



SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

**REPORT ON FINANCIAL STATEMENTS AND
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
IN ACCORDANCE WITH
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES AND AUDIT
REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE) AND
NEW JERSEY OMB CIRCULAR 15-08**

YEARS ENDED JUNE 30, 2020 AND 2019

**SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)**

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Sussex County Community College

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit, Sussex County Community College Foundation, (the "Foundation") of Sussex County Community College (the "College"), a component unit of the County of Sussex, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

WISS & COMPANY, LLP

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Sussex County Community College as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the 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 management's discussion and analysis, schedule of the College's proportionate share of the net pension liability-PERS, schedule of the College's contributions-PERS, schedule of the State's proportionate share of the net OPEB liability associated with the College and changes in the total OPEB liability and related ratios-PERS and ABP, as identified 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 supplementary information, such as the schedules of expenditures of federal awards and state financial assistance, as required by 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 New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, are presented for additional analysis, and are not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2021, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Wiss & Company

WISS & COMPANY, LLP

Florham Park, New Jersey
February 9, 2021

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

Overview of the Basic Financial Statements and Financial Analysis

This section of the audited financial statements for Sussex County Community College (the "College") presents management's discussion and analysis of the College's financial position for the years ended June 30, 2020 and 2019, with selected information pertaining to the year ended June 30, 2018. Management has prepared the financial statements and the related note disclosures, along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with management. Combined with the financial statements and accompanying notes that follow, this explains and clarifies College-wide financial performance, as well as the direction envisioned for the future.

Financial Statements

Included in this report are the College's basic financial statements, which include the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These basic financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles and accounting principles generally accepted in the United States of America.

In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, component unit data is presented in the financial data of the primary government.

As a result, this report also includes the statements of financial position and statements of activities and changes in net assets of the Sussex County Community College Foundation (the "Foundation"). The Foundation is a legally separate component unit of the College and is exempt from tax under the Internal Revenue Code Section 501(c)(3). The Foundation's purpose is to assist the Trustees of the College in the development and growth of college scholarships programs and facilities that broaden and enhance educational opportunities and services provided for those seeking postsecondary education in Sussex County, New Jersey. Because the resources of the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is presented in the College's financial statements. Complete financial statements can be obtained from the Sussex County Community College Foundation at One College Hill Road, Newton, New Jersey 07860.

Statements of Net Position

Net position represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position consists of three categories: net investment in capital assets, restricted and unrestricted. Net investment in capital assets reflects the equity in capital assets, after deducting any debt associated with the acquisition of the capital assets. Restricted for external purposes primarily includes scholarships and funds held by the New Jersey Community College Consortium for Workforce and Economic Development that are subject to regulations or restrictions governing their use. Unrestricted net position is available to the College for general purposes, some of which is internally designated for COVID-19 expenses, information technology initiatives, enrollment growth/student success initiatives, deferred capital maintenance projects, academic initiatives, new sports programs, other capital programs and online program investment.

SUSSEX COUNTY COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

The statements of net position present the College's current and non-current assets, deferred outflows of resources, liabilities, deferred inflows of resources and the resultant net position. The statements of revenues, expenses and changes in net position show the College's revenues and expenses segregated into operating and non-operating sections. It is important to note that the state and county appropriations, which are essential to the College's operations, are recorded as non-operating revenues. Therefore, the operating revenues less operating expenses show an operating loss of (\$9,515,526) and (\$9,567,208) for fiscal years ended June 30, 2020 and 2019, respectively, and after adding the non-operating revenues shows income before other revenues of \$850,097 and \$736,227 for the fiscal years ended June 30, 2020 and 2019, respectively. The statements of cash flows show the sources and uses of the College's cash for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

Because the statements of net position treat the College as a whole as opposed to a group of separate funds, all inter-fund receivables and payables have been eliminated.

Management's discussion and analysis of specific assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses follows this general discussion. For the most part, this analysis will utilize condensed portions of the basic financial statements with appropriate comments on specific items.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

Financial Highlights

Condensed Statements of Net Position

The following represents assets, deferred outflows and inflows of resources, liabilities and net position of the College at June 30, 2020, 2019, and 2018:

	Net Position as of June 30,				
	2018	2019	2020	Change from 2019	Percent Change from 2019
CURRENT ASSETS	\$ 16,740,517	\$ 17,700,281	\$ 20,608,715	\$ 2,908,434	16%
NON-CURRENT ASSETS:					
Capital assets, nondepreciable land and construction in progress	16,219,288	16,574,505	21,231,114	4,656,609	28%
Capital assets, net of accumulated depreciation	17,968,359	18,048,672	20,262,663	2,213,991	12%
Total Assets	<u>\$ 50,928,164</u>	<u>\$ 52,323,458</u>	<u>\$ 62,102,492</u>	<u>\$ 9,779,034</u>	19%
DEFERRED OUTFLOW OF RESOURCES	<u>2,814,595.00</u>	<u>1,894,691</u>	<u>1,229,393</u>	<u>(665,298)</u>	-35%
CURRENT LIABILITIES	\$ 3,784,320	\$ 3,076,384	\$ 4,022,020	\$ 945,636	31%
NON-CURRENT LIABILITIES:					
Capital lease payable	76,125	58,459	39,918	(18,541)	-32%
Net pension liability	9,195,614	7,275,169	6,625,159	(650,010)	-9%
Compensated absences	1,310,215	1,316,423	1,340,685	24,262	2%
Total Liabilities	<u>\$ 14,366,274</u>	<u>\$ 11,726,435</u>	<u>\$ 12,027,782</u>	<u>\$ 301,347</u>	3%
DEFERRED INFLOW OF RESOURCES	<u>3,008,026</u>	<u>3,760,684</u>	<u>3,385,849</u>	<u>(374,835)</u>	-10%
NET POSITION:					
Net investment in capital assets	\$ 34,094,692	\$ 34,547,051	\$ 41,435,318	\$ 6,888,267	20%
Restricted	148,558	132,282	135,483	3,201	2%
Unrestricted	2,125,209	4,051,697	6,347,453	2,295,756	57%
Total Net Position	<u>\$ 36,368,459</u>	<u>\$ 38,731,030</u>	<u>\$ 47,918,254</u>	<u>\$ 9,187,224</u>	24%

This schedule is prepared from the College's Statements of Net Position.

Net position at June 30, 2020, totaled \$47.9 million

Net position at June 30, 2019, totaled \$38.7 million.

Net position at June 30, 2018, totaled \$36.4 million.

Deferred outflow of resources and deferred inflow of resources have decreased based upon the actuarial valuation performed related to the net pension liability for the State of NJ as a result of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Current assets increased due to cash and cash and equivalent increases due to operating results and more timely collection of operating grant funds in the 2020 fiscal year. The increase is also attributable to the increase in accounts receivable for Chapter 12 and Go Bond funding.

Non-current liabilities decreased due to the decreased net pension liability based upon the State's actuarial valuation of the net pension liability, as well as a decrease in the capital lease payable as a result of the current year principal payments made.

Balances in net position are shown as either net investment in capital assets, restricted or unrestricted. Restricted funds are those specifically restricted by the funding source. Certain unrestricted funds have been designated by the Board of Trustees for COVID-19 expenses, information technology initiatives, enrollment growth/student success initiatives, deferred capital maintenance projects, academic initiatives, new sports programs, other capital programs and online program investment. All board-designated and undesignated amounts are included in unrestricted net position on the statements of net position. There has been an overall increase in net position due to efforts of management to reduce operating costs, as well as due to the reduction in the net pension liability.

At June 30, 2020, \$1,730,000 has been identified and designated for COVID-19 related expenses and potential loss of revenues, \$3,500,000 for deferred capital maintenance, \$550,000 for enrollment growth/student success initiatives, \$276,125 for information technology initiatives, \$1,300,000 for academic initiatives, \$400,000 for new sports programs, \$600,000 for other capital programs and \$100,000 for online program investment.

SUSSEX COUNTY COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

Condensed Statement of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position present the College's changes in net position. The purpose of the statement is to present revenues earned by the College, both operating and non-operating and expenses incurred by the College. A summary of the College's revenues and total operating expenses for the years ended June 30, 2020, 2019, and 2018 are as follows:

	Year Ended June 30,				
	2018	2019	2020	Change from 2019	Percent Change from 2019
OPERATING REVENUES:					
Net student revenues	\$ 13,618,838	\$ 12,507,959	\$ 12,408,320	\$ (99,639)	-1%
Federal and local grants and contracts	3,889,147	3,373,777	2,953,019	(420,758)	-12%
State grants and contracts	2,779,528	2,650,359	2,646,471	(3,888)	0%
Other operating revenues	485,844	495,441	477,373	(18,068)	-4%
Total	<u>20,773,357</u>	<u>19,027,536</u>	<u>18,485,183</u>	<u>(542,353)</u>	<u>-3%</u>
Less: Operating expenses	29,190,092	28,594,744	28,000,709	(594,035)	-2%
Operating Loss	<u>(8,416,735)</u>	<u>(9,567,208)</u>	<u>(9,515,526)</u>	<u>51,682</u>	<u>-1%</u>
NON-OPERATING REVENUES:					
State appropriations	3,265,155	3,282,344	2,889,987	(392,357)	-12%
County appropriations	4,020,000	4,020,000	4,020,000	-	0%
Federal PELL grants	3,045,113	2,921,557	3,214,564	293,007	10%
Investment income, net	38,219	79,534	241,072	161,538	203%
Total	<u>10,368,487</u>	<u>10,303,435</u>	<u>10,365,623</u>	<u>62,188</u>	<u>1%</u>
OTHER REVENUES	<u>1,667,933</u>	<u>1,626,344</u>	<u>8,337,127</u>	<u>6,710,783</u>	<u>413%</u>
INCREASE IN NET POSITION	<u>\$ 3,619,685</u>	<u>\$ 2,362,571</u>	<u>\$ 9,187,224</u>	<u>\$ 6,824,653</u>	<u>289%</u>

Net student revenues have decreased from the prior year due to tuition and fees remaining flat in the current year, while there was a slight decrease in enrollment.

Federal and local grants and contracts decreased slightly from the prior year due mainly to the decreases in federal loans awarded in the current year, as well as decreases in the awards for Carl D. Perkins Vocational and Applied Technology and Adult Basic Education programs. State grants and contracts have decreased due to decreases in student financial assistance.

Other operating revenues have remained relatively flat. State grants and contracts remained flat in total. There was a decrease in on-behalf OPEB payments made by the State of New Jersey which was offset by an increase in CCOG revenue in FY 2020.

Operating expenses have remained consistent with the prior year.

State appropriations decreased slightly in FY 2020.

County appropriations have remained flat in FY 2020.

Other revenues increased in the 2020 fiscal year, mainly due to the use of Chapter 12 and Go Bond funding to fund College capital projects.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

Condensed Schedules of Operating Expenses

A summary of the College's operating expenses for the years ended June 30, 2020, 2019, and 2018 follows:

	Year Ended June 30,			Change from 2019	Percent Change from 2019
	2018	2019	2020		
OPERATING EXPENSES:					
Instruction	\$ 7,599,697	\$ 7,887,297	\$ 7,521,866	\$ (365,431)	-5%
Academic support	2,173,329	1,708,288	1,740,098	31,810	2%
Student affairs	2,615,671	2,457,966	2,459,599	1,633	0%
Institutional support	3,216,584	3,108,972	3,123,341	14,369	0%
OPEB expenses	1,649,630	1,272,894	736,140	(536,754)	-42%
Operation and maintenance of plant	2,627,009	3,091,226	2,601,337	(489,889)	-16%
Student aid	7,650,996	7,306,974	7,854,609	547,635	7%
Chargeback expenses	186,637	128,681	139,724	11,043	9%
Loss on disposal of assets			19,237	19,237	100%
Depreciation	1,470,539	1,632,446	1,804,758	172,312	11%
	<u>\$ 29,190,092</u>	<u>\$ 28,594,744</u>	<u>\$ 28,000,709</u>	<u>\$ (594,035)</u>	-2%

Operating expenses include salaries, fringe benefits, and other personal services expenses needed to operate the College. Fringe benefits are allocated to functional departments using various factors, including direct charges and headcounts. Operating expenses overall decreased, approximately 5% from the prior year. As reductions have been made in the prior two years, the College has been strategic in keeping costs down and reducing amounts where there is opportunity.

Institutional support expenses have remained relatively flat compared to fiscal year 2019.

Operation and maintenance of plant has decreased from the prior year as there were decreases in electric and natural gas bills, as well as decreased snow removal services.

Chargeback expenses have remained fairly flat, as the College has continued to offer additional programs to keep students in county rather than have them attend out of county community colleges.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

Condensed Schedules of Capital Assets, Net

The following presents the changes in capital assets and related depreciation for the years ended June 30, 2020 and 2019:

Capital Assets Activity for the Year Ended June 30, 2020	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 15,944,035	\$ 712,600	\$ -	\$ -	\$ 16,656,635
Construction in progress	630,470	7,624,526	-	(3,680,517)	4,574,479
Land improvements	2,458,570	14,143	-	348,232	2,820,945
Buildings and building improvements	24,339,042	77,045	-	2,266,437	26,682,524
Machinery, equipment and vehicles	13,995,519	266,281	(103,298)	1,065,848	15,224,350
Total	57,367,636	8,694,595	(103,298)	-	65,958,933
Accumulated depreciation	22,744,459	1,804,758	(84,061)	-	24,465,156
Net capital assets	<u>\$ 34,623,177</u>	<u>\$ 6,889,837</u>	<u>\$ (19,237)</u>	<u>\$ -</u>	<u>\$ 41,493,777</u>

Capital Assets Activity for the Year Ended June 30, 2019	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 15,944,035	\$ -	\$ -	\$ -	\$ 15,944,035
Construction in progress	275,253	1,881,437	-	(1,526,220)	630,470
Land improvements	2,365,702	-	-	92,868	2,458,570
Buildings and building improvements	24,099,741	-	-	239,301	24,339,042
Machinery, equipment and vehicles	12,614,929	186,539	-	1,194,051	13,995,519
Total	55,299,660	2,067,976	-	-	57,367,636
Accumulated depreciation	21,112,013	1,632,446	-	-	22,744,459
Net capital assets	<u>\$ 34,187,647</u>	<u>\$ 435,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,623,177</u>

Depreciation of capital assets is recorded on a straight-line basis over their estimated useful lives. Additional information related to capital assets and related depreciation can be found at Note 3 to the basic financial statements.

Long-Term Liabilities

At June 30, 2020 and 2019, the College had \$1,675,856 and \$1,645,529 (including current and long-term), respectively, of outstanding long-term liabilities related to compensated absences.

At June 30, 2020 and 2019, the College had a capital lease payable outstanding in the amount of \$58,459 and \$76,126 (including current and long-term), respectively, related to the New Jersey Educational Facilities Authority Higher Education Equipment Leasing Fund.

At June 30, 2020 and 2019, the College had a net pension liability of \$6,625,159 and \$7,275,169, respectively.

For more detailed information, please refer to Note 4 to the basic financial statements.

SUSSEX COUNTY COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

Summary and Outlook

Founded in 1982, Sussex County Community College enrolls more than 3,000 students annually from Sussex County, New Jersey, Pike County, Pennsylvania, and southern Orange County, New York.

Some of the campus highlights from FY2020 include:

- Through sound fiscal management over the last several years, the College was able to freeze tuition and fees for a fourth consecutive year.
- The Completion of the College's Academic Center. The new Center is an addition to the Performing Arts Center building, which was built in 2007. The new 13,000 sq. ft. space includes classrooms, a lecture hall, a Maker Space, meeting rooms, and a student gathering space.
- Meeting the increasing demand for skilled tradespeople is a priority for SCCC and one of the most important in the growing tech fields is in optics technology. The College developed 3 one-year certificate tracks in optics technology to complement the degree program. Students can now participate in, and complete specialized certificates in CNC, conventional, or metrology before continuing on to complete the AAS degree. The College also hired Brian Lake to serve as the new Program Supervisor for Optics Technology.
- Tuition for Pike County residents was offered at the in-state rate for New Jersey. This cost savings will afford Pike County students, who live close to Sussex County, a reduced rate to attend the College with savings from \$1000-\$1,500 in tuition.
- The College welcomed Stan Kula who will be serving as the new Executive Director of the Foundation. Mr. Kula will be developing comprehensive campaigns and fundraising initiatives to complement and support the various happenings at the College.
- Under the leadership of the Program Supervisor for Agriculture and Horticulture, the College has begun work on becoming a "Pollinator-Friendly Campus" and has already been established as a certified Monarch Butterfly waystation.
- Due in part to the COVID-19 pandemic, the College successfully held its first virtual art show to exhibit student work. The virtual art gallery included work from students in several different areas including fashion design, 3D animation, and photography.
- The College was able to complete the purchase of McGuire Technical Education Center (MTEC). Once a vacant car dealership, MTEC is now home to most of the College's technical programs including Automotive Service Technology, Building Construction Technology, Diesel Service Technology, and Welding. Plans are well underway to continue the expansion of the property to include a culinary institute as well as space for additional technical programs.
- The College received an "Outstanding" in a safety audit performed by the School Insurance Alliance Fund (SAIF), the College's insurance carrier, in the fall of 2019.
- The College announced the creation of new athletic programs including Football, Wrestling, and Women's Lacrosse. Women's Lacrosse will begin competing as a club in the Spring of 2020, while Football and Wrestling will begin competing in the Fall and Winter of 2020.
- In the Fall of 2019, the College partnered with 160 Driving Academy to offer Commercial Driver's License (CDL) certifications directly on the campus of SCCC. Prior to this partnership, residents of the County needed to travel out of County to receive this certification.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

- SCCC offered another round of the College Readiness V Bootcamp, a college prep course to help high school students sharpen their English or Algebra skills so they can avoid taking developmental courses when they begin college.
- The SCCC Foundation hosted community events such as the Funding Their Future Foundation Event, Women's History Month, 100 Women Breakfast and the Ladies' Saturday Retreat, which contributed to over \$120,000 in student scholarships.
- The Dean's List for the spring and fall semesters saw over 1,000 students eligible for making the accomplishment.
- The College distributed funds from the federal Coronavirus Aid Relief and Economic Security (CARES) Act to aid students and bolster the academic community.
- The rate of participation of students in student activities and intercollegiate athletic programs continued to be strong. SCCC student clubs and intercollegiate athletic teams continued to distinguish themselves locally and statewide. The College recently began an eSports team open to both men and women. The College is the fifth in the state to offer an eSports program, a member of the National Associate for Collegiate Esports (NACE).
- The Betty June Silconas Poetry Center at SCCC hosted its annual Poetry Festival with a full day of activities to interest and inspire attendees. The Festival included an all-day book fair featuring local poets, literary readings, and workshops. Sponsorship opportunities allowed the Foundation to use this event as a scholarship fundraiser.
- The College participated in The New Jersey Council of County Colleges' (NJCCC) Center for Student Success and the New Jersey Education Association (NJEA) for New Jersey's statewide Phi Theta Kappa Community College Completion Challenge (NJC4), a statewide effort to increase awareness about the importance of completing an associate degree or certificate.
- The Senior Life Center, renamed the Center for Lifelong Learning, at Sussex County Community College continues to grow in partnership with Senior Services of Sussex County. They offer an array of afternoon classes that explore everything from computer knowledge to smart driving to drawing. Most classes are provided free of charge or at a minimal cost to area seniors.
- The Office of Veteran Services held its sixth annual Fish N' Chips Dinner for student veterans, which raises funds for the Student Veteran Emergency Relief Fund. This Fund provides grants for student vets beyond tuition and fees.
- A Remembrance Ceremony on the 19th anniversary of the 9/11 terrorist attacks was held at the College's 9/11 Memorial. Residents and College students were invited to attend the annual ceremony where each year we join with hundreds of other communities across America in remembrance and prayer.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

Enrollment

Enrollment in the Fall 2019 semester reflected roughly a 1.7% decrease in total credit hours from Fall 2018, while Spring 2019 enrollment was relatively flat in total credit hours compared to Spring 2018. An increase in part-time enrollment and decrease in full-time enrollment was evident, and we expect this trend to continue due to significant outward migration of the county and significant decrease in the traditional student population over the years. Total credit enrollment for the 2020 Fiscal Year was down by approximately 1.0% from 2019.

The College continues with its Strategic Enrollment Group (SEG) which aids and supports enrollment and retention initiatives at the College, along with other areas such as academic offerings and campus services. The SEG is responsible for undertaking a number of initiatives designed to bolster enrollment and increase efficiencies in both the near term and long term future. The group consistently benchmarks and implements best-practices in enrollment planning and enhancing our outreach to underdeveloped market niches. The group additionally reviews statistical information, generates ideas for expanded outreach and further review and development of student markets.

The College's administration continues to streamline the admissions and enrollment process for students, and continues to make changes to ensure that the SCCC Student Advising and Counseling Center is a "one-stop" for admissions and enrollment needs. This includes the upgrade of the College's ERP system, Jenzabar, to incorporate a more streamlined, effective, and efficient system.

The millennial student demographic continues a gradual decrease in numbers. In an effort to increase yield rates from the high schools, recruitment efforts have focused on the quality and substance of education and support services at the College. In FY20, the College Department of Marketing and Communications continues to focus on promoting specific college programs being offered including the new degree offerings and certificate programs. A shift in media outlets that appeal to this changing population included social media, Pandora Radio, digital advertising on various mobile platforms incorporating geofencing and geotargeting campaigns.

Interest in online learning has continued to grow nationally, and that interest is evident at Sussex County Community College. The expanded availability of online courses appeals to the technology focused students of today and allows students to do their course work any time of the day or night. This also allows the College to attract students unable to travel to campus and eases the demand for more classroom space. The Distance Education program at SCCC continues to evolve as it continues to work towards approval by the Middle States Commission on Higher Education.

In an effort to support military veterans, the College offers a special tuition rate to all veterans and their dependents both in and out of the county. The College also opened the in-county tuition rate to include veteran dependents in the Pennsylvania area this year. Instituting programs such as the Pennsylvania Gap Assistance Program (PGAP) will ease the burden for Pennsylvania students to attend SCCC with added financial resources.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

Maintaining our tradition to community service

Consistent with the College's mission, SCCC supported and continued many outreach initiatives which included:

- Annual 911 Memorial Ceremony
- Annual butterfly release for Karen Ann Quinlan Hospice
- Blood drives are held each semester
- Caring Awards for middle and high school students
- Career Symposium and Job Fair co-sponsored by SCCC and the New Jersey Department of Labor and Workforce Development was held on campus.
- Clothesline project to create awareness of domestic violence issues
- DASI Candlelight Vigil/Walk Run for Domestic Violence
- FAFSA Workshops offered financial guidance on filling out FAFSA information.
- Veterans Fish n' Chips Dinner
- Veterans Day Ceremony
- Center for Lifelong Learning Events
- Political debates, lectures, and community forums
- Service learning initiative to engage students in community service
- Ongoing partnership with United Way to introduce volunteer link
- Fire Academy held at Public Safety and Training Academy for students interested in careers in public safety
- 100 Women Breakfast Series
- Summer Youth Enrichment Programs
- Climate Change Debate
- Agricultural Conference
- Military Appreciation Game
- Gardening, Culinary, Automotive and Woodworking Workshops were offered throughout the spring and summer
- Teen Arts Festival for area middle and high school students
- Annual Halloween Hayride sponsored by the Student Government Associated welcomed approximately 300 people to campus for a scripted, "haunted" hayride and activities for children – all at no cost.

Focus on the Future

Current demographic and economic conditions suggest that enrollment will continue to decline in FY 2021, by approximately 2.0%. The enrollment decline combined with a decrease in State operating aid and increase in operating costs has created challenging financial circumstances.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2020 and 2019

The impact of COVID-19 on College's funding for July through September resulted in a net loss of \$800,000. At the start of the Fall semester, funding has stabilized, as Federal funds of over \$820,000 plus State fund being restored to 100% has helped. The Football program this Fall has brought in over 90 new students to the College, which helped keep the year over year losses to lower single digits than other community colleges within NJ who are experiencing losses in double digits.

The College is committed to a proactive approach in financial matters. The College continually works to ensure that Sussex County Community College operates in the most efficient manner possible while making appropriate investments in updating our business processes, infrastructure and technology for continued and future sustainability. The College remains financially stable.

Requests for Information

This financial report is designed to provide a general overview of Sussex County Community College's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Sussex County Community College, One College Hill Road, Newton, New Jersey 07860.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

STATEMENTS OF NET POSITION

	June 30,	
	2020	2019
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS:		
Cash and equivalents	\$ 10,888,409	\$ 10,832,870
Cash held by bond trustee-NJEFA	966,652	1,124,574
Restricted cash and equivalents	235,483	132,282
Investments-certificates of deposit	6,000,649	4,492,195
Total Cash and Equivalents and Investments	18,091,193	16,581,921
Receivables - student, net of allowance of \$1,619,885 and \$1,543,784, respectively	256,203	322,712
Due from Foundation	14,189	147,210
Other assets	97,455	79,798
Other receivables	1,662,445	424,135
Other restricted receivables - grant funds	487,230	144,505
Total Receivables	2,517,522	1,118,360
Total Current Assets	20,608,715	17,700,281
NON-CURRENT ASSETS:		
Capital assets, non depreciable assets	21,231,114	16,574,505
Capital assets, net of accumulated depreciation of \$24,465,157 and \$22,744,459, respectively	20,262,663	18,048,672
Total Non-Current Assets	41,493,777	34,623,177
Total Assets	62,102,492	52,323,458
DEFERRED OUTFLOW OF RESOURCES -		
Pension deferrals	1,229,393	1,894,691
Total Assets and Deferred Outflow of Resources	63,331,885	54,218,149
LIABILITIES AND DEFERRED INFLOW OF RESOURCES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses:		
Vendors	1,265,287	1,262,497
Compensated absences, current portion	335,171	329,106
Unearned revenue	2,403,021	1,467,114
Capital lease payable-current	18,541	17,667
Total Current Liabilities	4,022,020	3,076,384
NON-CURRENT LIABILITIES:		
Capital lease payable-noncurrent	39,918	58,459
Compensated absences	1,340,685	1,316,423
Net pension liability	6,625,159	7,275,169
Total Non-Current Liabilities	8,005,762	8,650,051
Total Liabilities	12,027,782	11,726,435
DEFERRED INFLOW OF RESOURCES -		
Pension deferrals	3,385,849	3,760,684
Total Liabilities and Deferred Inflow of Resources	15,413,631	15,487,119
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	41,435,318	34,547,051
RESTRICTED FOR EXTERNAL PURPOSES	135,483	132,282
UNRESTRICTED	6,347,453	4,051,697
Total Net Position	\$ 47,918,254	\$ 38,731,030

See accompanying notes to financial statements.

SUSSEX COUNTY COMMUNITY COLLEGE FOUNDATION
(A Component Unit of the Sussex County Community College)

STATEMENTS OF FINANCIAL POSITION

	June 30,	
ASSETS	2020	2019
CURRENT ASSETS:		
Cash and equivalents	\$ 758,698	\$ 908,699
Investments	1,589,061	1,377,592
Pledges receivable, net	346,395	346,967
Prepaid expenses		500
Fixed assets, net	31,956	34,796
Total Assets	\$ 2,726,110	\$ 2,668,554
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 16,332	\$ 16,177
Due to Sussex County Community College	14,189	147,210
Deferred sponsorships		20,300
Total Current Liabilities	30,521	183,687
NET ASSETS:		
Without donor restrictions	55,336	6,201
With donor restrictions	2,640,253	2,478,666
Total Net Assets	2,695,589	2,484,867
Total Liabilities and Net Assets	\$ 2,726,110	\$ 2,668,554

See accompanying notes to financial statements.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended June 30,	
	2020	2019
OPERATING REVENUES:		
Student revenues:		
Tuition and fees	\$ 13,005,811	\$ 13,111,612
Less: Scholarship allowance	<u>(597,491)</u>	<u>(603,653)</u>
Net student revenues	12,408,320	12,507,959
Federal and local grants and contracts	2,953,019	3,373,777
State grants and contracts	2,646,471	2,650,359
Chargeback reimbursements	139,724	128,681
Other operating revenues	<u>337,649</u>	<u>366,760</u>
Total Operating Revenues	<u>18,485,183</u>	<u>19,027,536</u>
OPERATING EXPENSES:		
Instruction	7,521,866	7,887,297
Academic support	1,740,098	1,708,288
Student affairs	2,459,599	2,457,966
Institutional support	3,859,481	4,381,866
Operation and maintenance of plant	2,601,337	3,091,226
Student aid	7,854,609	7,306,974
Chargeback expenses	139,724	128,681
Loss on disposal of assets	19,237	
Depreciation	<u>1,804,758</u>	<u>1,632,446</u>
Total Operating Expenses	<u>28,000,709</u>	<u>28,594,744</u>
OPERATING LOSS	<u>(9,515,526)</u>	<u>(9,567,208)</u>
NON-OPERATING REVENUES:		
State appropriations	2,889,987	3,282,344
County appropriations	4,020,000	4,020,000
Federal PELL grants	3,214,564	2,921,557
Investment income	<u>241,072</u>	<u>79,534</u>
Total Non-Operating Revenues	<u>10,365,623</u>	<u>10,303,435</u>
INCOME BEFORE OTHER REVENUES	850,097	736,227
OTHER REVENUES:		
Go Bonds - County	935,930	64,947
Go Bonds - State	2,807,789	194,842
Capital appropriations-Chapter 12 funds	4,422,600	1,065,298
Higher Education funds	<u>170,808</u>	<u>301,257</u>
Total Other Revenues	<u>8,337,127</u>	<u>1,626,344</u>
INCREASE IN NET POSITION	9,187,224	2,362,571
NET POSITION, BEGINNING OF YEAR	<u>38,731,030</u>	<u>36,368,459</u>
NET POSITION, END OF YEAR	<u>\$ 47,918,254</u>	<u>\$ 38,731,030</u>

See accompanying notes to financial statements.

SUSSEX COUNTY COMMUNITY COLLEGE FOUNDATION
(A Component Unit of the Sussex County Community College)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30, 2020		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
SUPPORT AND REVENUES:			
Contributions	\$ 102,645	\$ 420,719	\$ 523,364
Services received from personnel of an affiliates	108,628		108,628
Special events, net of expenses of \$19,578	39,482	-	39,482
Net investment return	8,629	(1,378)	7,251
Net assets released from restrictions	257,754	(257,754)	-
Total support and revenues	517,138	161,587	678,725
EXPENSES:			
Program services	429,131	-	429,131
Management and general	35,122	-	35,122
Fundraising	3,750	-	3,750
Total expenses	468,003	-	468,003
CHANGE IN NET ASSETS	49,135	161,587	210,722
NET ASSETS, BEGINNING OF YEAR	6,201	2,478,666	2,484,867
NET ASSETS, END OF YEAR	\$ 55,336	\$ 2,640,253	\$ 2,695,589

	Year Ended June 30, 2019		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
SUPPORT AND REVENUES:			
Contributions	\$ 17,925	\$ 583,179	\$ 601,104
Services received from personnel of an affiliates	112,889	-	112,889
Special events, net of expenses of \$31,140	59,548	-	59,548
Net investment return	26,901	101,784	128,685
Net assets released from restrictions	241,787	(241,787)	-
Total support and revenues	459,050	443,176	902,226
EXPENSES:			
Program services	456,934	-	456,934
Management and general	29,854	-	29,854
Fundraising	3,750	-	3,750
Total expenses	490,538	-	490,538
CHANGE IN NET ASSETS	(31,488)	443,176	411,688
NET ASSETS, BEGINNING OF YEAR	37,689	2,035,490	2,073,179
NET ASSETS, END OF YEAR	\$ 6,201	\$ 2,478,666	\$ 2,484,867

See accompanying notes to financial statements.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 13,410,736	\$ 12,109,273
Federal and local grants and contracts received	2,611,107	3,367,896
State grants and contracts	1,910,331	2,650,359
Payments to suppliers	(12,872,627)	(14,525,917)
Payments for employee salaries and benefits	(12,913,614)	(12,973,560)
(Increase) decrease of restricted cash	(103,201)	16,276
Other receipts	(645,573)	913,355
Net cash flows from operating activities	(8,602,841)	(8,442,318)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Direct lending receipts	2,076,910	2,507,582
Direct lending disbursements	(2,076,910)	(2,507,582)
Federal PELL grant receipts	3,213,751	2,955,888
State appropriations	2,889,987	3,282,344
County appropriations	4,020,000	4,020,000
Net cash flows from non-capital financing activities	10,123,738	10,258,232
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Deposits held by bond trustee-NJEFA	157,922	204,103
County Capital appropriation	4,422,600	1,065,298
Capital lease payable	(17,667)	(16,829)
Go Bond State and County revenue	3,743,719	259,789
Higher Education Equipment Leasing Fund (ELF and HETI)	170,808	301,257
Purchase of capital assets	(8,675,358)	(2,067,976)
Net cash flows from capital and related financing activities	(197,976)	(254,358)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	241,072	79,534
Investments purchased (net)	(1,508,454)	(1,071,725)
Net cash flows from investing activities	(1,267,382)	(992,191)
NET CHANGE IN CASH AND EQUIVALENTS	55,539	569,365
CASH AND EQUIVALENTS, BEGINNING OF YEAR	10,832,870	10,263,505
CASH AND EQUIVALENTS, END OF YEAR	\$ 10,888,409	\$ 10,832,870

See accompanying notes to financial statements.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended June 30,	
	2020	2019
RECONCILIATION OF OPERATING LOSS TO		
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (9,515,526)	\$ (9,567,208)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,804,758	1,632,446
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Restricted cash and equivalents	(103,201)	16,276
Receivables - student, net	66,509	14,583
Due from Foundation	133,021	(9,184)
Other assets	(17,657)	(28,254)
Other receivables	(1,238,310)	421,021
Other restricted receivables - grant funds	(341,912)	28,450
Deferred outflows-pension deferrals	665,298	919,904
Accounts payable and accrued expenses - vendors	(4,467)	(495,596)
Accounts payable-pension	7,257	198,539
Compensated absences	30,327	7,761
Unearned revenue	935,907	(413,269)
Net pension liability	(650,010)	(1,920,445)
Deferred inflows-pension deferrals	(374,835)	752,658
Net cash flows from operating activities	\$ (8,602,841)	\$ (8,442,318)

See accompanying notes to financial statements.

**SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 1 - Organization and Summary of Significant Accounting Policies:

Organization - Sussex County Community College (the "College") was established as a unit of the New Jersey Master Plan for Higher Education and is one of 19 county colleges in the State of New Jersey. The College offers pre-baccalaureate preparation (A.S. and A.A. degrees), as well as programs and certificates that are designed to prepare students for employment (A.A.S. degrees). The College also maintains a comprehensive community development operation, which provides lifelong learning opportunities to the citizens and businesses of the County of Sussex. The College is a component unit of the County of Sussex under Governmental Accounting Standards Board ("GASB") Statements No. 14 and 61, *The Financial Reporting Entity*. The College is an institution of higher education and a governmental unit and an instrumentality of the State of New Jersey as provided by the County College Act, N.J.S.A. 18A:64A.

Sussex County Community College Foundation, (the "Foundation") is a legally separate component unit of Sussex County Community College, exempt from tax under the Internal Revenue Code Section 501(c)(3). The Foundation's purpose is to assist the Trustees of the College in the development and growth of college scholarships, programs and facilities that broaden and enhance educational opportunities and services provided for those seeking postsecondary education in Sussex County, New Jersey. Because the resources of the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. Complete financial statements can be obtained from the Sussex County Community College Foundation at One College Hill Road, Newton, New Jersey.

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities and the accounts are maintained on the accrual basis of accounting. The College's reports are based on all applicable GASB authoritative literature in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Net Position - Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities in the financial statements. Net investment in capital assets consists of capital assets net of accumulated depreciation and any related debt on capital lease obligations. Net positions are reported as restricted in the financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

GASB Statement No. 35 and 63 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation attributable to the acquisition, construction, or improvement of those assets and any debt on capital lease obligations associated with the acquisition of the capital assets.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

- ***Restricted:***

Nonexpendable - Net position subject to externally imposed stipulations that they be maintained permanently by the College.

Expendable - Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time.

- ***Unrestricted:*** Net position not subject to externally imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic programs and initiatives and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Measurement Focus and Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus in accordance with the GASB. The College reports its financial statements as a business-type activity, as defined by GASB Statement Nos. 34 and 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Cash and Equivalents - Cash and equivalents consist of cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and that have original maturities of three months or less when purchased.

Cash held by Bond Trustee - Cash held by bond trustee consists of amounts held on behalf of the College by the New Jersey Educational Facilities Authority for the Higher Education Equipment Leasing Fund, the Higher Educational Technology Infrastructure Fund and the Higher Educational Facilities Trust Fund programs.

Investments - The College carries investments in certificates of deposit at cost which approximates fair value; interest income is included in the change in net position in the accompanying statements of revenues, expenses, and changes in net position.

Capital Assets - Capital assets include construction in progress, land, land improvements, buildings and building improvements and machinery, equipment and vehicles with acquisition costs of at least \$5,000 and useful lives of at least three years and are recorded at historical cost or estimated historical cost if purchased or constructed. Construction-in-progress is recorded as costs are incurred during construction. Donated capital assets are valued at acquisition value on the date received. The cost of normal maintenance and repairs that do not add to the value or materially extend the useful lives are not capitalized.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

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

Buildings	30 years
Building improvements	15 years
Land improvements	15 years
Machinery, Equipment and Vehicles	5-7 years

Revenue Recognition - Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as scholarship expense and are recognized in the periods earned. Student tuition and fees collected for courses that are held subsequent to year end are recorded as unearned revenue in the accompanying financial statements.

Grants and contracts revenue is comprised mainly of revenues received from grants from the State of New Jersey, the Federal government and the County of Sussex and are recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreement are recorded as unearned revenue in the accompanying financial statements.

Revenue from state and county appropriations is recognized in the fiscal years during which the State of New Jersey and the County of Sussex appropriate the funds to the College.

Allowance for Doubtful Accounts - The College records an allowance for doubtful accounts for its accounts receivable balances. The allowance consists of all items currently being handled by a collection agency, 100% of all receivable balances outstanding in excess of 180 days and 50% of all receivable balances outstanding in excess of 90 days.

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

College employees are granted varying amounts of vacation and sick leave in accordance with the College's personnel policy or applicable labor contract. Upon termination, employees are paid for accrued vacation. The College's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees are paid for their unused sick leave in accordance with the College's policies and agreements with the various employee unions.

Classification of Revenue - For the purposes of the statements of revenues, expenses and changes in net position, the College's policy is to define operating activities as those that serve the College's principal purpose and generally result from exchange transactions, such as the payment received for services or the payment made for the purchase of goods and services. Examples of such operating activities include (1) student tuition and fees, net of scholarship allowances, and (2) most federal, state and local grants and contracts. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as operating and capital appropriations from the federal, state and county governments and net investment income.

**SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

Scholarship Allowance – Student tuition and fees and are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for tuition and services provided by the College and the amount that is paid to students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition and fees and other student services, the College has recorded a scholarship allowance.

Unearned Revenue - Unearned revenue includes student tuition, fees and deposits collected in advance of the applicable academic term, as well as NJEFA funds received in advance.

Long-Term Obligations - Long-term obligations are due more than one year from the date of the statements of net position.

Financial Dependency - Significant sources of revenue include appropriations from the State of New Jersey and the County of Sussex. The College is economically dependent on these appropriations to carry on its operations.

Income Taxes - The College and Foundation are exempt from Federal income taxes under Internal Revenue Code Sections 115 and 501(c)(3), respectively.

The Foundation is no longer subject to Federal tax examinations for its Federal Form 990 and for the State of New Jersey Form CRI-300R for years prior to June 30, 2017.

Reclassification - Certain prior amounts related to PELL revenues have been reclassified to conform with current year presentation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and deferred outflows and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

County of Sussex Capital Support - The County of Sussex is responsible for the issuance of certain bonds and notes for the College's capital expenses which are financed by bond ordinances. The County of Sussex is also responsible for the payment of interest on issued debt and the retirement of such obligations. Accordingly, the debt is not included in the accompanying financial statements of the College.

The County of Sussex adopts capital ordinances to fund certain capital expenses of the College. The College receives County of Sussex bond monies to fund certain capital assets expenses. Unexpended money in the current year is available for capital expenses in subsequent years.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The College has one item that

**SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

qualifies for reporting in this category, deferred amounts related to pensions. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The College has one item that qualifies for reporting in this category, deferred amounts related to pensions.

Recently Issued Accounting Pronouncements - The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has not yet determined the impact of this Statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Due to the COVID-19 pandemic, the effective date has been postponed by eighteen months. Management has not yet determined the impact of this Statement on the financial statements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has not determined the impact of the statement on the financial statements.

The GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement are effective for periods beginning after December 15, 2018. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has determined that this Statement did not impact the College's financial statements.

Subsequent Events - Management has reviewed and evaluated all events and transactions from June 30, 2020 through February 9, 2021, the date that the financial statements are available to be issued and the effects of those that provide additional pertinent information about conditions that existed at the statements of net position date, have been recognized in the accompanying financial statements.

COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "*Pandemic*") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Department of Health and Human Services declared a public health emergency for the United States and, on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

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YEARS ENDED JUNE 30, 2020 AND 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

In New Jersey, the Governor declared a state of emergency on March 9, 2020, and has since issued multiple Executive Orders regarding the Pandemic. The College expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of the Pandemic. The Pandemic has negatively affected travel, commerce and financial markets globally, and is widely expected to continue to negatively affect economic growth and financial markets worldwide and has impacted how students will be taught. The 2020-21 school year commenced with a new way of learning offering both online and in-person instruction to students of the College and will continue to identify ways to ensure education of its students under the Pandemic.

College management cannot reasonably predict how long the Pandemic in New Jersey is expected to last and how the outbreak may impact the financial condition or operations of the College. The impact could be a reduction in enrollment thus reducing tuition revenue, deferrals or reductions in state and county aid to the College or an increase in expenses associated with this or any other potential infectious disease outbreak. College management continues to monitor the Pandemic and plans to take action to address a significant impact on future operations.

Note 2 - Cash and Equivalents and Investments:

Deposits

New Jersey statutes permit the deposit of public funds into the State of New Jersey Cash Management Fund or into institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (the "FDIC") or by any other agencies of the United States that insure deposits. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- (a) The market value of the collateral must equal 5% of the average daily balance of public funds, or
- (b) If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

As of June 30, 2020 and 2019, cash held by trustees was \$966,652 and \$1,124,574, respectively. In addition, as of June 30, 2020 and 2019, the College's carrying amount of unrestricted and restricted deposits was \$11,123,892 and \$10,965,152 respectively, and the bank balance was \$12,194,158 and \$11,151,496, respectively. Of the above 2020 amounts, \$500,000 of the total deposits were insured by the FDIC as of June 30, 2020 and the remainder was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Government Unit Deposit Protection Act.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that the College disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the College would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor),

SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 2 - Cash and Equivalents and Investments (continued):

collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the College.

Credit Risk and Custodial Credit Risk - The College does not have a policy for either credit risk or custodial credit risk. However, it is the College's policy only to invest with banks that are approved by the Board of Trustees and insured by FDIC and covered by the New Jersey Government Unit Deposit Protection Act ("GUDPA"). At least five percent of the College's deposits were fully collateralized by funds held by the financial institutions, but not in the name of the College. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Restricted Cash and Equivalents - Restricted cash consists of funds designated for student activity groups (student club dues), for the workforce consortium, and escrow funds due to the Sussex County Community College Foundation.

Investments - The College's investment policy is to invest in certificates of deposits with maturities of less than one year. As of June 30, 2020 and 2019, certificates of deposit were \$6,000,649 and \$4,492,195, respectively, with interest rates between 1.25% and 2.55% as of June 30, 2020. The amounts are covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Government Unit Deposit Protection Act.

Interest Rate Risk - The College does not have a policy to limit interest rate risk. Investments consist of certificates of deposit with original maturities of greater than three months and less than one year.

Note 3 - Capital Assets:

Capital assets include land, land improvements, construction in progress, buildings and building improvements and machinery, equipment and vehicles. Major outlays for capital assets and improvements are capitalized as projects are constructed. The County of Sussex is responsible for the issuance of bonds and notes for the College's major capital expenses which are financed by County bond ordinances. The County is also responsible for the payment of interest on issued debt and the principal retirement of such obligations. Accordingly, the debt is reported in the financial statements of the County of Sussex. The capital lease payable on the College's financial statements is related to the New Jersey Educational Facilities Authority Higher Education Equipment Leasing Fund program.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 3 - Capital Assets (continued):

Capital asset activity for the years ended June 30, 2020 and 2019 is comprised of the following:

	Year Ended June 30, 2020				Ending Balance
	Beginning Balance	Acquisitions	Dispositions	Transfers	
DEPRECIABLE ASSETS:					
Buildings and building improvements	\$ 24,339,042	\$ 77,045	\$ -	\$ 2,266,437	\$ 26,682,524
Land improvements	2,458,570	14,143	-	348,232	2,820,945
Machinery, equipment and vehicles	13,995,519	266,281	(103,298)	1,065,848	15,224,350
Total Depreciable Assets	<u>40,793,131</u>	<u>357,469</u>	<u>(103,298)</u>	<u>3,680,517</u>	<u>44,727,819</u>
ACCUMULATED DEPRECIATION:					
Buildings and building improvements	9,914,875	763,576	-	-	10,678,451
Land improvements	1,695,844	85,594	-	-	1,781,438
Machinery, equipment and vehicles	11,133,740	955,588	(84,061)	-	12,005,267
Total Accumulated Depreciation	<u>22,744,459</u>	<u>1,804,758</u>	<u>(84,061)</u>	<u>-</u>	<u>24,465,156</u>
DEPRECIABLE ASSETS, NET	<u>18,048,672</u>	<u>(1,447,289)</u>	<u>(19,237)</u>	<u>3,680,517</u>	<u>20,262,663</u>
NONDEPRECIABLE ASSETS:					
Land	15,944,035	712,600	-	-	16,656,635
Construction in progress	630,470	7,624,526	-	(3,680,517)	4,574,479
Total Nondepreciable Assets	<u>16,574,505</u>	<u>8,337,126</u>	<u>-</u>	<u>(3,680,517)</u>	<u>21,231,114</u>
	<u>\$ 34,623,177</u>	<u>\$ 6,889,837</u>	<u>\$ (19,237)</u>	<u>\$ -</u>	<u>\$ 41,493,777</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 3 - Capital Assets (continued):

	Year Ended June 30, 2019			Ending Balance
	Beginning Balance	Acquisitions	Transfers	
DEPRECIABLE ASSETS:				
Buildings and building improvements	\$ 24,099,741	\$ -	\$ 239,301	\$ 24,339,042
Land improvements	2,365,702	-	92,868	2,458,570
Machinery, equipment and vehicles	12,614,929	186,539	1,194,051	13,995,519
Total Depreciable Assets	<u>39,080,372</u>	<u>186,539</u>	<u>1,526,220</u>	<u>40,793,131</u>
ACCUMULATED DEPRECIATION:				
Buildings and building improvements	9,222,024	692,851	-	9,914,875
Land improvements	1,600,623	95,221	-	1,695,844
Machinery, equipment and vehicles	10,289,366	844,374	-	11,133,740
Total Accumulated Depreciation	<u>21,112,013</u>	<u>1,632,446</u>	<u>-</u>	<u>22,744,459</u>
DEPRECIABLE ASSETS, NET	<u>17,968,359</u>	<u>(1,445,907)</u>	<u>1,526,220</u>	<u>18,048,672</u>
NONDEPRECIABLE ASSETS:				
Land	15,944,035	-	-	15,944,035
Construction in progress	275,253	1,881,437	(1,526,220)	630,470
Total Nondepreciable Assets	<u>16,219,288</u>	<u>1,881,437</u>	<u>(1,526,220)</u>	<u>16,574,505</u>
	<u>\$ 34,187,647</u>	<u>\$ 435,530</u>	<u>\$ -</u>	<u>\$ 34,623,177</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$1,804,758 and \$1,632,446, respectively. There were no significant commitments outstanding on projects as of June 30, 2020, however projects were identified and funds were board designated for deferred capital maintenance in the amount of \$3,300,000 as of June 30, 2020.

Chapter 12 Capital Projects Funds available to the College that have been approved by the State and County, and are bonded, consist of six bond ordinances totaling \$19,253,000. As of June 30, 2020, \$13,853,937 had been spent with \$5,399,063 remaining to be spent for completion of the approved Capital Projects. As of June 30, 2019, \$9,431,337 had been spent with \$6,821,663 remaining to be spent for completion of the approved Capital Projects.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 4 - Non-Current Liabilities:

Summary of Changes in Non-Current Liabilities - The following tables summarize the changes in non-current liabilities, including pensions disclosed in Note 5, for the years ended June 30, 2020 and 2019:

Year Ended June 30, 2020	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Compensated absences	\$ 1,645,529	\$ 328,185	\$ 297,858	\$ 1,675,856	\$ 335,171	\$ 1,340,685
Capital lease payable	76,126	-	17,667	58,459	18,541	39,918
Net pension liability	7,275,169	-	650,010	6,625,159	-	6,625,159
	<u>\$ 8,996,824</u>	<u>\$ 328,185</u>	<u>\$ 965,535</u>	<u>\$ 8,359,474</u>	<u>\$ 353,712</u>	<u>\$ 8,005,762</u>

Year Ended June 30, 2019	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Compensated absences	\$ 1,637,768	\$ 301,601	\$ 293,840	\$ 1,645,529	\$ 329,106	\$ 1,316,423
Capital lease payable	92,955	-	16,829	76,126	17,667	58,459
Net pension liability	9,195,614	-	1,920,445	7,275,169	-	7,275,169
	<u>\$ 10,926,337</u>	<u>\$ 301,601</u>	<u>\$ 2,231,114</u>	<u>\$ 8,996,824</u>	<u>\$ 346,773</u>	<u>\$ 8,650,051</u>

The College has recorded a liability for compensated absences of \$1,675,856 and \$1,645,529 as of June 30, 2020 and 2019, respectively. The liability is calculated based upon employees' accrued vacation and sick leave as of the statements of net position date. Vacation and sick leave provisions are documented in the employees' collective bargaining agreements.

Equipment Leasing Fund - Capital Lease Payable - In January 2014, the College entered into a lease agreement with the New Jersey Educational Facility Authority (NJEFA), as lessor, to issue bonds to finance the costs of acquiring and installing higher education equipment for lease to the College.

The State's Equipment Leasing Fund (ELF) provides funds to support the purchase of scientific, engineering, technical, computer, communications, and instructional equipment for public and private institutions of higher education.

The total amount of equipment to be financed is \$690,200. The College's basic rent as set forth in the loan schedule is equal to approximately 22% of the debt service on the bonds, consisting of principal of \$150,213 and interest of \$43,031. In addition, the College is required to pay program expenses and administrative fees over the life of the lease.

The bonds issued by the NJEFA are tax exempt and require annual and semiannual principal and interest payments, respectively, which commenced on November 1, 2014 for interest and May 1, 2015 for principal. Final payment to include principal, interest, and other expenses is due on May 1, 2023.

The lease agreement will terminate at the conclusion of final payment and title to the project will be transferred to the College.

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YEARS ENDED JUNE 30, 2020 AND 2019

Note 4 - Non-Current Liabilities (continued):

The College has capitalized capital lease purchases of \$690,749 through June 30, 2020 and 2019. The College has paid \$17,667 and \$16,830 in principal payments in fiscal years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, the capital lease payable principal balance for the Series 2014 bonds is \$58,459. The agreement is for a ten year term and will be fully satisfied on May 1, 2023. The annual rate of interest chargeable to the College is 5%. Fiscal year principal and interest payments are as follows:

Fiscal year	Principal	Interest	Total
2021	\$ 18,541	\$ 2,923	\$ 21,464
2022	19,468	1,996	21,464
2023	20,450	1,023	21,473
	\$ 58,459	\$ 5,942	\$ 64,401

Note 5 - Retirement Plans:

Plan Descriptions - The College participates in several retirement plans for its employees - the State of New Jersey Public Employees' Retirement System ("PERS") and the Alternate Benefit Program ("ABP"), which presently makes contributions to the Teachers' Insurance and Annuity Association - College Retirement Equities Fund ("TIAA/CREF"), MetLife Insurance Company, AXA Financial (Equitable), the Hartford, ING Life Insurance and Annuity Co. and VALIC. ABP is administered by a separate board of trustees. Generally, all employees, except certain part-time employees, participate in one or more of these plans. The College also participates in the New Jersey Defined Contribution Retirement Plan ("DCRP").

PERS Information - The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all fulltime employees of the State or any county, municipality, school district or public agency, provided the employee is not a member of another State- administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

The State of New Jersey PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pension and Benefits. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports for PERS that include financial statements and required supplementary information. These reports may be

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 5 - Retirement Plans (continued):

obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

PERS Funding Policy - PERS members are required to contribute 7.50% of their annual covered salary. The College is required to contribute at an actuarially determined rate. The College's actuarially determined contributions to PERS for the years ended June 30, 2020, 2019, and 2018 were 365,492, \$368,192 and \$368,836, respectively, equal to the required contributions for each year. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

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

Public Employee's Retirement System (PERS) - 2020

At June 30, 2020, the College reported a liability of \$6,625,159 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2018, which was rolled forward to June 30, 2019. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating colleges, actuarially determined. At June 30, 2020, the College's proportion was 0.0367686852 percent, which was a decrease of 0.0001808048 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the College recognized full accrual pension expense of \$5,945 in the financial statements. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 661,546	\$ 2,299,572
Difference between expected and actual experience	118,913	29,267
Net difference between projected and actual earnings on pension plan investments		104,581
Changes in proportion and differences between College contributions and proportionate share of contributions	83,120	952,429
College contributions subsequent to the measurement date	365,492	
	\$ 1,229,071	\$ 3,385,849

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 5 - Retirement Plans (continued):

\$365,492 is reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ (447,431)
2022	(985,573)
2023	(771,073)
2024	(292,139)
2025	(26,054)
	\$ 2,522,270

Actuarial Assumptions

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

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases through 2026	2.00 – 6.00%
	based on years of service
Thereafter	3.00 – 7.00%
	based on years of service
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

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

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Note 5 - Retirement Plans (continued):

females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

Long-Term Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.50%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. development markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019 and 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation

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YEARS ENDED JUNE 30, 2020 AND 2019

Note 5 - Retirement Plans (continued):

municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 70% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate

The following presents the College's proportionate share of the net pension liability as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28 percent) or 1-percentage-point higher (7.28 percent) than the current rate:

	At 1% decrease (5.28%)	At current discount rate (6.28%)	At 1% increase (7.28%)
College's proportionate share of the net pension liability	\$ 8,368,652	\$ 6,625,159	\$ 5,156,019

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances for the local group at June 30, 2019 are as follows:

Deferred outflows of resources	\$ 3,149,522,616
Deferred inflows of resources	\$ 7,645,087,574
Net pension liability	\$ 18,143,832,135
College's Proportion	0.0367686852%

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 5 - Retirement Plans (continued):

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 is \$974,471,686. The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2019, 2018, 2017, 2016, 2015 and 2014 is 5.21, 5.63, 5.48, 5.57, 5.72, 6.44 years, respectively.

Public Employee's Retirement System (PERS) - 2019

At June 30, 2019, the College reported a liability of \$7,275,169 for its proportionate share of the net pension liability. The net pension liability 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 July 1, 2017, which was rolled forward to 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 colleges, actuarially determined. At June 30, 2019, the College's proportion was 0.0369494900 percent, which was a decrease of 0.0025532826 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the College recognized full accrual pension expense of \$110,352 in the financial statements. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,198,827	\$ 2,326,212
Difference between expected and actual experience	138,739	37,513
Net difference between projected and actual earnings on pension plan investments		68,241
Changes in proportion and differences between College contributions and proportionate share of contributions	198,568	1,328,718
College contributions subsequent to the measurement date	358,557	
	\$ 1,894,691	\$ 3,760,684

\$358,557 is reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ (94,616)
2021	(355,861)
2022	(894,003)
2023	(679,503)
2024	(200,567)
	\$ (2,224,550)

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 5 - Retirement Plans (continued):

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increase through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 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 plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service and 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 plan actuary's 2014 projections 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 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) 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

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 5 - Retirement Plans (continued):

of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 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 rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 5 - Retirement Plans (continued):

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate

The following presents the College's proportionate share of the net pension liability as of June 30, 2018 calculated using the discount rate as disclosed above as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66 percent) or 1-percentage-point higher (6.66 percent) than the current rate:

	At 1% decrease (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
College's proportionate share of the net pension liability	\$ 9,147,687	\$ 7,275,169	\$ 5,704,246

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances of the Local Group at June 30, 2018 are as follows:

Deferred outflows of resources	\$ 4,684,852,302
Deferred inflows of resources	\$ 7,646,736,226
Net pension liability	\$ 19,689,501,539
 College's Proportion	 0.0369494900%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 is \$1,099,708,157.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2018, 2017, 2016, 2015 and 2014 is 5.63, 5.48, 5.57, 5.72, and 6.44 years, respectively.

Alternative Benefit Program Information - ABP provides the choice of six investment carriers, all of which are privately operated, defined contribution retirement plans. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for, or on behalf of, those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility is established by the State of New Jersey Retirement and Social Security Law, as are contributory and noncontributory requirements. 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. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees contribute 5% of their salaries and may contribute a voluntary additional contribution, up to the maximum Federal statutory limit,

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YEARS ENDED JUNE 30, 2020 AND 2019

Note 5 - Retirement Plans (continued):

on a pre-tax basis. Employer contributions are 8% of participating employee eligible salaries. Contributions are made on base salary excluding bonus, overtime and other forms of extra compensation. The participants have personal contracts with the fund companies and personally own the annuities. During the year ended June 30, 2020, ABP investment carriers received approximately 55% employer and 45% employee (includes additional discretionary amounts) contributions totaling \$1,310,867. During the year ended June 30, 2019, ABP investment carriers received approximately 54% employer and 46% employee (includes additional discretionary amounts) contributions totaling \$1,365,123. The contributions made by the Division on behalf of the College for the year ended June 30, 2020 amounted to \$216,517 as compared to \$229,356 for fiscal year 2019.

Defined Contribution Retirement Plan - The DCRP was established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010 providing eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. DCRP provides coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals and the DCRP is administered by Prudential. DCRP employer contributions are 3% of base salary and employee contributions are 5.5% of base salary. Employees can direct employer and employee contributions to any investment in their plan. Employees are 100% vested in employer's contributions after 12 months of participation and immediately vested in their own contributions. DCRP employee and employer contributions were \$7,183 and \$4,309 for the fiscal year ended June 30, 2020 and \$6,527 and \$3,916 for the fiscal year ended June 30, 2019, respectively.

Note 6 – Other Postemployment Benefits:

Plan description and benefits provided

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health benefits) for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 6 - Other Postemployment Benefits (continued):

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.

Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefit plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of insurance for themselves and their covered dependents. In Fiscal Year 2019, the State paid PRM benefits for 153,893 State and local retirees. The total nonemployer OPEB liability does not include certain other postemployment obligations that are provided by the local education employers.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2019, the State contributed \$1.908 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State's "pay-as-you-go" contributions have remained consistent with Fiscal Year 2018 amounts. The State has appropriated \$1.612 billion in Fiscal Year 2020 as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2019 total State OPEB liability to provide these benefits is \$76.0 billion, a decrease of \$14.5 billion or 16 percent from the \$90.5 billion liability recorded in Fiscal Year 2018.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 6 – Other Postemployment Benefits (continued):

Total OPEB Liability - 2020

The total OPEB liability from New Jersey’s plan is \$41,729,081,045.

Changes in the College’s Total OPEB Liability

Below represents the changes in the State’s portion of the total OPEB liability associate with the College for the year ended June, 30, 2020:

	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2018	\$ 16,635,875
Changes for the year:	
Service cost	724,080
Interest cost	662,730
Difference between expected and actual experiences	(1,844,944)
Changes of assumptions	237,676
Member contributions	14,505
Gross benefit payments	(489,329)
Net changes	(695,282)
Ending Total OPEB Liability, June 30, 2019	\$ 15,940,593

Employees covered by benefit terms

The following employees were covered by the benefit terms:

<u>Local Education</u>	<u>June 30, 2019</u>
Active Plan Members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	364,943

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF 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 as of June 30, 2020 was \$15,940,593. Additional information can be obtained from the State of New Jersey’s comprehensive annual financial report.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 6 – Other Postemployment Benefits (continued):

Actuarial assumptions and other inputs

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

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

Mortality Rates

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

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

Discount Rate

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 6 – Other Postemployment Benefits (continued):

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2020 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%.

The following represents sensitivity of total non-employer OPEB liability to changes in the discount rate and health care cost trend rate

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2019 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	At a 1% decrease (2.50)%	At current discount rate (3.50%)	At a 1% increase (4.50%)
Total OPEB Liability (Allocable to the College and the responsibility of the State)	\$ 18,832,140	\$ 15,940,593	\$ 13,643,707

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2019 calculated using the healthcare cost trend rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	At a 1% decrease	At Healthcare Cost Trend Rates	At a 1% increase
Total OPEB Liability (Allocable to the College and the responsibility of the State)	\$ 13,134,338	\$ 15,940,593	\$ 19,655,498

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

For the year ended June 30, 2020, the College recognized on-behalf OPEB expense and revenue in the financial statements of \$736,140 for OPEB expenses incurred by the State.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 6 – Other Postemployment Benefits (continued):

Collective balances of the Local Education Group at June 30, 2019 are as follows:

Deferred outflows of resources	\$	1,921,145,183
Deferred inflows of resources	\$	20,887,639,826
Collective OPEB Expense	\$	1,015,664,874
College's Proportion		0.04%

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State, therefore, the College records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to the State of New Jersey.

Total OPEB Liability - 2019

The net OPEB liability from New Jersey's plan is \$46,110,832,982.

Changes in the College's Total OPEB Liability

Below represents the changes in the College's total OPEB liability for the year ended June 30, 2018:

		<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2017	\$	18,516,905
Changes for the year:		
Service cost		1,073,126
Interest cost		693,704
Difference between expected and actual		(1,309,347)
Changes of assumptions		(1,909,050)
Member contributions		15,374
Gross benefit payments		(444,837)
Net changes		<u>(1,881,030)</u>
Ending Total OPEB Liability, June 30, 2018	\$	<u>16,635,875</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 6 – Other Postemployment Benefits (continued):

Employees covered by benefit terms

The following employees were covered by the benefit terms:

Local Education	June 30, 2018
Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefit	145,050
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	362,181

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF 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 as of June 30, 2018 was \$16,635,875. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

Actuarial assumptions and other inputs

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	ABP	PERS
Inflation rate	2.50%	2.50%
Salary increase through 2026	1.55 - 4.55%	2.15 - 4.15%
	based on years of service	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%
	based on years of service	based on age

Mortality Rates

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality table for males or females, as appropriate, with adjustments for mortality improvements based on 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.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 6 – Other Postemployment Benefits (continued):

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015 for ABP and July 1, 2011 – June 30, 2014 for PERS.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate 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.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO 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.

The following represents sensitivity of total non-employer OPEB liability to changes in the discount rate and health care cost trend rate

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2018 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	At 1% decrease (2.87%)	At current discount rate (3.87%)	At 1% increase (4.87%)
Total OPEB Liability (Allocable to the College and the responsibility of the State)	\$ 19,666,991	\$ 16,635,875	\$ 14,226,451

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2018 calculated using the healthcare cost trend rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 6 – Other Postemployment Benefits (continued):

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Total OPEB Liability (Allocable to the College and the responsibility of the State)	\$ 13,750,520	\$ 16,635,875	\$ 20,451,868

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

For the year ended June 30, 2019, the College recognized on-behalf OPEB expense and revenue in the financial statements of \$1,272,894 for OPEB expenses incurred by the State.

Collective balances of the Local Education Group at June 30, 2018 are as follows:

Deferred outflows of resources	\$	1,377,313,892
Deferred inflows of resources	\$	16,189,378,926
Collective OPEB Expense	\$	2,129,660,368
 College's Proportion		 0.04%

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State, therefore, the College records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to the State of New Jersey.

Note 7 - Risk Management:

The College is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; employee health and accident claims; and natural disasters. The College maintains commercial insurance coverage for property, liability and student accidents and does not retain risk of loss. Health insurance is provided through New Jersey State Health Benefits. There have been no significant reductions in insurance coverage from the prior year and there have been no settlements in the prior three years that exceeded insurance coverage.

Note 8 - New Jersey Unemployment Compensation Insurance:

The College is on a direct reimbursement basis with the State for New Jersey for Unemployment Compensation Insurance claims.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 9 - Commitments and Contingencies:

The College receives support from Federal and State of New Jersey grant programs, primarily student financial assistance. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2020, the College estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the College's financial statements.

The College is involved in several claims and lawsuits incidental to its operations. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the College and the College's insurance coverage is sufficient to address the risk presented by the claims.

The College, along with other colleges and universities, was awarded multiple grants under NJEFA's Higher Education Technology Infrastructure Fund (\$1,276,000) and Higher Education Facilities Trust Fund (\$365,400). The College did not incur any debt with respect to the new grant agreements, however, the College will be required to provide matching funds equal to the grant amount for Higher Education Technology Infrastructure Fund. Sussex County is providing the funds to meet its local matching obligation.

Note 10 - Component Unit - Sussex County Community College Foundation:

Sussex County Community College Foundation (the "Foundation") is a legally separate, tax-exempt component unit of Sussex County Community College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation's Board is comprised of community leaders from the public and private sector. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources and income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the College, the Foundation is considered a component unit of the College and is presented in the College's financial statements.

During the year ended June 30, 2020, the Foundation purchased equipment for the College in the amount of \$14,143. The College recognized a revenue in this amount and recorded an addition to fixed assets in the same amount. Additionally, as part of a property purchase agreement, the College received \$100,000 in escrow funds that is due to the Foundation. During the year ended June 30, 2019, the Foundation did not make any distributions to the College for either restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administrative office at One College Hill Road, Newton, New Jersey 07860.

The Foundation is a private nonprofit organization that conforms with Statement of Financial Accounting Standards Board Accounting Standards Certification (FASB ASC) Topic 958, "*Financial Statements for Non-for-Profit Organizations*." Thus, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity to account for these differences.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 11 - Components of Net Position:

At June 30, 2020 and 2019, the College's components of net position consisted of the following:

	Net Investment in			Total FY	Total FY
	Capital Assets	Restricted	Unrestricted	2020	2019
NET INVESTMENT IN CAPITAL ASSETS	\$ 41,435,318	\$ -	\$ -	\$ 41,435,318	\$ 34,547,051
RESTRICTED FOR:					
Student activity groups	-	35,483	-	35,483	32,282
NJ Community College Consortium for Workforce & Economic Development	-	100,000	-	100,000	100,000
BOARD-DESIGNATED FOR:					
COVID-19 related expenses			1,730,000	1,730,000	-
Deferred capital maintenance	-	-	3,500,000	3,500,000	3,300,000
Enrollment growth/student success	-	-	550,000	550,000	550,000
Information technology	-	-	276,125	276,125	276,125
Academic Initiatives	-	-	1,300,000	1,300,000	1,300,000
New Sports Programs	-	-	400,000	400,000	400,000
Other Capital Programs	-	-	600,000	600,000	600,000
On Line Program Investment	-	-	100,000	100,000	100,000
EFFECT OF GASB 68 ADJUSTMENTS	-	-	(9,499,719)	(9,499,719)	(9,499,719)
UNDESIGNATED	-	-	7,391,047	7,391,047	7,025,291
Total per Statements of Net Position	<u>\$ 41,435,318</u>	<u>\$ 135,483</u>	<u>\$ 6,347,453</u>	<u>\$ 47,918,254</u>	<u>\$ 38,731,030</u>

The Board has also approved a reserve for funds received above certain thresholds. In the event that revenues associated with student growth increase beyond what is reflected in the budget, those excess revenues, net of expenses, at the rate of 25% of the excess growth, will be deposited into a Board-Designated Reserve Fund.

Note 12 - Middle States Commission on Higher Education:

Sussex County Community College is fully accredited by the Middle States Commission on Higher Education (MSCHE), 3624 Market Street, Philadelphia, PA 19104. Regular accreditation visits by a team of MSCHE visitors are scheduled to take place every ten years; and five years after every regular visit, a status report, referred to as Periodic Review Report (PRR) is due to the Commission in order to document the institution's progress in certain areas as recommended by each visiting team assigned by the accrediting agency.

The College was first accredited in 1993, and subsequently reaccredited in 1998 and 2008. The most recent visit from Middle States occurred in April 2018 and the College was reaccredited on November 15, 2018.

Any formal actions that MSCHE takes with respect to the College's accreditation status can be viewed on the MSCHE website: www.msche.org.

**SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

Note 13. Liquidity, Management Plans and Intentions

Due to the COVID-19 Pandemic, the College closed its on sight instruction in the middle of March 2020 to address the shutdown of College campuses as directed by the Governor. As a result, the College initiated a Pandemic Taskforce group of 30 members representing all College departments. This working group met weekly and developed plans to help move the academic programs online for the Spring Semester and implemented procedures where the administrative functions could be continued online. It also included the purchase of zoom licenses, laptops, and other items needed for the conversion. The group continued to meet through the summer and submitted a Fall 2020 plan that allowed 30% of academic programs to be delivered on campus. The plan, which is comprehensive with daily protocols for everyone to follow, also included using non-traditional spaces around campus to allow for larger classroom spaces, e.g., the cafeteria and theater areas. At the same time, the College performed an HVAC audit to study the intake of outside air, replacing the inside air. The College has adjusted its controls accordingly and UVC lights have also been installed in labs and restrooms to allow for proper disinfection of air in critical areas of the College.

The Pandemic Taskforce meets bi-weekly and has decided to deliver Spring in the same manner as Fall, where 30% of the courses will be implemented onsite.

The Pandemic did not have a significant impact on the financial statements of the College for the year ended June 30, 2020. COVID-19 has had an impact on the College's funding for July through September of 2020 resulting in a net loss of \$800,000. However, at the start of the Fall 2020 semester, funding has stabilized, as the Federal funds of over \$820,000 in the form of various grants and funding and State aid was restored to 100% has assisted in the College maintaining its operations and keeping its enrollment from a significant drop thus alleviating any liquidity concerns. The Football program this Fall has also brought in over 90 new students to the College.

Additionally, management has also taken steps to reduce certain expenses for operating the College and plans to utilize existing federal funding to offset any revenue losses or expenses incurred to provide instruction as a result of COVID-19. Management believes that the funds available as of June 30, 2020 and the anticipated revenues from the federal government, state aid and county aid, tuition and other miscellaneous revenues will be sufficient to meet the College's financial needs through one year after the date of this report.

Sussex County Community College
 Schedule of the College's Proportionate Share of the Net Pension Liability and Note to Required Supplementary Information - PERS
 Public Employees' Retirement System
 Required Supplementary Information

Last Ten Fiscal Years

	Fiscal Year Ended									
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011
College's proportion of the net pension liability (asset) - Local Group	0.036768852%	0.0369494900%	0.0395027726%	0.0441984819%	0.0449877506%	0.0415572530%	0.4466172820%	n/a	n/a	n/a
College's proportionate share of the net pension liability (asset)	\$ 6,625,159	\$ 7,275,169	\$ 9,195,614	\$ 13,090,323	\$ 10,098,849	\$ 7,780,654	\$ 8,535,744	n/a	n/a	n/a
College's covered-employee payroll	\$ 2,457,047	\$ 2,491,872	\$ 2,541,794	\$ 2,727,452	\$ 3,067,727	\$ 3,276,196	\$ 3,137,160	\$ 3,269,344	\$ 3,984,003	\$ 3,993,349
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	269.64%	291.96%	361.78%	479.95%	329.20%	237.49%	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%	n/a	n/a	n/a

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

n/a - Not available

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

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

Sussex County Community College
Schedule of College Contributions - PERS
Public Employee's Retirement System
Required Supplementary Information

Last Ten Fiscal Years

	Fiscal Year Ended									
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011
Contractually required contribution	\$ 365,492	\$ 358,557	\$ 368,836	\$ 392,653	\$ 386,774	\$ 342,592	\$ 336,517	\$ 419,001	\$ 431,903	\$ 424,190
Contributions in relation to the contractually required contribution	(365,492)	(358,557)	(368,836)	(392,653)	(386,774)	(342,592)	(336,517)	(419,001)	(431,903)	(424,190)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 2,448,455	\$ 2,457,047	\$ 2,491,872	\$ 2,541,794	\$ 2,727,452	\$ 3,067,727	\$ 3,276,196	\$ 3,137,160	\$ 3,269,344	\$ 3,984,003
Contributions as a percentage of covered-employee payroll	14.93%	14.59%	14.80%	15.45%	14.18%	11.17%	10.27%	13.36%	13.21%	10.65%

Sussex County Community College
Schedule of the State's Proportionate Share of the Net OPEB Liability Associated With the College
and Changes in the Total OPEB Liability and Related Ratios
and Note to Required Supplementary Information
Public Employee's Retirement System and Alternate Benefit Program
Required Supplementary Information

	Last Ten Fiscal Years*			
	Fiscal Year Ended			
	6/30/2020	6/30/2019	6/30/2018	6/30/2017
State's proportion of the net OPEB liability (asset) associated with the College	0.04%	0.04%	0.03%	0.03%
College's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the College	\$ 15,940,593	\$ 16,635,875	\$ 18,516,905	\$ 19,431,939
Total proportionate share of the net OPEB liability (asset) associated with the College	<u>\$ 15,940,593</u>	<u>\$ 16,635,875</u>	<u>\$ 18,516,905</u>	<u>\$ 19,431,939</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017**</u>
Total OPEB Liability				
Service cost	\$ 724,080	\$ 1,073,126	\$ 1,270,170	
Interest cost	662,730	693,704	584,165	
Differences between expected and actual	(1,844,944)	(1,309,347)	-	
Changes of assumptions	237,676	(1,909,050)	(2,356,272)	
Member contributions	14,505	15,374	15,793	
Gross benefit payments	(489,329)	(444,837)	(428,890)	
Net change in total OPEB liability	<u>(695,282)</u>	<u>(1,881,030)</u>	<u>(915,034)</u>	
Total OPEB liability - beginning	<u>16,635,875</u>	<u>18,516,905</u>	<u>19,431,939</u>	
Total OPEB liability - ending	<u>\$ 15,940,593</u>	<u>\$ 16,635,875</u>	<u>\$ 18,516,905</u>	
Covered-employee payroll	<u>\$ 2,448,455</u>	<u>\$ 2,457,047</u>	<u>\$ 2,491,872</u>	
Total OPEB liability as a percentage of covered-employee payroll	<u>651.05%</u>	<u>677.07%</u>	<u>743.09%</u>	

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

** information not available.

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

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



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

The Board of Trustees
Sussex County Community College

We have audited, in accordance with the 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 business-type activities of Sussex County Community College (the "College"), as of and for the 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 February 9, 2021. The financial statements of the Foundation 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 the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

Wiss & Company

WISS & COMPANY, LLP

Florham Park, New Jersey
February 9, 2021



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

Independent Auditors' Report

The Board of Trustees
Sussex County Community College

Report on Compliance for Each Major Federal and State Program

We have audited Sussex County Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the 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.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our unmodified opinions on compliance for major federal and state programs. 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, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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.

Purpose of this Report

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

Wiss & Company

WISS & COMPANY, LLP

Florham Park, New Jersey
February 9, 2021

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant or FAIN Number	FY 2020 Expenditures
Student Financial Assistance Cluster:			
U.S. Department of Education:			
Direct Awards:			
Federal Pell Grant Program (PELL)	84.063	P063P174434	\$ 3,214,564
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	P007A187578	67,433
Federal Direct Student Loans - Subsidized	84.268	P268K184434	691,639
Federal Direct Student Loans - Non subsidized	84.268	P268K184434	1,385,271
Federal Work-Study Program (FWS)	84.033	P033A178578	57,189
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Student Aid	84.425E	P425E201247	70,250
Total Student Financial Assistance Cluster			<u>5,486,346</u>
U.S. Department of Education Passed Through the NJ Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	V048A190030	222,186
Adult Basic Education - Basic Grants to States	84.002	V002A190031	178,178
Total U.S. Department of Education Passed Through the NJ Department of Education			<u>400,364</u>
U.S. Department of Transportation Passed Through the NJ Department of Education:			
National Highway Traffic Safety	20.614	DTNH2217H100107	8,425
U.S. Department of Agriculture Passed Through the NJ Department of Education:			
Career and Technical Education - Rural Business Development Grant	10.351	V048A190030	49,143
Total Expenditures of Federal Awards			<u>\$ 5,944,278</u>

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2020

State of New Jersey Grantor/Program or Cluster Title	State of New Jersey Account/ Grant Number	FY 2020 Award Amount	Grant Period	FY 2020 Cash Receipts	FY 2020 Expenditures
Student Financial Assistance Cluster:					
New Jersey Commissioner of Higher Education					
Tuition Aid Grant (TAG)	100-074-2405-007	\$ 676,731	7/1/19-6/30/20	\$ 676,731	\$ 675,457
Student NJ Class Loan (NJCL)	NJCL	15,176	7/1/19-6/30/20	15,176	15,176
New Jersey STARS	100-074-2405-313	191,276	7/1/19-6/30/20	191,276	189,956
Educational Opportunity Fund - Summer 2019	100-074-2401-002	67,547	7/1/19-6/30/20	45,839	65,051
Educational Opportunity Fund	100-074-2401-002	148,903	7/1/19-6/30/20	141,368	141,115
Educational Opportunity Fund - Summer 2020	100-074-2401-002	43,242	7/1/19-6/30/20	43,242	8,367
Community College Opportunity Grant (CCOG)	Not Available	475,069	7/1/19-6/30/20	265,836	475,069
Total Student Financial Assistance Cluster				<u>1,379,468</u>	<u>1,570,191</u>
Other State of New Jersey Programs:					
New Jersey Commissioner of Higher Education					
Operational Costs - County Colleges	100-074-2400-001	3,282,344	7/1/19-6/30/20	2,889,987	2,889,987
EMT - Emergency Medical Services	100-046-4220-316	42,750	7/1/19-6/30/20	42,750	42,750
Alternate Benefit Program	100-082-2155-017	216,517	7/1/19-6/30/20	133,968	216,517
Alternate Benefit Program	100-082-2155-017	229,356	7/1/18-6/30/19	80,546	
Subtotal Other State of New Jersey Programs				<u>3,147,251</u>	<u>3,149,254</u>
New Jersey Office of the Secretary of Higher Education					
College Readiness Now Project IV	Not available	16,041	7/1/19-6/30/20	-	15,373
Community College Opportunity Grant (CCOG)	Not available	250,000	7/1/17-6/30/20	-	13,583
Community College Opportunity Grant (CCOG)	Not available	265,000	7/1/19-6/30/20	265,000	265,000
Building Our Future Bond Act (Go Bond Act)	Not available	3,120,203	7/1/17-6/30/20	2,256,781	2,807,789
Subtotal New Jersey Office of the Secretary of Higher Education				<u>2,521,781</u>	<u>3,101,745</u>
New Jersey Department of Labor and Workforce Development					
Machine Tool Program	OPGGY1801005	60,000	1/16/18-6/30/20	8,400	3,434
Total other State of New Jersey programs				<u>5,677,432</u>	<u>6,254,433</u>
Total Expenditures of State Financial Assistance				<u>\$ 7,056,900</u>	<u>\$ 7,824,624</u>

See accompanying notes to schedules of expenditures of federal awards and state financial assistance.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2020

1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal award and state grant activity of Sussex County Community College (the "College") and are presented on the accrual basis of accounting. The College is defined in Note 1 to the College's Notes to Financial Statements. The information in these schedules is presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the purposes of these schedules, Federal Awards and State Financial Assistance include any assistance provided by a Federal and State agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations and other non-cash assistance. Because these schedules present only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position, changes in net position and other changes of the College in conformity with generally accepted accounting principles.

The accounting practices followed by the College in preparing the accompanying schedules are as follows:

Expenditures for direct costs are recognized as incurred using the accrual method of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

2. Loan Programs

Sussex County Community College is responsible only for the performance of certain administrative duties with respect to the Loan Programs. The balance of loans outstanding to students of Sussex County Community College under the federal loan programs was \$2,055,801 at June 30, 2020. The College processed \$2,076,910 under Federal Direct Loans and \$15,176 under Student NJ Class Loans, respectively, during the fiscal year ended June 30, 2020.

3. Alternate Benefit Program

During the year ended June 30, 2020, the State of New Jersey, Department of Treasury made payments on behalf of Sussex County Community College to the Alternate Benefit Program of \$216,517. These benefits are reimbursed by the State of New Jersey at the rate of 8% for faculty and staff involved in the student instruction process, all other disbursements for other staff are reflected in the accompanying basic financial statements for the year ended June 30, 2020. The June 30, 2020 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of state financial assistance.

4. Indirect Costs

The College has elected not use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Part I- Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards and State Financial Assistance

Internal control over major federal and state programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified Yes None reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or NJ OMB 15-08?

Yes No

**SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)**

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2020

Part I- Summary of Auditors' Results

Identification of major federal and state programs:

CFDA Number/State Account Number	FAIN Number	Name of Federal and State Program or Cluster
Federal Awards:		
United States Department of Education		
Student Financial Assistance Cluster:		
84.063	P063P174434	Federal Pell Grant Program
84.007	P007A187578	Federal Supplementary Educational Opportunity Grant Program
84.033	P268K184434	Federal Work-Study Program
84.268	P033A178578	Federal Direct Student Loans
84.425E	P425E201247	Higher Education Emergency Relief Fund - Student Aid
State Financial Assistance:		
N/A		Building our Future Bond Act (Go Bond Act)
100-074-2400-001		Operational Costs - County Colleges

Dollar threshold used to distinguish between type A and type B programs:

Federal	<u>\$ 750,000</u>
State	<u>\$ 750,000</u>

Auditee qualified as low-risk auditee? Yes X No

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2020

Part II - Schedule of Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

**SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)**

Year ended June 30, 2020

**Part III - Schedule of Federal and State Award Findings
and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 2 CFR 200 Section 516(a) and New Jersey Treasury Circular OMB 15-08, respectively.

Federal Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with 2 CFR 200 Section 516(a).

State Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with New Jersey Treasury Circular OMB 15-08.

**SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)**

Year ended June 30, 2020

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2019-001 – Instance of Non-Compliance - Reporting

Federal Award Programs

Student Financial Aid Cluster (84.063, 84.007, 84.268, 84.033)

Statement of Condition: During our testing of the Student Financial Aid Cluster, we identified multiple instances where the College submitted the proper information, however, it was not within the required timeframes, as the College reported to COD prior to a disbursement being made.

Status: Not repeated in current year.