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, 2020 and 2019

(With Independent Auditor's Reports Thereon)

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Mercer County Community College
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Members of the Board of Trustees
As of June 30, 2020

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BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2020 and 2019. 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.

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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, 2020 and 2019, 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 June 10, 2021, 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
June 10, 2021

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, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated June 10, 2021. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of ***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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as Finding 2020-001 that we consider to be a material weakness.

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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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mercer County Community College's Response to Findings

The College's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs.* The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
June 10, 2021

REQUIRED SUPPLEMENTARY INFORMATION – PART I

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, 2020, 2019 and 2018. 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 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 impact of the COVID-19 pandemic and the demographic trends within Mercer County and surrounding New Jersey counties, the College experienced a decrease in credit hour enrollment in fiscal year 2020. The College anticipates a continued decline in credit hours in FY2021.

	2020	2019	2018	Change 2020-2019	% Change 2020-2019
Credit Hours	139,079	144,291	145,727	(5,212)	-3.61%

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

	2020	2019	2018	Change 2020-2019	Change 2019-2018
Current Assets	$ 24,988,569	$ 18,432,064	$ 15,378,352	$ 6,556,505	$ 3,053,712
Capital Assets, net of Depreciation	81,507,095	74,078,845	74,733,285	7,428,250	(654,440)
Total Assets	106,495,664	92,510,909	90,111,637	13,984,755	2,399,272
Deferred Outflows of Resources	4,457,862	6,694,768	9,788,715	(2,236,906)	(3,093,947)
Current Liabilities	13,634,417	11,777,772	9,641,740	1,856,645	2,136,032
Non-Current Liabilities	26,634,527	30,578,020	37,218,968	(3,943,493)	(6,640,948)
Total Liabilities	40,268,944	42,355,792	46,860,708	(2,086,848)	(4,504,916)
Deferred Inflows of Resources	13,566,665	13,899,663	11,329,237	(332,998)	2,570,426
Net Position					
Net Investment in Capital Assets	81,507,095	74,078,845	74,733,285	7,428,250	(654,440)
Restricted	900,642	499,183	495,655	401,459	3,528
Unrestricted (Deficit)	(25,289,819)	(31,627,806)	(33,518,533)	6,337,987	1,890,727
Total Net Position	$ 57,117,918	$ 42,950,222	$ 41,710,407	$ 14,167,696	$ 1,239,815

Current assets increased from 2019 to 2020 by $6,556,505, due to an increase in cash, of approximately $5,816,920, as a result of receiving federal funding from COVID-19 grants in advance and an increase in the capital appropriation receivable from the County of approximately $800,000 for capital projects billed at the end of FY2020. The impact of COVID-19 is also reflected in the changes in net position. The timing of receipt of COVID-19 CARES Act funds and reduction in operating expenses and liabilities strengthened the overall net position. Capital asset changes reflect the completion of several construction projects.

Capital Assets

Capital activity for the fiscal years ended June 30, 2020, 2019 and 2018 is as follows:

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020	Balance June 30, 2018
Land	$ 1,599,769	$ -	$ -	$ -	$ 1,599,769	$ 1,599,769
Construction in Progress	2,103,432	11,155,528	-	(1,062,543)	12,196,417	1,053,440
Land Improvements	3,691,872	90,841	-	183,121	3,965,834	3,681,452
Buildings and Improvements	101,423,082	31,748	-	528,122	101,982,952	99,359,637
Equipment	11,524,057	223,781	-	351,300	12,099,138	11,565,423
	120,342,212	11,501,898	-	-	131,844,110	117,259,721
Less Accumulated Depreciation	(46,263,367)	(4,073,648)	-	-	(50,337,015)	(42,526,436)
Capital Assets, net	$ 74,078,845	$ 7,428,250	$ -	$ -	$ 81,507,095	$ 74,733,285

Capital assets in total increased in FY2020 when compared to FY2019 due to an increase in construction in progress, resulting from the ongoing construction of the University Center during FY2020.

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 underway and/or substantially completed during FY2020:

- Construction was substantially completed on the building known as the University Center, which will house the College's partner institutions.
- Upgrade to the Student Center with the new One-Stop Center was also substantially completed during FY2020.

Capital Assets, net has increased 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, 2020, as a result of a loan received from the Mercer County Community College Foundation for the enhancements to the College ballfields:

- Loan Payable of $150,000

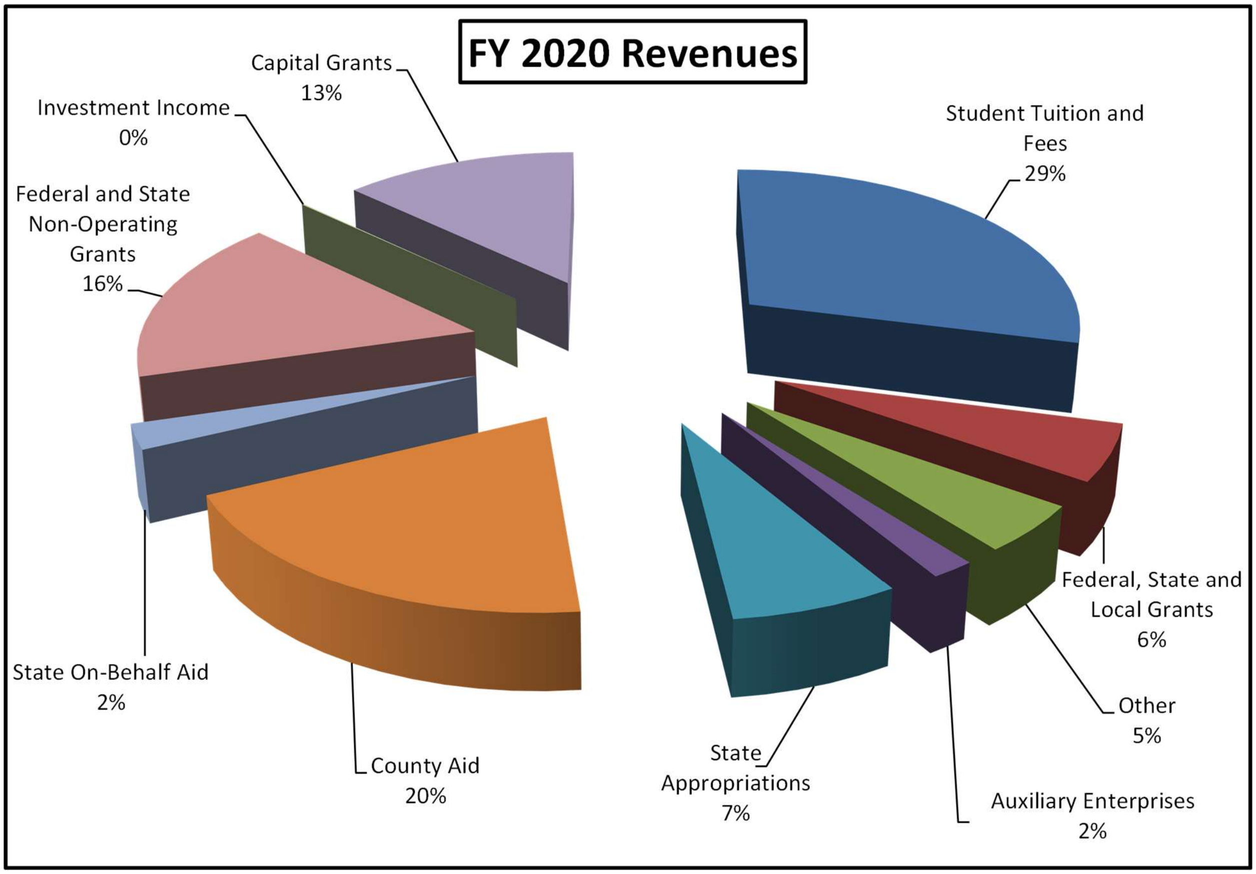
Summary of Revenues, Expenses and Changes in Net Position

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

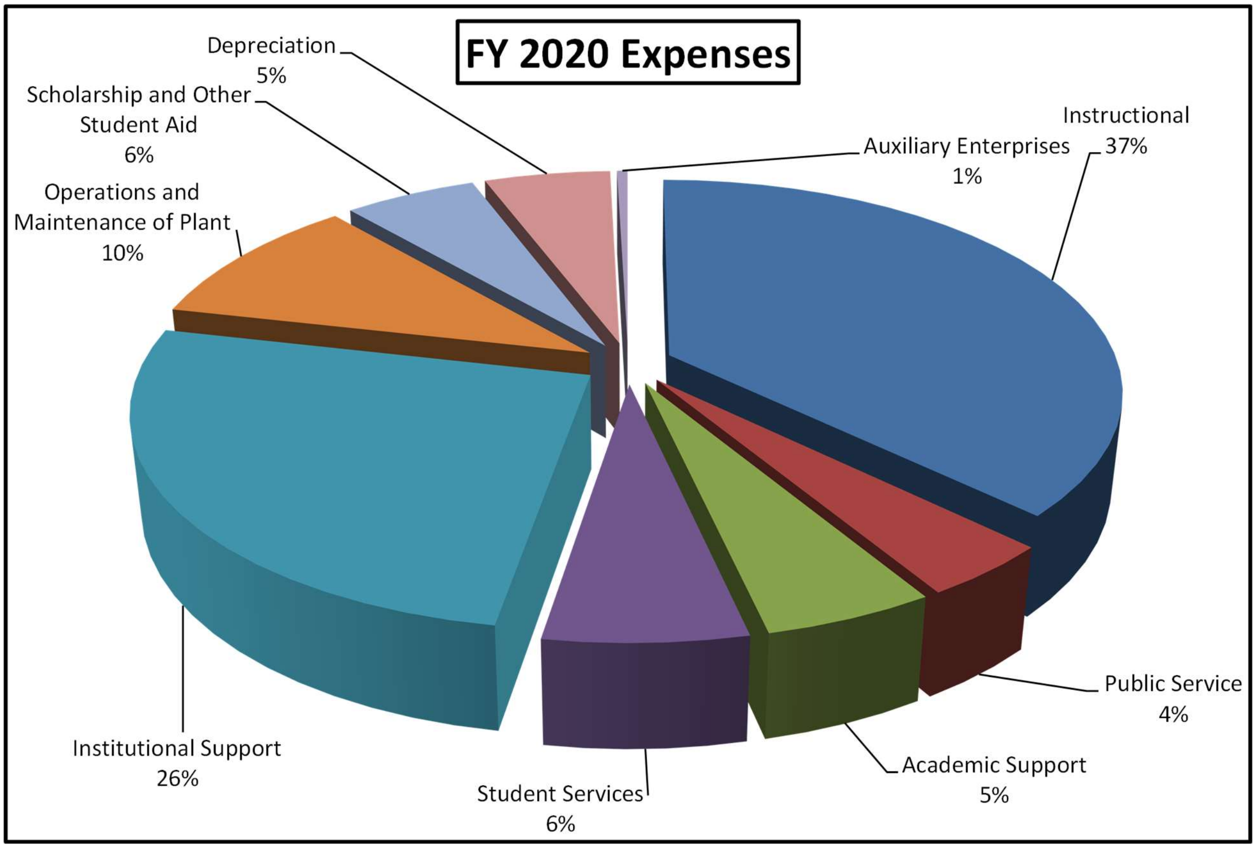
Condensed Schedule of Revenues, Expenses and Changes in Net Position

	2020	2019	2018	Change 2020-2019	Change 2019-2018
Operating Revenues:					
Student Tuition and Fees, net	$ 26,326,831	$ 27,202,213	$ 24,172,153	$ (875,382)	$ 3,030,060
Federal, State, and Local Grants and Student Aid	5,119,354	4,346,377	5,127,948	772,977	(781,571)
Other	4,298,792	3,610,204	3,903,303	688,588	(293,099)
Auxiliary Expenses	1,661,738	1,873,937	1,929,426	(212,199)	(55,489)
	37,406,715	37,032,731	35,132,830	373,984	1,899,901
Operating Expenses:					
Educational and General:					
Instructional	28,453,737	29,154,530	31,702,582	(700,793)	(2,548,052)
Public Service	3,114,277	3,577,585	3,744,181	(463,308)	(166,596)
Academic Support	3,955,444	3,918,600	3,832,383	36,844	86,217
Student Services	4,677,796	5,115,500	5,508,835	(437,704)	(393,335)
Institutional Support	19,835,190	22,814,251	21,895,380	(2,979,061)	918,871
Operations and Maintenance of Plant	7,713,934	7,798,887	7,243,016	(84,953)	555,871
Scholarship and Other Student Aid	4,278,128	3,663,473	3,587,042	614,655	76,431
Depreciation	4,073,648	4,137,697	3,949,379	(64,049)	188,318
Auxiliary Enterprises	341,111	460,320	446,225	(119,209)	14,095
	76,443,264	80,640,843	81,909,023	(4,197,579)	(1,268,180)
Operating Loss	(39,036,549)	(43,608,112)	(46,776,193)	4,571,563	3,168,081
Non-Operating revenues, net	41,521,274	41,641,397	44,149,143	(120,123)	(2,507,746)
Income (Loss) Before Other Revenue	2,484,725	(1,966,715)	(2,627,050)	4,451,440	660,335
Other Revenues:					
Capital Grants	11,682,971	3,206,530	1,848,727	8,476,441	1,357,803
Increase in Net Position	14,167,696	1,239,815	(778,323)	12,927,881	2,018,138
Net Position - Beginning of Year	42,950,222	41,710,407	42,488,730	1,239,815	(778,323)
Net Position - End of Year	$ 57,117,918	$ 42,950,222	$ 41,710,407	$ 14,167,696	$ 1,239,815

Certain prior year account balances have been reclassified to conform to current year presentation.



The impact of COVID-19 and remote operations beginning in March 2020 had a mixed effect on revenues. Overall revenues increased by $8.7 million. Operating revenues increased by $374,000 in FY2020 compared to FY2019. The primary driver for this increase was an increase in grant funding. Tuition and fees had a decrease from the prior year. Non-operating revenues remained approximately the same as the prior year. While the state operating and on-behalf aid decreased, the College realized increases in federal and state grant funding. The strong support from the County is reflected in the increase in county aid in FY2020 as compared to FY2019. State and Federal grants increased as a result of the COVID-19 Cares Act funding to students and the College.



Operating expenses decreased approximately $4,200,000 due to the impact of COVID-19 and remote operations.

Although Scholarships and Other Student Aid increased $614,000 as a result of additional Federal Cares, Foundation and Institutional assistance to students, the remaining expenditure decreased as a result of COVID-19.

Instructional related expenses decreased by $700,000 as a result of the decline in student enrollment.

Institutional support declined by $2,900,000 as many services and purchases were curtailed by the implementation of remote operations. These include IT and daily operations related materials, CARES Act reimbursement of expenses, and service fees.

The absence of on premises operations including student events and activities impacted operations in the Student Services areas with a decrease in expenses of $437,000.

Operation and Maintenance of Plant expenses also declined $84,000 as a result of remote operations.

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 COVID-19 Pandemic had an impact on the operations and financial operations of the College. Business operations were greatly affected during fiscal 2020, while the College converted to remote learning. Using federal funds, the College was able to offset $1,925,557 in expenses directly resulting from converting to remote operations and learning. Subsequent to June 30, 2020 the College was awarded $2,951,113 in various State grants as a result of COVID-19. Funding from these grants assisted the College in maintaining stable operations.

- Additionally, management has strategically reduced certain expenses for operating the College and plans to utilize the anticipated revenues from federal and state funding to offset revenue losses or expenses incurred to continue COVID-19 required operations. Management believes that the funds available as of June 30, 2020 and the anticipated revenues from tuition and fees, federal , state and county sources will be adequate to meet the College's financial needs through one year after the date of this report. The College remains financially stable.

- The College was awarded the following federal and state grants related to the COVID-19 pandemic:

  - HEERF I - CARES Institutional Aid (fully spent by June 30, 2020) $1,925,557
  - HEERF I – Student Aid (fully spent by April 5, 2021) $1,925,558 student
  - Fy2021 State funds – (fully spent by March 31, 2022 deadline) and used to reduce salary costs and purchase needed items for COVID-19
  - CRF I $1,144,478
  - CRF II $1,138,300
  - GEERF $668,335
  - CRRSAA Federal funds total $8,358,417 of which $1,925,558 minimally must be spent for Emergency student aid - $6,432,859 maximum for Institutional portion (Note, the institutional funds will be fully expended by June 30, 2021 to recoup lost revenue)
  - HERFIII –ARP funds total award under section 2003(a)(1) $14,718,101
    Minimum amount for student aid portion $7,429,823
    Maximum amount for Institutional portion $7,288,278

- In addition to the CARES Act funds awarded and spent by the College in fy2020, the College received additional Federal and State COVID-19 funding in FY2021. The additional Federal funds received and expected include approximately $9,300,000 for aid to students and $13,700,000 for institutional needs. The State of New Jersey awarded $2,300,000 for COVID-19 related expenses.

Economic and Other Factors that will Affect the Future (Cont'd)

- All five of the College's collective bargaining units had contracts in effect through June 30, 2021. Contract negotiations are now underway.

- Like most other community colleges in New Jersey, the College continues to experience declining enrollment. Continued development and expansion of several initiatives is expected to assist in mitigating the decline. These include increasing focus on unique programs such as Funeral Services, Culinary, Hotel & Restaurant Services, and the Aviation Program. In addition, strengthening of student support services and the regionally and nationally known Athletics programs.

- The ongoing 5 year Title III grant will continue to provide assistance for student enrollment and retention.

- The College's continuing partnership with 4-year colleges and universities provides enrollment for the College and opportunities for students to efficiently completed advanced degrees.

- The uncertainty surrounding the impact of the COVID-19 pandemic continues to provide challenges for the College, its staff and students. Mercer will continue to search for additional revenue opportunities. Expenditures will be carefully reviewed, only essential positions will be filled, costs savings and operational efficiency and effectiveness will remain a priority.

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 COMMNUITY COLLEGE
Statements of Net Position
As of June 30, 2020 and 2019

	2020		2019	
	College	Component Unit MCCC Foundation	College	Component Unit MCCC Foundation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 15,457,817	$ 607,755	$ 9,640,897	$ 508,372
Investments	562,225	11,853,640	527,557	11,353,768
Accounts Receivable, net	2,560,906		2,399,583	
Intergovermental Accounts Receivable:				
Federal	298,213		299,940	
State of New Jersey	368,015		811,674	
County of Mercer:				
Operating Appropriation Receivables	1,463,489		1,609,941	
Capital Appropriation Receivables	2,854,932		2,047,692	
Pledges Receivable, net of discount		50,403		80,885
Inventories	7,262		10,677	
Prepaid Expenses	1,415,711	6,000	1,084,103	888
Loan Receivable, current portion		50,000		50,000
Total Current Assets	24,988,570	12,567,798	18,432,064	11,993,913
Non-Current Assets:				
Capital Assets, net	81,507,095		74,078,845	
Loan Receivable, noncurrent portion		100,000		150,000
Total Non-Current Assets	81,507,095	100,000	74,078,845	150,000
Total Assets	106,495,665	12,667,798	92,510,909	12,143,913
DEFERRED OUTFLOW OF RESOURCES				
Related to Pensions	4,457,862	-	6,694,768	-
LIABILITIES				
Current Liabilities:				
Accounts Payable:				
Related to Pensions	1,511,378		1,350,254	
Other	5,402,814	16,350	3,603,865	61,645
Due to Mercer County Community College		80,074		87,568
Accrued Expenses	1,341,317		1,299,182	
Accrued Compensated Absences	314,196		267,115	
Loan Payable, current portion	50,000		50,000	
Unearned Revenue:				
Student Tuition and Fees	3,102,207		4,607,548	
Federal and State Grants	1,734,247		335,748	
Other	178,258		264,060	
Total Current Liabilities	13,634,417	96,424	11,777,772	149,213
Noncurrent Liabilities:				
Accrued Compensated Absences	1,522,430		1,358,618	
Loan Payable, noncurrent portion	100,000		150,000	
Net Pension Liability	25,012,097		29,069,402	
Total Noncurrent Liabilities	26,634,527	-	30,578,020	-
Total Liabilities	40,268,944	96,424	42,355,792	149,213
DEFERRED INFLOW OF RESOURCES				
Related to Pensions	13,566,665	-	13,899,663	-
NET POSITION				
Net Investment in Capital Assets	81,507,095		74,078,845	
Restricted for:				
Nonexpendable:				
Scholarships	179,878	2,927,739	180,878	2,894,994
Expendable:				
Scholarships and Grants		5,307,732		5,144,656
Programs	720,764	710,658	318,305	608,324
Capital Improvements		201,204		122,451
Unrestricted (Deficit)	(25,289,819)	3,424,041	(31,627,806)	3,224,275
Total Net Position	$ 57,117,918	$ 12,571,374	$ 42,950,222	$ 11,994,700

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

MERCER COUNTY COMMNUITY COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019

	2020		2019	
	College	Component Unit MCCC Foundation	College	Component Unit MCCC Foundation
REVENUES				
Operating Revenues:				
Student Tuition and Fees, net	$ 26,326,831		$ 27,202,213	
Federal, State and Local Grants	5,119,354		4,346,377	
Gifts and Contributions		$ 803,084		$ 692,609
Other	4,298,792	149,200	3,610,204	240,668
Auxiliary Enterprises	1,661,738		1,873,937	
Total Operating Revenue	37,406,715	952,284	37,032,731	933,277
EXPENSES				
Operating Expenses:				
Educational and General:				
Instructional	28,453,737		29,154,530	
Public Service	3,114,277		3,577,585	
Academic Support	3,955,444		3,918,600	
Student Services	4,677,796		5,115,500	
Institutional Support	19,835,190		22,814,251	
Operations and Maintenance of Plant	7,713,934		7,798,887	
Scholarships and Other Student Aid	4,278,128	576,785	3,663,473	518,438
Depreciation	4,073,648		4,137,697	
Other Expenditures		502,563		946,796
Auxiliary Enterprises	341,110		460,320	
Total Operating Expenses	76,443,264	1,079,348	80,640,843	1,465,234
Operating Income (Loss)	(39,036,549)	(127,064)	(43,608,112)	(531,957)
NON-OPERATING REVENUES (EXPENSES)				
State Appropriations:				
State Aid	6,291,379		7,208,538	
On-Behalf Fringe Benefits:				
Alternate Benefit Program	1,162,416		1,133,370	
Teachers' Pension and Annuity Fund	24,090		45,290	
Other Post Employment Benefits	1,070,816		4,735,468	
County Operating Appropriations:				
County Aid	17,870,000		17,520,000	
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act):				
Higher Education Emergency Relief Fund (HEERF):				
Student Aid (COVID-19)	687,199			
Institutional Aid (COVID-19)	1,925,557			
Federal Student Financial Aid:				
Pell Grants	9,363,614		8,876,925	
Supplemental Education Opportunity Grant Program	239,373		188,258	
State Student Financial Aid	2,797,235		1,847,566	
Investment Income	89,595	703,738	85,982	715,992
Total Non-Operating Revenues (Expenses)	41,521,274	703,738	41,641,397	715,992
Income (Loss) Before Capital Grants and Contributions	2,484,725	576,674	(1,966,715)	184,035
CAPITAL GRANTS AND CONTRIBUTIONS	11,682,971		3,206,530	
Increase in Net Position	14,167,696	576,674	1,239,815	184,035
Net Position - Beginning of Year	42,950,222	11,994,700	41,710,407	11,810,665
Net Position - End of Year	$ 57,117,918	$ 12,571,374	$ 42,950,222	$ 11,994,700

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, 2020 and 2019

	2020 College	2019 College
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tuition and Fees	$ 25,972,864	$ 29,893,001
Receipts from Grants and Contracts	5,564,740	4,346,377
Other Receipts	5,960,530	5,023,821
Payments to Employees and Fringe Benefits	(46,430,771)	(46,395,485)
Payments to Vendors and Suppliers	(19,904,728)	(19,471,047)
Payments for Scholarships and Student Aid	(4,045,284)	(3,487,362)
Net Cash Used in Operating Activities	(32,882,649)	(30,090,695)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	6,291,379	7,208,538
County Appropriations	18,016,452	17,520,000
Receipts from Grants and Contracts	12,400,222	10,912,749
Higher Education Emergency Relief Fund (HEERF):		
Student Aid (COVID-19)	687,199	
Institutional Aid (COVID-19)	1,925,557	
Net Cash Provided by Noncapital Financing Activities	39,320,809	35,641,287
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(11,501,898)	(3,483,258)
Proceeds from Capital Debt		200,000
Principal Paid on Capital Debt	(50,000)	
Capital Grants Received	10,875,731	3,126,312
Net Cash Used in Capital and Related Financing Activities	(676,167)	(156,946)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		145,807
Purchase of Investments	(34,668)	
Interest and Dividends on Investments	89,595	85,982
Net Cash Provided by Investing Activities	54,927	231,789
Net Increase in Cash and Cash Equivalents	5,816,920	5,625,435
Cash and Cash Equivalents - Beginning of Year	9,640,897	4,015,462
Cash and Cash Equivalents - End of Year	$ 15,457,817	$ 9,640,897

(Continued)

MERCER COUNTY COMMUNITY COLLEGE
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2020 and 2019

	2020 College	2019 College
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	$ (39,036,549)	$ (43,608,112)
Adjustment to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	4,073,648	4,137,697
Bad Debt Expense	585,665	1,563,893
Pension Expense	(642,019)	193,542
State Appropriations - On-Behalf Fringe Benefits:		
Alternate Benefit Program	1,162,416	1,133,370
Teachers' Pension and Annuity Fund	24,090	45,290
Other Post Employment Benefits	1,070,816	4,735,468
Changes in Assets and Liabilities:		
Receivables, net	(746,988)	965,393
Intergovernmental Accounts Receivable	445,386	
Inventories	3,415	(1,245)
Prepaid Items	(331,608)	(21,907)
Accounts Payable and Accrued Expenses	2,002,208	1,956,154
Compensated Absences	210,893	(1,486)
Unearned Revenue	(192,644)	161,502
Deferred Outflows of Resources - Related to Pensions:		
Contributions Made After the Measurement Date	(1,511,378)	(1,350,254)
Net Cash Used in Operating Activities	$ (32,882,649)	$ (30,090,695)

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

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) Statements No. 14, *The Financial Reporting Entity,* as amended. The financial statements of the College would be either blended or discreetly presented as part of the County of Mercer's financial statements if the County of Mercer 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.

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 Statement No. 14, *The Financial Reporting Entity,* as amended. Blended component units, although legally separate entities, would in-substance be part of the College's operations, however, each discretely 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. 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.

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

Component Units (Cont'd) - 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, 2020 and 2019, the Foundation distributed $576,785 and $518,439, respectively, to the College for scholarships and other support.

A separate report of audit for the Foundation for the fiscal years ended June 30, 2020 and 2019 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.

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.

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

Cash and Cash Equivalents and Investments - 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. In accordance with the current policy, most recently amended in fiscal year ended June 30, 2019, 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, this policy included 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, 2020 and 2019 were $7,442,459 and $6,856,794, 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.

Unearned Revenue - Unearned revenue represents tuition revenue that has been received before June 30^{th} 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^{th}.

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

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 30th 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:

	Useful Lives
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, 2020 and 2019 were $7,020,972.03 and $7,430,421, respectively.

Reclassifications - Certain 2019 amounts have been reclassified to conform to 2020 presentation.

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.

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

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, TPAF employee FICA taxes, 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) certain federal, state and local government grants and contracts.

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, federal grants, 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, 2020:

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, 2022. 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, 2020 and 2019, College's bank balances were insured, collateralized and uninsured as follows:

	2020	2019
Insured	$ 846,019	$ 835,609
Collateralized under GUDPA	17,378,003	11,097,369
Uninsured and Uncollateralized	-	-
Cash and Cash Equivalents	$ 18,224,021	$ 11,932,979

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, 2020 and 2019, the College had the following investments which are valued using quoted market prices (Level 1 inputs).

Investment	Moody's Credit Rating	Fair Value 2020	Fair Value 2019
United States Treasury Obligations	AAA	$ 562,225	$ 527,557

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at the end of fiscal years ended June 30, 2020 and 2019:

	2020	2019
Student Accounts Receivable	$ 7,978,759	$ 7,665,106
Feder, State and Local Grants Receivable	4,984,649	4,769,247
Other Accounts Receivable	2,024,606	1,591,271
	14,988,014	14,025,624
Less: Allowance for Doubtful Accounts	7,442,459	6,856,794
Net Accounts Receivable	$ 7,545,555	$ 7,168,830
Student Accounts Receivable, Net	$ 536,300	$ 808,312
Other Receivables	7,009,255	6,360,518
	$ 7,545,555	$ 7,168,830

Note 4: CAPITAL ASSETS

A summary of changes in the various capital asset categories for the years ended June 30, 2020 and 2019 are presented as follows:

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Non-Depreciable Capital Assets:					
Land	$ 1,599,769	$ -	$ -	$ -	$ 1,599,769
Construction in Progress	2,103,432	11,155,528		(1,062,543)	12,196,417
Total Non-Depreciable Capital Assets	3,703,201	11,155,528	-	(1,062,543)	13,796,186
Depreciable Capital Assets:					
Land Improvements	3,691,872	90,841		183,121	3,965,834
Buildings and Improvements	101,423,082	31,748		528,122	101,982,952
Furniture, Machinery and Equipment	11,524,057	223,781		351,300	12,099,138
Total Depreciable Capital Assets	116,639,011	346,370	-	1,062,543	118,047,924
Less Accumulated Depreciation For:					
Land Improvements	(4,554,129)	(538,136)			(5,092,265)
Buildings and Improvements	(34,065,208)	(2,697,599)			(36,762,807)
Furniture, Machinery and Equipment	(7,644,030)	(837,913)			(8,481,943)
Total Accumulated Deprecation	(46,263,367)	(4,073,648)	-	-	(50,337,015)
Depreciable Capital Assets	70,375,644	(3,727,278)	-	1,062,543	67,710,909
Total Capital Assets, Net	$ 74,078,845	$ 7,428,250	$ -	$ -	$ 81,507,095

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Non-Depreciable Capital Assets:					
Land	$ 1,599,769	$ -	$ -	$ -	$ 1,599,769
Construction in Progress	1,053,440	1,981,248		(931,256)	2,103,432
Total Non-Depreciable Capital Assets	2,653,209	1,981,248	-	(931,256)	3,703,201
Depreciable Capital Assets:					
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
Total Depreciable Capital Assets	114,606,512	1,507,216	(405,973)	931,256	116,639,011
Less Accumulated Depreciation For:					
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)
Total Accumulated Deprecation	(42,526,436)	(4,137,697)	400,766	-	(46,263,367)
Depreciable Capital Assets	72,080,076	(2,630,481)	(5,207)	931,256	70,375,644
Total Capital Assets, Net	$ 74,733,285	$ (649,233)	$ (5,207)	$ -	$ 74,078,845

Depreciation expense for the years ended June 30, 2020 and 2019 was $4,073,648 and $4,137,697, 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, 2020 and 2019, the following changes occurred in long-term obligations:

	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020	Due Within One Year
Compensated Absences	$ 1,625,733	$ 642,044	$ (431,151)	$ 1,836,626	$ 314,196
Loan Payable	200,000		(50,000)	150,000	50,000
Net Pension Liability	29,069,402	16,204,123	(20,261,428)	25,012,097	
	$ 30,895,135	$ 16,846,167	$ (20,742,579)	$ 26,998,723	$ 364,196

	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	
	$ 37,517,707	$ 17,238,052	$ (23,860,624)	$ 30,895,135	$ 317,115

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, 2020, 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

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 Teachers' Pension and Annuity Fund 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 ("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 Board of Trustees is primarily responsible for the administration of the Plan.

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 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and 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 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and 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. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 7.50% in State fiscal year 2019. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10% in State fiscal year 2019. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The College's contractually required contribution rates were 15.63% and 13.86% of the College's covered payroll for the fiscal years ended June 30, 2020 and 2019, 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, 2019, the College's contractually required contribution to the pension plan for the fiscal year ended June 30, 2020 was $1,350,247, and was paid by April 1, 2020. College employee contributions to the pension plan during the fiscal year ended June 30, 2020 were $735,395.

Based on the 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 $735,340.

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 P.L. 2011, Chapter 78, the member contribution rate was 7.50% in State fiscal years 2020 and 2019. The State's contribution is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. For fiscal year 2019 and 2018, the State's pension contribution was less than the actuarial determined amount.

Note 6: <u>PENSION PLANS (CONT'D)</u>

<u>General Information About the Pension Plans (Cont'd)</u>

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, 2020 and 2019 was 0.00% and 14.50%, 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, 2020 or 2019 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, 2019, the State's contractually required contribution, on-behalf of the College, to the pension plan for the fiscal year ended June 30, 2020 was $24,090, and was paid by April 1, 2020. There were no College employee's currently enrolled in TPAF during the fiscal year ended June 30, 2020.

Based on the 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 $45,290, 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.

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: <u>PENSION PLANS (CONT'D)</u>

<u>General Information About the Pension Plans (Cont'd)</u>

Contributions (Cont'd)

Alternate Benefit Program (Cont'd) - During the fiscal year end June 30, 2020, the College's share of the employer contributions for participants not eligible for State reimbursement was $183,136, employee contributions to the plan were $841,546, and the State of New Jersey made on-behalf payments for the College contributions of $1,162,416.

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.

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, 2020, employee contributions totaled $86,775, and the College recognized pension expense of $47,333. There were no forfeitures during this fiscal year. 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.

<u>Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

Public Employees' Retirement System - The College reported a liability of $25,012,097 and $29,069,402 for its proportionate share of the net pension liability for the fiscal years ended June 30, 2020 and 2019, respectively.

The net pension liability reported at June 30, 2020 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2019 measurement date, the College's proportion was .1388135555%, which was a decrease of .0088255394% from its proportion measured as of June 30, 2018.

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 College recognized ($637,932) and $193,542, in its financial statements for pension (benefit) expense for PERS, for the fiscal years ended June 30, 2020 and 2019, respectively. These amounts were based on the Plans June 30, 2019 and 2018 measurement dates, respectively.

Note 6: PENSION PLANS (CONT'D)

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

Teachers' Pension and Annuity Fund - At June 30, 2020 and 2019, 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:

	2020	2019
College's Proportionate Share of Net Pension Liability	$ -	$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the College	735,304	776,889
	$ 735,304	$ 776,889

The net pension liability reported at June 30, 2020, was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. For the June 30, 2019 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 .0011981302%, which was a decrease of .0000230509% from its proportion measured as of June 30, 2018.

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 College recognized $24,090 and $45,290, 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, 2020 and 2019, respectively. These amounts were bases on the Plans June 30, 2019 and 2018 measurement dates, respectively.

Note 6: PENSION PLANS (CONT'D)

Pension Liabilities, Pension (Benefit) 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, 2020 and 2019, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Measurement Date June 30, 2019		Measurement Date June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 448,934	$ 110,492	$ 554,358	$ 149,891
Changes of Assumptions	2,497,550	8,681,620	4,790,156	9,294,849
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	394,826	-	272,672
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	-	4,379,727	-	4,182,251
College Contributions Subsequent to the Measurement Date	1,511,378	-	1,350,247	-
	$ 4,457,862	$ 13,566,665	$ 6,694,761	$ 13,899,663

$1,511,378 and $1,350,254 included in deferred outflows of resources, for the June 30, 2019 and June 30, 2018 measurement dates, respectively, will be included as a reduction of the net pension liability in fiscal year ending June 30, 2021 and 2020, 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:

Fiscal Year Ending June 30,	
2021	$ (2,401,203)
2022	(3,596,309)
2023	(2,910,108)
2024	(1,531,116)
2025	(181,445)
	$ (10,620,181)

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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
June 30, 2019	5.21	-
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
June 30, 2019	-	5.21
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
June 30, 2019	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
June 30, 2019	5.21	5.21

Note 6: PENSION PLANS (CONT'D)

Actuarial Assumptions

The net pension liability at June 30, 2020 was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019.

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.

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

	Measurement Date - June 30, 2019		Measurement Date - June 30, 2018	
	TPAF	PERS	TPAF	PERS
Inflation Rate:				
Price	2.75%	2.75%	2.25%	2.25%
Wage	3.25%	3.25%	2.25%	2.25%
Salary Increases:				
Through 2026	1.55% - 4.45% Based on Yrs. of Service	2.00% - 6.00% Based on Yrs. of Service	1.55% - 4.15% Based on Yrs. of Service	1.65% - 4.15% Based on Yrs. of Service
Thereafter	2.75% - 5.65% Based on Yrs. of Service	3.00% - 7.00% Based on Yrs. of Service	2.00% - 5.45% Based on Yrs. of Service	2.65% - 5.15% Based on Yrs. of Service
Investment Rate of Return	7.00%	7.00%	7.00%	7.00%
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2015 - June 30, 2018	July 1, 2014 - June 30, 2018	July 1, 2012 - June 30, 2015	July 1, 2011 - June 30, 2014

Mortality Rates - PERS - For the June 30, 2019 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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).

Note 6: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

Mortality Rates - TPAF - For the June 30, 2019 measurement date, pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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 morality rates were based on the RP-2006 Healthy Annuitant White Collar Morality 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 morality improvement is assumed for disabled retiree morality.

For TPAF and PERS, in accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at the June 30, 2019 measurement date) 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.

Note 6: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

Best estimates of arithmetic rates of return for each major asset class included in TPAF's and PERS' target asset allocation as of the June 30, 2019 and June 30, 2018 measurement dates are summarized in the following table:

June 30, 2019 Measurement Date			June 30, 2018 Measurement Date		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%	Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.00%	2.00%	Cash Equivalents	5.50%	1.00%
U.S. Treasuries	5.00%	2.68%	U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	4.25%	Investment Grade Credit	10.00%	3.78%
High Yield	2.00%	5.37%	High Yield	2.50%	6.82%
Private Credit	6.00%	7.92%	Global Diversified Credit	5.00%	7.10%
Real Assets	2.50%	9.31%	Credit Oriented Hedge Funds	1.00%	6.60%
Real Estate	7.50%	8.33%	Debt Related Private Equity	2.00%	10.63%
U.S. Equity	28.00%	8.26%	Debt Related Real Estate	1.00%	6.61%
Non-U.S. Developed Markets Equity	12.50%	9.00%	Private Real Asset	2.50%	11.83%
Emerging Markets Equity	6.50%	11.37%	Equity Related Real Estate	6.25%	9.23%
Private Equity	12.00%	10.85%	U.S. Equity	30.00%	8.19%
			Non-U.S. Developed Markets Equity	11.50%	9.00%
	100.00%		Emerging Markets Equity	6.50%	11.64%
			Buyouts/Venture Capital	8.25%	13.08%
				100.00%	

Note 6: PENSION PLANS (CONT'D)

Actuarial Assumptions (Cont'd)

Discount Rate June 30, 2019 Measurement Date - The discount rates used to measure the total pension liability as of June 30, 2019 were 6.28% and 5.60% for PERS and TPAF, respectively. For PERS and TPAF, the respective single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of the June 30, 2019 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers would be based on 70% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057 and 2054 for PERS and TPAF, respectively. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and 2054 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, 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.

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 at the June 30, 2019 and 2018 measurement dates, respectively. These amounts were calculated using a discount rate of 6.28% for June 30, 2019 and 5.66% for June 30, 2018, 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:

	June 30, 2019 Measurement Date		
	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
College's Proportionate Share of the Net Pension Liability	$ 31,814,135	$ 25,012,097	$ 19,601,039

	June 30, 2018 Measurement Date		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
College's Proportionate Share of the Net Pension Liability	$ 36,551,423	$ 29,069,402	$ 22,792,464

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, 2019 and the June 30, 2018, 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 5.60% for June 30, 2019 and 4.86% for June 30, 2018, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	TPAF - June 30, 2019 Measurement Date		
	1% Decrease (4.60%)	Current Discount Rate (5.60%)	1% Increase (6.60%)
College's Proportionate Share of the Net Pension Liability	$ -	$ -	$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the College	916,124	776,889	661,368
	$ 916,124	$ 776,889	$ 661,368

	TPAF - June 30, 2018 Measurement Date		
	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
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
	$ 918,268	$ 776,889	$ 659,689

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 TFAF. 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, 2019, the OPEB Plan's measurement date, the entire State Health Benefit Local Education Retired Employees OPEB Plan consisted of the following members.

Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but Not Yet Receiving Benefit Payments	-
	364,943

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 $70,626,394 and $76,042,627 as of June 30, 2020 and June 30, 2019, 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, 2020 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. For the June 30, 2019 measurement date, the State's proportionate share of the Non-Employer OPEB Plan Liability associated with the College was .1692498187%, which was an increase of .0043371028% from its proportion measured as of June 30, 2018.

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.

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, 2018 and June 30, 2017 used the following actuarial assumptions, applied to the June 30, 2019 measurement date and the June 30, 2018 measurement date, respectively:

Salary Increases (June 30, 2019 Measurement Date) -

	TPAF/ABP	PERS	PFRS
Through 2026	1.55 - 3.05%	2.00 - 6.00%	3.25 - 15.25%
Thereafter	1.55 - 3.05%	3.00 - 7.00%	3.25 - 15.25%

Based on years of service

Salary Increases (June 30, 2018 Measurement Date) -

	TPAF/ABP (1)	PERS (2)	PFRS (2)
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

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)

Inflation Rate (June 30, 2019 and June 30, 2018 Measurement Dates) - 2.50%.

Mortality Rates (June 30, 2019 Measurement Date) - Current and future retiree healthy mortality rates were based on the PUB-2010 Healthy classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Disabled mortality was based on the PUB-2010 headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

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.

Experience Studies (June 30, 2019 Measurement Date) - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 - June 30, 2018, July 1, 2014 - June 30, 2018, and July 1, 2013 - June 30, 2018 for TPAF, PERS, and PFRS, respectively.

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.

Health Care Trend Assumptions (June 30, 2019 Measurement Date) - For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

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.

Discount Rate - The discount rate for the June 30, 2019 and the June 30, 2018 measurement dates were 3.50% and 3.87%, 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, 2019 and the June 30, 2018 measurement dates:

Balance at June 30, 2019		$ 76,042,627
Changes for the Year:		
Service Cost	$ 2,696,577	
Interest Cost	3,006,886	
Difference Between Expected and Actual Experience	(10,068,988)	
Changes in Assumptions	1,053,045	
Gross Benefit Payments	(2,168,019)	
Member Contributions	64,266	
Net Changes		(5,416,233)
Balance at June 30, 2020		$ 70,626,394

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	70,276	
Net Changes		(19,739,820)
Balance at June 30, 2019		$ 76,042,627

There were no changes in benefit terms between the June 30, 2018 measurement date and the June 30, 2019 measurement date.

Differences between expected and actual experience reflect a decrease in liability from June 30, 2018 to June 30, 2019 is due to changes in the census, claims, and premiums experience.

Changes of assumptions reflect a decrease in the liability from June 30, 2018 to June 30, 2019 is due to the combined effect of the decrease in the assumed discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019; and changes in the trend, excise tax, updated decrements, future spouse election, PPO/HMO future retiree elections, salary scale, and mortality 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, 2019 and the June 30, 2018 measurement dates, using a discount rate of 3.50% and 3.87%, respectively, as well as using a discount rate that is 1% lower or 1% higher than the current rates used are as follows:

	June 30, 2019 Measurement Date		
	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	$ 83,437,681	$ 70,626,394	$ 60,449,810

	June 30, 2018 Measurement Date		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	$ 89,897,865	$ 76,042,627	$ 65,029,144

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, 2019 and the June 30, 2018 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:

	June 30, 2019 Measurement Date		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	$ 58,193,001	$ 70,626,394	$ 87,085,654

	June 30, 2018 Measurement Date		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	$ 62,853,660	$ 76,042,627	$ 93,485,541

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

OPEB Expense - For the fiscal years ended June 30, 2020 and June 30, 2019, the College recognized $1,070,816 and $4,735,468, 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, 2019 and June 30, 2018 measurement dates.

Deferred Outflows and Inflows of Resources - 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, 2020 and June 30, 2019, 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:

	Measurement Date June 30, 2019		Measurement Date June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion	$ 3,707,960	$ 6,722,334	$ 1,262,798	$ 7,328,755
Difference Between Expected and Actual Experience	-	17,745,785	-	7,381,635
Changes of Assumptions	-	14,354,973	-	17,045,343
	$ 3,707,960	$ 38,823,092	$ 1,262,798	$ 31,755,733

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:

Fiscal Year Ending June 30,	
2021	$ (4,719,287)
2022	(4,719,287)
2023	(4,719,287)
2024	(4,719,287)
2025	(4,719,287)
Thereafter	(11,518,697)
	$ (35,115,132)

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Proportion		
Year of OPEB Plan Deferral:		
June 30, 2017	9.54	9.54
June 30, 2018	9.51	9.51
June 30, 2019	9.29	9.29
Difference Between Expected and Actual Experience		
Year of OPEB Plan Deferral:		
June 30, 2017	-	-
June 30, 2018	-	9.51
June 30, 2019	-	9.29
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	9.54
June 30, 2018	-	9.51
June 30, 2019	-	9.29

Note 8: OPERATING LEASES

At June 30, 2020 and 2019, 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:

Fiscal Year Ended June 30,	Amount
2021	$ 577,203.00
2022	504,115.00
2023	377,505.00
2024	257,168.00
2025	257,168.00
2026-2030	1,285,840.00
2031-2035	1,285,840.00
2036-2039	835,796.00
	$ 5,380,635.00

Rental payments under operating leases for the fiscal year ended June 30, 2020 and 2019 were $577,203 and $512,911, 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, 2020 and 2019 were $206,420 and $197,889, 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, 2020 and 2019, the liabilities for accrued compensated absences are included in accrued expenses and consist of the following:

	Balance June 30, 2020	Balance June 30, 2019
Vacation	$ 1,446,238	$ 1,284,691
Sick	390,388	341,042
Total	$ 1,836,626	$ 1,625,733

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, 2020 and 2019 are presented as follows:

For the Year Ended June 30, 2020

Educational and General Expenditures	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Instruction	$ 21,267,451	$ 2,251,635	$ 4,929,217		$ 5,434		$ 28,453,737
Public Service	2,045,736	551,210	486,934		30,397		3,114,277
Academic Support	2,686,066	631,636	637,742				3,955,444
Student Services	4,146,383	383,907	147,506				4,677,796
Institutional Support	13,798,891	3,934,281	1,750,077		351,941		19,835,190
Operation and Maintenance of Plant	2,532,929	2,125,489	159,644		2,895,872		7,713,934
Scholarship and Other Student Aid	232,843			$ 4,045,285			4,278,128
Depreciation						$ 4,073,648	4,073,648
Subtotal	$ 46,710,299	$ 9,878,158	$ 8,111,120	$ 4,045,285	$ 3,283,644	$ 4,073,648	76,102,154
Auxiliary Expenses							341,110
					Total Functional Expenses		$ 76,443,264

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	$ 51,033,366	$ 9,578,500	$ 8,584,620	$ 3,487,362	$ 3,358,978	$ 4,137,697	80,180,523
Auxiliary Expenses							460,320
					Total Functional Expenses		$ 80,640,843

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, 2020 and 2019, were $256,504 and $302,849, 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, 2020 and 2019:

	2020	2019
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	250,000
Operating Revenue	8,242,459	3,896,745
Capital Projects	1,000,000	1,000,000
Undesignated Before GASB 68 and 71 Pension Related Items	10,342,459	5,996,745
Effect of GASB 68 Pension Related Items	(35,632,278)	(37,624,551)
Total Components of Net Position	$ (25,289,819)	$ (31,627,806)

Note 17: SUBSEQUENT EVENTS

The College evaluated subsequent events through June 10, 2021, the date the financial statements were available to be issued and discloses the following.

Note 17: SUBSEQUENT EVENTS (CONT'D)

COVID-19

As a result of the COVID-19 pandemic, in March 2020, the College converted to remote operations and instruction.

During the fiscal year ended June 30, 2020, the College was awarded the following by the Federal Government in response to the COVID-19 pandemic:

	Amount Awarded	Amount Expended Through June 30, 2020	Balance Remaining
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act):			
Education Stabilization Fund (ESF):			
Passed Through N.J. Office of the Secretary of Higher Education (OSHE):			
Governor's Emergency Education Relief (GEER) Fund (COVID-19)	$ 668,335	$ -	$ 668,335
Higher Education Emergency Relief Fund (HEERF):			
Direct Federal Funding:			
Student Aid Portion (COVID-19)	1,925,558	687,199	1,238,359
Institutional Award (COVID-19)	1,925,558	1,925,557	1
Strengthening Institutional Programs (COVID-19)	191,752	-	191,752
Coronavirus Relief Fund (CRF):			
Passed Through N.J. Office of the Secretary of Higher Education (OSHE):			
CRF Grant - Round I (COVID-19)	1,144,478	-	1,144,478
CRF Grant - Round II (COVID-19)	1,138,300	-	1,138,300

The College expects to expend the remainder of these funds during the fiscal year ended June 30, 2021.

Keeping the health and safety of its community a top priority, the College decided to conduct the majority of its fall 2020 and spring 2021 semester courses remotely. In accordance with the College's Restart Plan submitted to the State of New Jersey, a limited number of laboratories were offered on-campus where significant hands-on instruction was required.

While the United States awaits to see the full effects that the COVID-19 vaccines provide, there is uncertainty around the duration of time it will take to resume live instruction and the total financial impact to the College as a result of this pandemic.

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, 2020 and 2019, the Foundation had net assets without donor restrictions of $3,424,041 and $3,224,275, 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, 2020 and 2019, the Organization had net assets with donor restrictions of $9,147,333 and $8,770,425, 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, 2020 or 2019.

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, 2020 or 2019. 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, 2020 and 2019 are as follows:

	2020		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate Fixed Income	$ 5,033,592	$ 5,167,170	$ 133,578
Mutual Funds	5,641,927	6,686,470	1,044,543
	$ 10,675,519	$ 11,853,640	$ 1,178,121

	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
	$ 10,084,696	$ 11,353,768	$ 1,269,072

The following schedule summarizes the investment return and its classification:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 130,522	$ 143,256	$ 273,778
Realized gain	226,534	294,401	520,935
Unrealized Gain (Loss)	(90,976)	-	(90,976)
Investment Fees	(47,197)	(4,227)	(51,424)
Total investment return	$ 218,883	$ 433,430	$ 652,313

	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	$ 271,153	$ 387,309	$ 658,462

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, 2020 and 2019, 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, 2020	June 30, 2019
Designated for scholarships and programs	$ 107,444	$ 63,872
Designated for student assistance	1,391,125	1,293,910
Designated for major gifts campaign	440,182	436,018
Undesignated	1,485,290	1,430,475
Total	$ 3,424,041	$ 3,224,275

With Donor Restrictions

Net assets with donor restrictions are comprised of the following at June 30, 2020 and 2019:

	June 30, 2020	June 30, 2019
Purpose Restricted:		
Scholarships	$ 5,307,732	$ 5,144,656
Programs	710,658	608,324
Capital Improvements	201,204	122,451
Endowments given in perpetuity:		
Original gifts	2,927,739	2,894,994
Total	$ 9,147,333	$ 8,770,425

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 Seven Plan Years

	Plan Measurement Date Ending June 30,			
	2019	**2018**	**2017**	**2016**
College's Proportion of the Net Pension Liability	0.1388135555%	0.1476390949%	0.1541793483%	0.1632019710%
College's Proportionate Share of the Net Pension Liability	$ 25,012,097	$ 29,069,402	$ 35,890,488	$ 48,335,743
College's Covered Payroll (Plan Measurement Date)	$ 9,993,860	$ 10,601,160	$ 10,840,436	$ 11,428,960
College's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	250.27%	274.21%	331.08%	422.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.67%	53.60%	48.10%	40.14%

	Plan Measurement Date Ending June 30,		
	2015	**2014**	**2013**
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 Seven Fiscal Years

	Fiscal Year Ended June 30,			
	2020	**2019**	**2018**	**2017**
Contractually Required Contribution	$ 1,511,378	$ 1,350,247	$ 1,468,532	$ 1,428,307
Contributions in Relation to the Contractually Required Contribution	(1,511,378)	(1,350,247)	(1,468,532)	(1,428,307)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
College's Covered Payroll (Fiscal Year)	$ 9,672,676	$ 9,745,282	$ 9,997,972	$ 10,370,749
Contributions as a Percentage of College's Covered Payroll	15.63%	13.86%	14.69%	13.77%

	Fiscal Year Ended June 30,		
	2016	**2015**	**2014**
Contractually Required Contribution	$ 1,449,863	$ 1,508,296	$ 1,515,646
Contributions in Relation to the Contractually Required Contribution	(1,449,863)	(1,508,296)	(1,515,646)
Contribution Deficiency (Excess)	$ -	$ -	$ -
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 Seven Plan Years

	Plan Measurement Date Ending June 30,			
	2019	**2018**	**2017**	**2016**
College's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%	0.00%
State's Proportion of the Net Pension Liability Associated with the College	100.00%	100.00%	100.00%	100.00%
	100.00%	100.00%	100.00%	100.00%
College's Proportionate Share of the Net Pension Liability	$ -	$ -	$ -	$ -
State's Proportionate Share of the Net Pension Liability Associated with the College	735,304	776,889	829,861	963,087
	$ 735,304	$ 776,889	$ 829,861	$ 963,087
College's Covered Payroll	$ -	$ 127,340	$ 127,340	$ 126,720
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	610.09%	651.69%	760.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.95%	26.49%	25.41%	22.33%

	Plan Measurement Date Ending June 30,		
	2015	**2014**	**2013**
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	100.00%	100.00%	100.00%
	100.00%	100.00%	100.00%
College's Proportionate Share of the Net Pension Liability	$ -	$ -	$ -
State's Proportionate Share of the Net Pension Liability Associated with the College	1,502,958	1,858,482	1,727,027
	$ 1,502,958	$ 1,858,482	$ 1,727,027
College's Covered Payroll	$ 124,292	$ 351,000	$ 384,312
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

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
Required Supplementary Information - Part II
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

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, 5.66% 2018, and 6.28% 2019.

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, 2018 and 2019.

For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2014 - June 30, 2018 experience study. For pre-retirement mortality, the Pub-2010 General Below-Median Income Employee mortality table with a 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For healthy retirees and beneficiaries, the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For disabled retiree mortality, the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males, and a 117.2% adjustment for females, and with improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.

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, 4.86% 2018 and 5.60% 2019.

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, 2018 and 2019.

For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2015 - June 30, 2018 experience study. For pre-retirement mortality, the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For healthy retirees and beneficiaries, the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For disabled retiree mortality, the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males, and a 100.3% adjustment for females, and with improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2012- 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 Three Plan Years

	Measurement Date Ending June 30,		
	2019	**2018**	**2017**
Total Non-Employer OPEB Liability - State's Proportionate Share of the Total OPEB Liability Associated with the College			
Changes for the Year:			
Service Cost	$ 2,696,577	$ 5,190,033	$ 6,165,926
Interest Cost	3,006,886	3,579,985	3,037,050
Difference Between Expected and Actual Experience	(10,068,988)	(17,820,490)	-
Changes in Assumptions	1,053,045	(8,726,272)	(12,741,829)
Gross Benefit Payments	(2,168,019)	(2,033,352)	(2,218,525)
Member Contributions	64,266	70,276	81,692
Net Change in Total Non-Employer OPEB Liability	(5,416,233)	(19,739,820)	(5,675,686)
Total Non-Employer OPEB Liability - Beginning of Fiscal Year	76,042,627	95,782,447	101,458,133
Total Non-Employer OPEB Liability - End of Fiscal Year	$ 70,626,394	$ 76,042,627	$ 95,782,447
College's Covered Payroll (Plan Measurement Period)	$ 9,745,282	$ 9,997,972	$ 10,498,089
State's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College as a Percentage of Covered Payroll	724.72%	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
Required Supplementary Information - Part III
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

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. The decrease in liability from June 30, 2018 to June 30, 2019 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. The decrease in the liability from June 30, 2018 to June 30, 2019 is due to the combined effect of the decrease in the assumed discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019; and changes in the trend, excise tax, updated decrements, future spouse election, PPO/HMO future retiree elections, salary scale and mortality 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, 2020. 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, 2020.

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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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance 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
June 10, 2021

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Federal Grantor/ Pass - through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	FY 2020 Expenditures	Passed Through to Subrecipients
U.S. Department of Education:				
Student Financial Assistance Cluster (Direct Funding):				
Federal Supplemental Educational Opportunity Grant	84.007	N/A	$ 173,156	$ -
Federal Supplemental Educational Opportunity Grant - Emergency Grants	84.007	N/A	67,769	-
Federal Work-Study Program	84.033	N/A	242,457	-
Federal Pell Grant Program	84.063	N/A	9,363,614	-
Federal Direct Student Loans	84.268	N/A	3,124,539	-
Total Student Financial Assistance Cluster			12,971,535	-
Education, Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act (CARES Act):				
Higher Education Emergency Relief Fund (HEERF) (Direct Funding):				
COVID-19 - Student Aid Portion	84.425E	N/A	687,199	-
COVID-19 - Institutional Aid Portion	84.425F	N/A	1,925,557	-
Total Higher Education Emergency Relief Fund			2,612,756	-
Higher Education Institutional Aid (Direct Funding):				
Title III Part A Programs - Strengthening Institutions - Enhancing Student Support to Bolster Retention and Academic Success	84.031	N/A	396,594	-
TRIO Cluster (Direct Funding):				
TRIO Cluster:				
TRIO - Talent Search	84.044	N/A	318,647	-
TRIO - Talent Search	84.044	N/A	48,444	-
			367,091	-
TRIO - Upward Bound	84.047	N/A	325,850	-
TRIO - Upward Bound	84.047	N/A	147,135	-
			472,985	-
Total TRIO Cluster			840,076	-
Passed Through State of N.J. Department of Education:				
Career and Technical Education - Basic Grants to States:				
Carl D. Perkins Vocational and Applied Technology Act	84.048	not available	527,495	-
Adult Education - Basic Grants to States:				
Adult Education and Family Literacy:				
Adult Basic Skills	84.002	not available	558,906	-
Twenty-First Century Community Learning Centers:				
21st Century Community Learning	84.287	EK28	278,721	-
Total U.S. Department of Education			18,186,083	-

(Continued)

Schedule A

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2020

Federal Grantor/ Pass - through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	FY 2020 Expenditures	Passed Through to Subrecipients
National Science Foundation:				
Education and Human Resourses - NSF Stem (Direct Funding)	47.076	N/A	$ 120,319	$ -
Passed Through New Jersey Department of Education:				
Passed Through William Patterson University:				
Education and Human Resources - NSF NOYCE	47.076	not available	25,348	-
Total National Science Foundation			145,667	-
U.S. Department of Homeland Security:				
Passed Through New Jersey State Police:				
Hazard Mitigation Grant				
Hurricane Sandy	97.039	DR4086HMGP	211,288	-
Total U.S. Department of Homeland Security			211,288	-
U.S. Department of Labor:				
Passed Through New Jersey Department of Labor:				
WIOA Cluster				
WIOA Youth Activities - ABE Literacy	17.259	not available	227,882	-
New Jersey Youth Cops - WIOA State Set Aside	17.258	NJYC 1809	312,698	-
Total WIOA Cluster			540,580	-
Passed Through Bergen Community College:				
H-1B Job Training Grants	17.268	not available	19,056	-
Total U.S. Department of Labor			559,636	-
Total Federal Awards			$ 19,102,674	$ -

The accompanying notes to financial statements and notes to schedule of expenditures of federal awards and state financial assistance are an integral part of this schedule.

Schedule B

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2020

State Grantor/ Program Title	State GMIS Number	Program or Award Amount	Matching Contribution	Program Funds Received	Grant Period From	Grant Period To	Disbursements/ Expenditures	Passed Through to Subrecipients	Cumulative Expenditures
Student Financial Aid Cluster:									
New Jersey Commission on Higher Education									
Opportunities Program Grants:									
Educational Opportunities Fund - Article III	100-074-2401-001	$ 111,009	$ -	$ 111,009	7/1/19	6/30/20	$ 111,009		$ 111,009
Educational Opportunities Fund - Article III Summer	100-074-2401-001	150,284	-	150,284	7/1/19	6/30/20	150,284		150,284
New Jersey Higher Education Student Assistance Authority									
Tuition Aid Grants	100-074-2405-007	1,649,252	-	1,649,252	7/1/19	6/30/20	1,649,252		1,649,252
New Jersey Stars Scholarship	100-074-2405-313	193,733	-	193,733	7/1/19	6/30/20	193,733		193,733
Community College Opportunity Grant	100-074-2405-332	880,792	-	880,792	7/1/19	6/30/20	880,792		880,792
Total Student Financial Aid Programs							2,985,070	-	2,985,070
New Jersey Commission on Higher Education									
Educational Opportunities Fund - Article IV	100-074-2401-002	242,189	-	242,189	7/1/19	6/30/20	242,189		242,189
College Readiness Now Grant	100-074-2400-055	47,600	-	242,189	7/1/19	6/30/20	47,600		47,600
Community College Opportunity Implementation Grant	100-074-2400-061	265,000	-	250,000	7/1/19	6/30/20	265,000		265,000
Total New Jersey Commission on Higher Education							554,789	-	554,789
New Jersey Department of Treasury - Higher Education Administration									
Operational Costs County Colleges	100-082-2155-015	6,291,379	-	6,291,379	7/1/19	6/30/20	6,291,379		6,291,379
P.L. 1971 C. 12 Debt Service	100-082-2155-016	4,286,500	-	4,286,500	7/1/19	6/30/20	4,286,500		4,286,500
Employer Contributions - Alternate Benefit Program-Faculty	100-082-2155-017	1,061,918	-	1,061,918	7/1/19	6/30/20	1,061,918		1,061,918
Employer Contributions - Alternate Benefit Program-Adjunct	100-082-2155-017	100,498	-	100,498	7/1/19	6/30/20	100,498		100,498
Total New Jersey Department of Treasury - Higher Education Administration							11,740,295	-	11,740,295
New Jersey Department of Labor									
New Jersey Youth Corps	100-062-4545-314	312,698	-	312,698	7/1/19	6/30/20	312,698		312,698
Total New Jersey Department of Labor							312,698	-	312,698
New Jersey Department of Community Affairs									
New Jersey Construction Code	100-022-5015-801	14,523	-	14,523	7/1/19	6/30/20	14,523		14,523
Total New Jersey Department of Children & Families							14,523	-	14,523
Total State Financial Assistance							$ 15,607,375	$ -	$ 15,607,375

The accompanying notes to financial statements and notes to schedule of expenditures of federal awards and state financial assistance are an integral part of this schedule.

Note 1: <u>BASIS OF PRESENTATION</u>

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, 2020 financial statements.

Note 2: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

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: <u>INDIRECT COST RATE</u>

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

Note 4: <u>OTHER STUDENT LOAN PROGRAMS</u>

The College is responsible only for the performance of certain administrative duties with respect to Federal Direct Student 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, 2020.

Note 5: <u>MAJOR PROGRAMS</u>

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, 2020

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? — X yes ___ 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? — ___ yes X 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)? — ___ yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.044 and 84.047	**Trio Cluster**
	Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act):
	Higher Education Emergency Relief Fund:
84.425E	Student Aid Portion (COVID-19)
84.425F	Institutional Aid Portion (COVID-19)

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

Auditee qualified as low-risk auditee? — ___ yes X no

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?	____ yes __X__ 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?	____ yes __X__ no

Identification of major programs:

GMIS Number(s)	Name of State Program
	Student Financial Aid Cluster:
100-074-2401-001	Educational Opportunities Fund - Article III
100-074-2401-001	Educational Opportunities Fund - Article III, Summer
100-074-2405-007	Tuition Aid Grants
100-074-2405-313	New Jersey Stars Scholarship
100-074-2405-332	Community College Opportunity Grant
100-082-2155-015	**Operational Costs County Colleges**
100-082-2155-016	**P.L. 1971 C. 12 Debt Service**
100-082-2155-017	**Employer Contributions - Alternate Benefit Program**

Dollar threshold used to determine Type A programs	$ 750,000
Auditee qualified as low-risk auditee?	____ yes __X__ no

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to financial statements for which *Government Auditing Standards requires*.

Finding No. 2020-001

Criteria or Specific Requirement
Internal controls should be in place that provide reasonable assurance that the various financial system processes function appropriately in order to ensure the proper reconciliation of accounts and account balances so that the College's financial statements are accurately prepared and presented in accordance with all the applicable requirements.

Condition
Several issues were identified with respect to the controls and procedures over financial system processes; including the timely reconciliation of accounts, the accuracy of the posting of transactions and proper preparation of the financial statements.

Context
Reconciliations of account balances were not performed in a timely manner subsequent to the close-out of the general ledger at year-end. During the audit, it was noted that several financial statement account balances were not supported by subsidiary records and required material adjusting journal entries to reflect the proper balances on the financial statements.

Effect or Potential Effect
As a result of the deficiencies noted in the reconciliation of process, a number of financial posting errors were noted requiring reclassifications; and the lack of timely reconciliation of accounts exposes the College to errors that may not be identified in a timely manner possibly resulting in the material misstatement of financial statement balances.

Cause
There was a significant turnover of personnel within the various finance office functions related to the processes identified.

Recommendation
Controls and procedures should be implemented to ensure the proper review and analysis of account balances as well as the proper recording of certain transactions to avoid the necessity of reclassification and adjustments after year end. These procedures and reporting of balances should be performed throughout the fiscal year and during the close-out process to reduce the risk that errors may not be identified in a timely manner.

View of Responsible Officials and Planned Corrective Action
The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and significant instances of abuse 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).

There are no current year findings.

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

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

There are no current year findings.

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

There were no prior year findings.

FEDERAL AWARDS

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)

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.

Current Status
This finding has been resolved.

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)

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.

Current Status
This finding has been resolved.

FEDERAL AWARDS (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)

Condition
The College reported graduated students as withdrawn to the NSLDS.

Current Status
This finding has been resolved.

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)

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.

Current Status
This finding has been resolved.

STATE FINANCIAL ASSISTANCE PROGRAMS

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)

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

Current Status
This finding has been resolved.

STATE FINANCIAL ASSISTANCE PROGRAMS (CONT'D)

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)

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.

Current Status
This finding has been resolved.

APPRECIATION

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