/01/17	08/31/18	55,024	
							355,054	-
TRIO - Upward Bound	84.047	N/A	308,992	308,992	09/01/18	08/31/19	308,992	
TRIO - Upward Bound	84.047	N/A	127,709	127,709	09/01/17	08/31/18	127,709	
							436,701	-
Total TRIO Cluster							791,755	-
Higher Education Institutional Aid	84.031	N/A	361,416	361,416	10/01/16	5 years	361,416	
Total Other Federal Programs							1,153,171	-
Total U.S. Department of Education (Direct Funding)							13,768,709	-
<b>Passed Through New Jersey Department of Education:</b>								
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	not available	114,164	114,164	09/27/18	9/25/2019	114,164	
Career and Technical Education-Basic Grants to States (Perkins IV)	84.048	not available	365,442	365,442	07/01/18	06/30/19	365,442	
Adult Education - Basic Grants to States	84.002	not available	572,333	572,333	07/01/18	06/30/19	572,333	
Twenty-First Century Community Learning Centers	84.287	EK28	241,862	241,862	09/01/18	08/31/19	241,862	
Total Passed Through New Jersey Department of Education							1,293,801	-
Total U.S. Department of Education							15,062,510	-

(Continued)

**MERCER COUNTY COMMUNITY COLLEGE**  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2019

<b>Federal Grantor/Pass-through Grantor/Program Title (Cont'd)</b>	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Program Funds Received	Grant Period		FY 2019 Expenditures	Passed Through to Subrecipients
					From	To		
<b>National Science Foundation:</b>								
Education and Human Resources - NSF Stem (Direct Funding)	47.076	N/A	\$ 150,194	\$ 150,194	08/01/16	5 years	\$ 150,194	\$ -
<b>Passed Through New Jersey Department of Education:</b>								
<b>Passed Through William Patterson University:</b>								
Education and Human Resources - NSF NOYCE	47.076	not available	39,052	39,052	10/01/18	09/30/19	39,052	
Total National Science Foundation							189,246	-
<b>US Department of Health and Human Services:</b>								
<b>Passed Through New Jersey Department of Labor:</b>								
Temporary Assistance for Needy Families (TANF) - New Jersey Youth Corps	93.558	NJYC 1809	54,500	16,588	07/01/18	06/30/19	16,588	
Total U.S. Department of Health and Human Services							16,588	-
<b>US Department of Labor:</b>								
<b>Passed Through New Jersey Department of Labor:</b>								
WIOA Cluster:								
WIOA Youth Activities - ABE Literacy	17.259	not available	181,690	181,690	07/01/18	06/30/19	181,690	
WIOA Adult Program - NJ Youth Corps - WIOA State Set Aside	17.258	NJYC 1809	241,000	191,595	07/01/18	06/30/19	191,595	
Total WIOA Cluster							373,285	-
<b>Passed Through Bergen Community College:</b>								
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC264591460A34	38,770	38,770	10/01/18	03/31/19	38,770	
Total U.S. Department of Labor							412,055	-
Total Expenditures of Federal Awards							\$ 15,680,399	\$ -

The accompanying Notes to Financial Statements and Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2019

<u>State Grantor/Program Title</u>	<u>State G.M.I.S. Number</u>	<u>Program or Award Amount</u>	<u>Program Funds Received</u>	<u>Grant Period</u>		<u>FY 2019 Expenditures</u>	<u>Passed Through to Subrecipients</u>	<u>Cumulative Expenditures</u>
				<u>From</u>	<u>To</u>			
<b>Student Financial Aid Cluster:</b>								
<b>New Jersey Commission on Higher Education:</b>								
Educational Opportunity Fund - Article III	100-074-2401-001	\$ 125,209	\$ 125,209	07/01/18	06/30/19	\$ 125,209		\$ 125,209
Educational Opportunity Fund - Article III, Summer	100-074-2401-001	136,620	136,620	07/01/18	06/30/19	136,620		136,620
New Jersey Gear Up	100-074-2400-026	903	903	07/01/18	06/30/19	903		903
<b>New Jersey Higher Education Student Assistance Authority:</b>								
Community College Opportunity Grant	100-074-2405-332	265,375	265,375	07/01/18	06/30/19	265,375		265,375
Tuition Aid Grants	100-074-2405-007	1,492,737	1,492,737	07/01/18	06/30/19	1,284,486		1,284,486
New Jersey Stars Scholarships	100-074-2405-313	169,124	169,124	07/01/18	06/30/19	169,124		169,124
<b>Total Student Financial Aid Cluster</b>		<u>2,189,968</u>	<u>2,189,968</u>			<u>1,981,717</u>	-	<u>1,981,717</u>
<b>Other State Programs:</b>								
<b>New Jersey Commission on Higher Education:</b>								
Educational Opportunity Fund - Article IV	100-074-2401-002	225,911	225,911	07/01/18	06/30/19	225,911		225,911
Community College Opportunity Implementation Grant	100-074-2400-061	250,000	250,000	07/01/18	06/30/19	250,000		250,000
Total New Jersey Commission on Higher Education		<u>475,911</u>	<u>475,911</u>			<u>475,911</u>	-	<u>475,911</u>
<b>New Jersey Department of Treasury - Higher Education Administration:</b>								
Employer Contributions Alternative Benefit Program-Faculty	100-082-2155-017	929,513	929,513	07/01/18	06/30/19	929,513		929,513
Employer Contributions Alternative Benefit Program-Adjunct	100-082-2155-017	203,857	203,857	07/01/18	06/30/19	203,857		203,857
		1,133,370	1,133,370			1,133,370	-	1,133,370
P.L. 1971, C.12 Debt Service	100-082-2155-016	1,568,430	1,568,430	07/01/18	06/30/19	1,568,430		1,568,430
Operational Costs - County Colleges	100-082-2155-015	7,208,538	7,208,538	07/01/18	06/30/19	7,208,538		7,208,538
Total New Jersey Department of Treasury - Higher Education Administration		<u>9,910,338</u>	<u>9,910,338</u>			<u>9,910,338</u>	-	<u>9,910,338</u>
<b>New Jersey Department of Labor:</b>								
New Jersey Youth Corps	100-062-4545-314	129,500	110,644	07/01/18	06/30/19	110,685		110,685
Total New Jersey Department of Labor		<u>129,500</u>	<u>110,644</u>			<u>110,685</u>	-	<u>110,685</u>
<b>New Jersey Department of Community Affairs:</b>								
New Jersey Construction Code	100-022-5015-801	9,789	9,789	07/01/18	06/30/19	9,789		9,789
Total New Jersey Department of Community Affairs		<u>9,789</u>	<u>9,789</u>			<u>9,789</u>	-	<u>9,789</u>
Total Expenditures of State Financial Assistance		<u>\$ 12,715,506</u>	<u>\$ 12,696,650</u>			<u>\$ 12,488,440</u>	<u>\$ -</u>	<u>\$ 12,488,440</u>

The accompanying Notes to Financial Statements and Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

## MERCER COUNTY COMMUNITY COLLEGE

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2019

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### **Note 1: BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal awards and state financial assistance (“the schedules”) include federal and state award activity of Mercer County Community College (hereafter referred to as the “College”). The College is defined in note 1 to the College's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules. Because these schedules present only a selected portion of the operations of the College, it is not intended to and does not present the financial position and changes in operations of the College. Accordingly, some amounts presented in the respective schedules may differ from amounts presented in, or used in the preparation of, the College's June 30, 2019 financial statements.

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedules are presented using the accrual basis of accounting as described in note 1 to the College's basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

### **Note 3: INDIRECT COST RATE**

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

### **Note 4: OTHER STUDENT LOAN PROGRAMS**

The College is responsible only for the performance of certain administrative duties with respect to Federal Direct Student Loans and New Jersey Class Loans; accordingly, these loans balances are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under these programs as of June 30, 2019.

### **Note 5: MAJOR PROGRAMS**

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questioned Costs*.

**MERCER COUNTY COMMUNITY COLLEGE**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2019

**Section 1- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

    Material weakness(es) identified? \_\_\_ yes X no

    Significant deficiency(ies) identified? \_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_ yes X no

**Federal Awards**

Internal control over major programs:

    Material weakness(es) identified? \_\_\_ yes X no

    Significant deficiency(ies) identified? X yes \_\_\_ none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? X yes \_\_\_ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.268</u>	<b>Student Financial Aid Cluster:</b> <u>Federal Direct Student Loans</u>
<u>84.007</u>	<u>Federal Supplemental Educational Opportunity Grant</u>
<u>84.033</u>	<u>Federal Work Study Program</u>
<u>84.063</u>	<u>Federal Pell Program</u>
<u>82.044 and 82.047</u>	<b>Trio Cluster</b>

Dollar threshold used to determine Type A programs \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_ yes X no

**MERCER COUNTY COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2019

**Section 1- Summary of Auditor's Results (Cont'd)**

**State Financial Assistance**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified?  X  yes \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs \_\_\_\_\_  Unmodified  \_\_\_\_\_

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB?  X  yes \_\_\_\_\_ no

Identification of major programs:

**GMIS Number(s)**

**Name of State Program**

\_\_\_\_\_ 100-074-2401-001

**Student Financial Aid Cluster:**

\_\_\_\_\_ Educational Opportunities Fund - Article III, Summer

\_\_\_\_\_ 100-074-2401-001

\_\_\_\_\_ Educational Opportunities Fund - Article III

\_\_\_\_\_ 100-074-2405-007

\_\_\_\_\_ Tuition Aid Grants

\_\_\_\_\_ 100-074-2405-313

\_\_\_\_\_ New Jersey Stars Program

\_\_\_\_\_ 100-074-2400-026

\_\_\_\_\_ New Jersey Gear Up

\_\_\_\_\_ 100-074-2405-332

\_\_\_\_\_ Community College Opportunity Grant

\_\_\_\_\_ 100-082-2155-017

\_\_\_\_\_ Employer Contributions - Alternate Benefit Program

\_\_\_\_\_ 100-074-2400-061

\_\_\_\_\_ Community College Opportunity Implementation Grant

Dollar threshold used to determine Type A programs \$ \_\_\_\_\_ 750,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

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***Section 2- Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

None.



**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

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**Section 3- Schedule of Federal Award Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Finding No. 2019-001 (Return of Title IV Funds)**

**Information on the Federal Program**

U.S. Department of Education - Student Financial Aid Cluster (Federal Award Year 7/1/18 to 6/30/19):

Federal Direct Student Loans:

(CFDA 84.268) (Federal Grant Number P268K190476) (FAIN – not applicable)

Federal Supplemental Educational Opportunities Grants:

(CFDA 84.007) (Federal Grant Number P007A182582) (FAIN – not applicable)

Federal Pell Grant Program:

(CFDA 84.063) (Federal Grant Number P063P180476) (FAIN – not applicable)

**Statistically Valid Sample**

The sample was not intended to be, and was not, a statically valid sample.

**Finding Type**

Significant Deficiency and Noncompliance

**Prior Year Finding**

2018-001.

**Criteria**

34 CFR section 668.173(b) – Timing of Return of Title IV Funds:

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to ED or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

34 CFR sections 668.22(a)(1) through (a)(5):

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement.

34 CFR section 668.22(c)(3):

An institution that is not required to take attendance may use as the student's withdrawal date a student's last date of attendance at an academically-related activity provided that the institution documents that the activity is academically related and documents the student's attendance at the activity.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

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**Section 3- Schedule of Federal Award Findings and Questioned Costs (Cont'd)**

**Finding No. 2019-001 (Return of Title IV Funds) (Cont'd)**

**Criteria (Cont'd)**

34 CFR section 668.22(j)(2):

For an institution that is not required to take attendance, an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of (i) the payment period or period of enrollment, (ii) the academic year, or (3) the student's educational program.

**Condition**

- A. The College did not identify all students who ceased academic attendance in a payment period. As a result, a Return of Title IV Funds Calculation ("return calculation") was not performed and funds were not returned to the Federal Department of Education ("DOE") within the required 45 days.
- B. The College did not perform the Return of Title IV Funds Calculations ("return calculation") in a timely manner for the Fall 2018 payment period and funds were not returned to the Federal Department of Education ("DOE") within the required 45 days.

**Questioned Costs**

- A. The known amount is \$1,030 and represents what was not remitted to the Federal Department of Education. The likely amount is not known.
- B. There are no questioned costs related to this item.

**Context**

In our sample of 60 students who were awarded federal student financial aid, 6 students were required to have a return calculation performed and we noted 3 errors within this sample. We expanded our sample another 34 items, for a total sample of 40, and an additional 9 errors were noted. The errors noted with the return calculations sampled are as follows:

- A. 2 students ceased academic attendance in the payment period without providing notification to the institution; the College failed to determine the withdrawal date for these students; therefore, a return calculation was not done. 1 of the withdrawals was prior to 60% of the payment period, the calculation of which, if completed, would have resulted in funds being required to be returned to the Department.
- B. 9 calculations performed for the Fall 2018 payment period were not completed until February or March of 2019. The dates the returns were posted to student account to transmit back to the Department were more than 45 days from the dates of determination of student withdrawal.

**Effect**

Noncompliance with the Return of Title IV requirements.

**Cause**

Turnover in the College's Financial Aid Department during the award year and the lack of written procedures related to the identification of students who ceased academic attendance.

**Recommendation**

That the College establish procedures to capture all student who cease academic attendance requiring a Return of Title IV Calculation to be performed in a timely manner.

**View of Responsible Official**

The responsible officials and College agree with the finding and will address the matter as part of their corrective action plan.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

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**Section 3- Schedule of Federal Award Findings and Questioned Costs (Cont'd)**

**Finding No. 2019-002 (Pell Grant Overaward)**

**Information on the Federal Program**

U.S. Department of Education - Student Financial Aid Cluster (Federal Award Year 7/1/18 to 6/30/19):  
Federal Pell Grant Program:  
(CFDA 84.063) (Federal Grant Number P063P180476) (FAIN – not applicable)

**Statistically Valid Sample**

The sample was not intended to be, and was not, a statically valid sample.

**Finding Type**

Significant Deficiency and Noncompliance

**Prior Year Finding**

2018-002.

**Criteria**

34 CFR section 690.80(b)(2)(ii) – Recalculation of Federal Pell Grant Award

If the student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance.

**Condition**

The College did not recalculate the Pell Grant Award for a student who never began attendance in one of their classes for that payment period. As a result, an overaward of the Pell Grant occurred.

**Questioned Costs**

There are no questioned costs related to this finding.

**Context**

1 out of 60 Pell Grant recipients sampled never attended one or more of their classes, causing their enrollment status to be different than what the Pell Grant was originally based on. However, the College failed to capture the change and Pell Grant was disbursed to the student for \$356 in excess of the correct amount.

There were \$8,876,925 Pell Grants awarded to over 2,700 recipients during the award year.

**Effect**

Change in enrollment status not captured by the College for a student who never begin attendance in one or all classes resulting in the College overawarding the Pell Grant.

**Cause**

The College did not follow policies and procedures in verifying enrollment status of which student financial aid was calculated based on.

**Recommendation**

That the College improve policies and procedures to ensure that all students' change in enrollment status are communicated to each Department and that recalculation of awards be performed prior to disbursement.

**View of Responsible Official**

The responsible officials and College agree with the finding and will address the matter as part of their corrective action plan.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

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**Section 3- Schedule of Federal Award Findings and Questioned Costs (Cont'd)**

**Finding No. 2019-003 (Enrollment Reporting)**

**Information on the Federal Program**

U.S. Department of Education - Student Financial Aid Cluster (Federal Award Year 7/1/18 to 6/30/19):

Federal Direct Student Loans:

(CFDA 84.268) (Federal Grant Number P268K190476) (FAIN – not applicable)

Federal Pell Grant Program:

(CFDA 84.063) (Federal Grant Number P063P180476) (FAIN – not applicable)

**Statistically Valid Sample**

The sample was not intended to be, and was not, a statistically valid sample.

**Finding Type**

Significant Deficiency and Noncompliance

**Prior Year Finding**

Not Applicable

**Criteria**

Under the Pell grant and ED loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) (OMB No. 1845-0002) mailboxes sent by ED via the National Student Loan Data System (NSLDS) (OMB No. 1845-0035). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website (FPL, 34 CFR section 674.19; Pell, 34 CFR section 690.83(b)(2); FFEL, 34 CFR section 682.610; Direct Loan, 34 CFR section 685.309). Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. NSLDS will send a Late Enrollment Reporting notification e-mail if no updates are received by batch or online within 22 days after the date the roster was sent to the school. The Enrollment Reporting Summary Report (SCHER1) on the NSLDS website can be created at the request of the institution. It shows the dates the roster files were sent and returned, the number of errors, date and number of online updates, and the number of late enrollment reporting notifications sent for overdue Enrollment Reporting rosters.

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

ED issued a Dear Colleague Letter March 30, 2012 (GEN-12-06) that included enhancements to NSLDS Enrollment Reporting Process and reminders to institutions regarding their responsibilities for NSLDS Enrollment Reporting which are available at <http://www.ifap.ed.gov/dpcletters/GEN1206.html>. ED also issued a Dear Colleague Letter, dated April 14, 2014 (GEN-14-07), explaining changes to NSLDS Enrollment Reporting Process, which include changes to reporting of additional data, reporting at the academic program level, and more frequent reporting. GEN 14-07 is available at <http://www.ifap.ed.gov/dpcletters/GEN1407.html>.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 20, 2019

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***Section 3- Schedule of Federal Award Findings and Questioned Costs (Cont'd)***

**Finding No. 2019-003 (Enrollment Reporting) (Cont'd)**

**Condition**

The College reported graduated students as withdrawn to the NSLDS.

**Questioned Costs**

There are no questioned costs related to this finding.

**Context**

8 out of 60 students sampled who received a Direct Loan and / or Pell Grant graduated, however, the students' graduated status was reported as withdrawn to the NSLDS.

**Effect**

Student status changes not properly reported to NSLDS could impact the timeliness of a student being put into repayment status.

**Cause**

The College did not ensure that students who graduated were properly reported as such to the NSLDS.

**Recommendation**

That the College improve policies and procedures to ensure that all students' status changes are accurately reported to the NSLDS.

**View of Responsible Official and Planned Corrective Action**

The responsible officials and College agree with the finding and will address the matter as part of their corrective action plan.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 20, 2019

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**Section 3- Schedule of Federal Award Findings and Questioned Costs (Cont'd)**

**Finding No. 2019-004 (TRIO Cluster)**

**Information on the Federal Program**

U.S. Department of Education - TRIO Cluster (Federal Award Year 7/1/18 to 6/30/19):

Talent Search:

(CFDA 84.044) (Federal Grant Number P044A160103) (FAIN – not applicable)

Upward Bound:

(CFDA 84.047) (Federal Grant Number P047A170099) (FAIN – not applicable)

**Statistically Valid Sample**

The sample was not intended to be, and was not, a statically valid sample.

**Finding Type**

Significant Deficiency and Noncompliance

**Prior Year Finding**

Not Applicable

**Criteria**

2 CFR section 200.403(a)(c)(g) Factors Affecting Allowability of Costs

Costs must meet the following general criteria in order to be allowable under federal awards: be necessary and reasonable for the performance of the federal award and be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity. Costs must be adequately documented.

2 CFR section 200.404(a)(b) Reasonable Costs

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration must be given to whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-federal entity or the proper and efficient performance of the federal award. Consideration must also be given to the restrains or requirements imposed by such factors as: sound business practice; arm's-length bargaining; federal, state, local, tribal, and other laws and regulations; and terms and conditions of the federal awards.

**Condition**

The College incurred costs that do not meet the general criteria in order to be allowable under federal awards; the costs were not reasonable and were not of sound business practice.

**Questioned Costs**

There are no questioned costs related to this finding.

**Context**

1 out of 40 expenditures sampled was for a prepaid card of an amount greater than supplies actually purchased in the fiscal year. Issuing a prepaid card for a federal award creates an opportunity for certain costs to bypass normal control procedures. 1 out of 40 expenditures sampled was for employee reimbursement of training costs. While the training was ordinary and necessary, the related travel was not considered necessary or efficient performance of the federal award.

**Effect**

Costs not meeting the general criteria to be consider allowable were incurred for the performance of the federal award.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 20, 2019

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***Section 3- Schedule of Federal Award Findings and Questioned Costs (Cont'd)***

**Finding No. 2019-004 (TRIO Cluster) (Cont'd)**

**Cause**

The College did not follow policies and procedures in verifying all costs incurred for the performance of the federal award were allowable and reasonable.

**Recommendation**

That the College improve policies and procedures to ensure that all costs incurred for the performance of the federal award were allowable and reasonable.

**View of Responsible Official**

The responsible officials and College agree with the finding and will address the matter as part of their corrective action plan.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

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**Section 4- Schedule of State Financial Assistance Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

**Finding No. 2019-005**

**Information on the State Financial Assistance**

New Jersey Higher Education Student Assistance Authority - Student Financial Aid Cluster (State Award Year 7/1/18 to 6/30/19):

Community College Opportunity Grant (CCOG) (State GMIS Number: 100-074-2405-332)

**Statistically Valid Sample**

The sample was not intended to be, and was not, a statically valid sample.

**Finding Type**

Significant Deficiency and Noncompliance

**Prior Year Finding**

Not Applicable

**Criteria**

A grant under Community College Opportunity Grant (CCOG) shall cover up to the full cost of tuition and approved educational fees for up to 18 credit hours. All CCOG grants are subject to the prior application of other state, federal, institutional and community grants and scholarships against those costs. CCOG is a last-dollar scholarship; therefore, the full amount of all state, federal, instructional, and community aid received by the student shall be applied to the tuition and approved educational fees charges to reduce the amount of the CCOG award.

**Condition**

The College did not use CCOG award as last-dollar scholarship when applying to student accounts to cover tuition and educational fees.

**Questioned Costs**

There are no questioned costs related to this finding.

**Context**

Upon reviewing student accounts for 8 original CCOG recipients tested, we noted 1 student receiving credit balance refund as a result of other federal and state awards credited after CCOG was applied. This indicated that CCOG was not used as a last-dollar scholarship. Original samples were expanded to include another 34 recipients, and 2 additional exceptions of the same nature were noted.

There were \$255,697 CCOG awarded to over 250 recipients during the award year.



**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

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**Section 4- Schedule of State Financial Assistance Findings and Questioned Costs (Cont'd)**

**Finding No. 2019-005 (Cont'd)**

**Effect**

Noncompliance with the HESAA grant requirements and student's financial aid was improperly awarded/disbursed.

**Cause**

The College did not follow CCOG policies and procedures in ensuring that CCOG funds were used as last-dollar scholarship.

**Recommendation**

That the College improve policies and procedures to ensure that CCOG funds are used as last-dollar scholarship.

**View of Responsible Official**

The responsible officials and College agree with the finding and will address the matter as part of their corrective action plan.

**Finding No. 2019-006**

**Information on the State Financial Assistance**

New Jersey Commission on Higher Education - Community College Opportunity Implementation Grant (CCOG)  
(State GMIS Number: 100-074-2400-061)

**Statistically Valid Sample**

The sample was not intended to be, and was not, a statically valid sample.

**Finding Type**

Significant Deficiency and Noncompliance

**Prior Year Finding**

Not Applicable

**Criteria**

In accordance with the grant award letter from the New Jersey Secretary of Higher Education, allowable costs are to provide outreach and marketing to students for the purposes of the pilot funding and to gain a better understanding of the student populations, develop retention or strengthen existing student support programs.

In accordance with Uniform

Guidance, Section 200.405 (d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

**Condition**

Time and attendance records were not maintained to substantiate the time spent on CCOG activities and proper supporting documentation was not maintained for reclassification of expenditures charged to CCOG.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2019

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***Section 4- Schedule of State Financial Assistance Findings and Questioned Costs (Cont'd)***

**Finding No. 2019-006 (Cont'd)**

**Questioned Costs**

The known amount is \$13,687 and the projected amount is \$189,236.

**Context**

Time and attendance records were not maintained for 5 out of 10 payroll expenditures selected for testing. Payroll expenditures were reclassified to CCOG without proper supporting documentation. Two purchase was reclassified without proper supporting documentation.

**Effect**

It could not be determined if salaries and expenditures were allowable charges to CCOG.

**Cause**

The College reclassified salaries and expenditures previously charged to non-grant line items to the CCOG grant without adequate supporting documentation.

**Recommendation**

That the College improve policies and procedures to ensure that time and attendance records and adequate supporting documentation are maintained for expenditures charged to CCOG.

**View of Responsible Official**

The responsible officials and College agree with the finding and will address the matter as part of their corrective action plan.

**MERCER COUNTY COMMUNITY COLLEGE**  
Summary Schedule of Prior Year Audit Findings  
and Questioned Costs as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB.

**FINANCIAL STATEMENT FINDINGS**

**Finding No. 2018-004**

**Condition**

The College's reported credit hour enrollments for fiscal year 2018 were not accurate in count and classification.

**Current Status**

This finding has been resolved.

**FEDERAL AWARDS**

**Finding No. 2018-001**

**Information on the Federal Program**

U.S. Department of Education - Student Financial Aid Cluster (Federal Award Year 7/1/17 to 6/30/18):

Federal Direct Student Loans:

(CFDA 84.268) (Federal Grant Number P268K180476) (FAIN – not applicable)

Federal Supplemental Educational Opportunities Grants:

(CFDA 84.007) (Federal Grant Number P007A172582) (FAIN – not applicable)

Federal Pell Grant Program:

(CFDA 84.063) (Federal Grant Number P063P170476) (FAIN – not applicable)

**Condition**

The College did not identify, in a timely manner, students who ceased academic attendance. As a result, a Return of Title IV Funds Calculation ("return calculation") was not performed in a timely manner.

**Current Status**

This finding has not been resolved; see Finding No. 2019-001.

**Finding No. 2018-002**

**Information on the Federal Program**

U.S. Department of Education - Student Financial Aid Cluster (Federal Award Year 7/1/17 to 6/30/18):

Federal Direct Student Loans:

(CFDA 84.268) (Federal Grant Number P268K180476) (FAIN – not applicable)

Federal Supplemental Educational Opportunities Grants:

(CFDA 84.007) (Federal Grant Number P007A172582) (FAIN – not applicable)

Federal Pell Grant Program:

(CFDA 84.063) (Federal Grant Number P063P170476) (FAIN – not applicable)

**Condition**

The College did not recalculate Pell Grant Awards for students who change enrollment status prior to the students beginning attendance in all of their classes for that payment period. As a result, Pell Grant overawards occurred.

**Current Status**

This finding has not been resolved; see Finding No. 2019-002.

**MERCER COUNTY COMMUNITY COLLEGE**  
Summary Schedule of Prior Year Audit Findings  
and Questioned Costs as Prepared by Management (Cont'd)

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**STATE FINANCIAL ASSISTANCE PROGRAMS**

**Finding No. 2018-003**

**Information on the State Program**

New Jersey Higher Education Student Assistance Authority - Student Financial Aid Cluster (State Award Year 7/1/17 to 6/30/18):

Tuition Aid Grants (State GMIS Number: 100-074-2405-007)

**Condition**

- A. The College did not retain funds for students who withdraw or reduce credits below the minimum number of credits required to receive an award prior to the date of disbursement.
- B. The College awarded the incorrect amount of grant funds to students based on their New Jersey Eligibility Index (NJEI) and enrollment status.
- C. The College's certified disbursement amount through NJFAMS is different than disbursement per student's AR.

**Current Status**

This finding has been resolved.

**Finding No. 2018-004**

**Information on the State Program**

Operational Costs – County Colleges (State Award Year 7/1/17 to 6/30/18)

(State GMIS Number: 100-082-2155-015)

**Condition**

The College's reported credit hour enrollments for fiscal year 2018 were not accurate in count and classification.

**Current Status**

This finding has been resolved.

## APPRECIATION

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We received the complete cooperation of all of the officials of Mercer County Community College and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

