



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
STATE
FINANCIAL ASSISTANCE NEW JERSEY OMB CIRCULAR 15-08
YEARS ENDED JUNE 30, 2019 AND 2018

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

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis-Required Supplementary Information	4-14
Basic Financial Statements:	
Statements of Net Position (Sussex County Community College)	15
Statements of Financial Position (Sussex County Community College Foundation)	16
Statements of Revenues, Expenses and Changes in Net Position (Sussex County Community College)	17
Statements of Activities and Changes in Net Assets (Sussex County Community College Foundation)	18
Statements of Cash Flows (Sussex County Community College)	19-20
Notes to Financial Statements	21-49
Required Supplementary Information and Note to Required Supplementary Information	
Schedule of the College's Proportionate Share of the Net Pension Liability – PERS and Note to Required Supplementary Information	50
Schedule of the College's Contributions – PERS and Note to Required Supplementary Information	51
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 and Note to Required Supplementary Information	52
Single Audit Section:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53-54
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	55-57
Schedule of Expenditures of Federal Awards-Supplementary Information	58
Schedule of Expenditures of State Financial Assistance-Supplementary Information	59
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	60
Schedule of Findings and Questioned Costs	61-64
Summary Schedule of Prior Year Audit Findings	65

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

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, 2019 and 2018, 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 College 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 January 13, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Wiss & Company

WISS & COMPANY, LLP

Livingston, New Jersey
January 13, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2019 and 2018

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, 2019 and 2018, with selected information pertaining to the year ended June 30, 2017. 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 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
(A Component Unit of the County of Sussex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2019 and 2018

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 (\$6,647,722) and (\$5,371,622) for fiscal years ended June 30, 2019 and 2018, respectively, while the non-operating revenues shows income before other revenues of \$734,156 and \$1,951,752 for the fiscal years ended June 30, 2019 and 2018, 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, 2019 and 2018

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, 2019, 2018, and 2017:

	Net Position as of June 30,				
	2017	2018	2019	Change from 2018	Percent Change from 2018
CURRENT ASSETS	\$ 13,575,400	\$ 16,740,517	\$ 17,700,281	\$ 959,764	6%
NON-CURRENT ASSETS:					
Capital assets, nondepreciable land and construction in progress	17,020,275	16,219,288	16,574,505	355,217	2%
Capital assets, net of accumulated depreciation	<u>16,729,645</u>	<u>17,968,359</u>	<u>18,048,672</u>	<u>80,313</u>	0%
Total Assets	<u>\$ 47,325,320</u>	<u>\$ 50,928,164</u>	<u>\$ 52,323,458</u>	<u>\$ 1,395,294</u>	3%
DEFERRED OUTFLOWS OF RESOURCES	<u>4,276,322.00</u>	<u>2,814,595</u>	<u>1,894,691</u>	<u>(919,904)</u>	-33%
CURRENT LIABILITIES	\$ 3,845,847	\$ 3,784,320	\$ 3,076,384	\$ (707,936)	-19%
NON-CURRENT LIABILITIES:					
Capital lease payable	92,955	76,125	58,459	(17,666)	-23%
Net pension liability	13,090,323	9,195,614	7,275,169	(1,920,445)	-21%
Compensated absences	<u>1,378,185</u>	<u>1,310,215</u>	<u>1,316,423</u>	<u>6,208</u>	0%
Total Liabilities	<u>\$ 18,407,310</u>	<u>\$ 14,366,274</u>	<u>\$ 11,726,435</u>	<u>\$ (2,639,839)</u>	-18%
DEFERRED INFLOWS OF RESOURCES	<u>445,558</u>	<u>3,008,026</u>	<u>3,760,684</u>	<u>752,658</u>	25%
NET POSITION:					
Net investment in capital assets	\$ 33,640,936	\$ 34,094,692	\$ 34,547,051	\$ 452,359	1%
Restricted	131,383	148,558	132,282	(16,276)	-11%
Unrestricted (deficit)	<u>(1,023,545)</u>	<u>2,125,209</u>	<u>4,051,697</u>	<u>1,926,488</u>	91%
Total Net Position	<u>\$ 32,748,774</u>	<u>\$ 36,368,459</u>	<u>\$ 38,731,030</u>	<u>\$ 2,362,571</u>	6%

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

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

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

Net position at June 30, 2017, totaled \$32.7 million.

Deferred outflows of resources and deferred inflows of resources have decreased and increased, respectively, based upon the actuarial valuation done of 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 mainly due to cash and cash and equivalent increases due to operating results and more timely collection of grant funds in the 2019 fiscal year.

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 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 to the net pension liability.

At June 30, 2019, \$3,300,000 has been identified and designated 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
(A Component Unit of the County of Sussex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2019 and 2018

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, 2019, 2018, and 2017 are as follows:

	Year Ended June 30,			Change from 2018	Percent Change from 2018
	2017	2018	2019		
OPERATING REVENUES:					
Net student revenues	\$ 14,126,470	\$ 13,618,838	\$ 12,507,959	\$ (1,110,879)	-8%
Federal and local grants and contracts	7,094,556	6,934,260	6,295,334	(638,926)	-9%
State grants and contracts	2,811,377	2,779,528	2,650,359	(129,169)	-5%
Other operating revenues	500,776	485,844	495,441	9,597	2%
Total	<u>24,533,179</u>	<u>23,818,470</u>	<u>21,949,093</u>	<u>(1,869,377)</u>	<u>-8%</u>
Less: Operating expenses	29,811,335	29,190,092	28,594,744	(595,348)	-2%
Operating Loss	<u>(5,278,156)</u>	<u>(5,371,622)</u>	<u>(6,645,651)</u>	<u>(1,274,029)</u>	<u>24%</u>
NON-OPERATING REVENUES:					
State appropriations	3,268,635	3,265,155	3,282,344	17,189	1%
County appropriations	3,949,000	4,020,000	4,020,000	-	0%
Investment income, net	20,888	38,219	79,534	41,315	108%
Total	<u>7,238,523</u>	<u>7,323,374</u>	<u>7,381,878</u>	<u>58,504</u>	<u>1%</u>
OTHER REVENUES	<u>863,298</u>	<u>1,667,933</u>	<u>1,626,344</u>	<u>(41,589)</u>	<u>-2%</u>
INCREASE IN NET POSITION	<u>\$ 2,823,665</u>	<u>\$ 3,619,685</u>	<u>\$ 2,362,571</u>	<u>\$ (1,257,114)</u>	<u>-35%</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 have decreased from the prior year due mostly 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.

Operating expenses have remained consistent with the prior year.

State appropriations increased slightly in FY 2019, as the State increased appropriations to support county colleges.

County appropriations have remained flat in FY 2019.

Other revenues decreased slightly in the 2019 fiscal year. Additionally, there was county and state aid portions related to the Go Bond Act in the current year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2019 and 2018

Condensed Schedules of Operating Expenses

A summary of the College's operating expenses for the years ended June 30, 2019, 2018, and 2017 follows:

	Year Ended June 30,			Change from 2018	Percent Change from 2018
	2017	2018	2019		
OPERATING EXPENSES:					
Instruction	\$ 7,445,479	\$ 7,599,697	\$ 7,887,297	\$ 287,600	4%
Academic support	2,990,272	2,173,329	1,708,288	(465,041)	-21%
Student affairs	2,991,960	2,615,671	2,457,966	(157,705)	-6%
Institutional support	2,755,530	3,216,584	3,108,972	(107,612)	-3%
OPEB expenses	1,853,354	1,649,630	1,272,894	(376,736)	-23%
Operation and maintenance of plant	2,412,267	2,627,009	3,091,226	464,217	18%
Student aid	7,738,624	7,650,996	7,306,974	(344,022)	-4%
Chargeback expenses	239,916	186,637	128,681	(57,956)	-31%
Depreciation	1,383,933	1,470,539	1,632,446	161,907	11%
	<u>\$ 29,811,335</u>	<u>\$ 29,190,092</u>	<u>\$ 28,594,744</u>	<u>\$ (595,348)</u>	-2%

Operating expenses include salaries, fringe benefits, and other personal services expenses. Fringe benefits are allocated to functional departments using various factors, including direct charges and headcounts. Operating expenses overall decreased, approximately 6% 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.

Academic support decreased from the prior year as a result of the decrease in the net pension liability and expense related to PERS.

Student affairs decreased from the prior year due to the prior year Information Technology changes where the College converted to Jenzabar, which required less consulting work and software subscriptions and maintenance than Ellucian.

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2019 and 2018

Condensed Schedules of Capital Assets, Net

The following presents the changes in capital assets and related depreciation for the years ended June 30, 2019 and 2018:

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>

Capital Assets Activity for the Year Ended June 30, 2018	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 15,944,035	\$ -	\$ -	\$ -	\$ 15,944,035
Construction in progress	1,076,240	1,676,280	-	(2,477,267)	275,253
Land improvements	1,781,587	-	-	584,115	2,365,702
Buildings and building improvements	22,957,405	39,047	(110,676)	1,213,965	24,099,741
Machinery, equipment and vehicles	11,742,803	192,939	-	679,187	12,614,929
Total	53,502,070	1,908,266	(110,676)	-	55,299,660
Accumulated depreciation	19,752,150	1,470,539	(110,676)	-	21,112,013
Net capital assets	<u>\$ 33,749,920</u>	<u>\$ 437,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,187,647</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, 2019 and 2018, the College had \$1,645,529 and \$1,637,768 (including current and long-term), respectively, of outstanding long-term liabilities related to compensated absences.

At June 30, 2019 and 2018, the College had a capital lease payable outstanding in the amount of \$76,126 and \$92,955 (including current and long-term), respectively, related to the New Jersey Educational Facilities Authority Higher Education Equipment Leasing Fund.

At June 30, 2019 and 2018, the College had a net pension liability of \$7,275,169 and \$9,195,614, respectively.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2019 and 2018

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 FY2019 include:

- A new bill passed by both houses of the New Jersey State Legislature will allow students to earn their associate degrees in less time. The new law, which went into effect for the Fall 2019 school year, streamlines requirements for earning an associate degree to 60 credits per program. This will allow students to gather enough credits to graduate within two standard school years, or about 15 credit hours per Fall and Spring semester.
- SCCC held a groundbreaking ceremony for the new Academic Center. The new Center will be an addition to the Performing Arts Center building, which was built in 2007. The new 13,000 sq. ft. space will include 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 machine tool technology. Many machine tool courses are one-year certificate programs, but SCCC also offers a two-year Associate of Applied Science course. This expanded program helps students develop advanced skills in planning, designing, and producing CAD prints.
- Tuition for Pike County residents was offered at the in-state rate for New Jersey. This cost savings will enable 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 new Writing Center at Sussex opened this year. The Center offers free sessions with peer writing and reading tutors to discuss all aspects of the writing process, from brainstorming to composition and revising/editing skills. Interactive sessions and workshops help develop ideas so students can engage in meaningful conversations about their writing.
- The National Association for Community College Entrepreneurship (NACCE) signed the Presidents for Entrepreneurship Pledge with the College. This pledge supports enterprising students as well as local businesses by partnering with NACCE. It allows students to team up and focus on entrepreneurship at the College, talk to industry professionals and local entrepreneurs who focus on business and job creation.
- 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 College joined in the April celebration of National Community College Month. The community joined the administration, faculty, and staff to an open door community event to celebrate the accomplishments of our alumni, staff, and campus. The event provided awareness of the critical role community colleges play in our country's higher educational system.
- To build a stronger workforce, Sussex County Community College hosted several no-cost professional training courses on its main campus in Newton. The courses, offered through grant-funding for employees of NJ-based businesses, ranged from basic computer skills training to interpersonal communication.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2019 and 2018

- Lakeland Bank awarded a \$15,000 Community Impact Grant to the College to support the advancement of technical career programs. The purpose of the Bank's Community Impact Grant Program is to make investments directly in eligible nonprofit organizations whose primary mission is to provide services that impact the environment, social, physical and/or mental well-being of the individuals, families, and communities within the Bank's assessment areas.
- 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 1000 students eligible for making the list.
- The College developed an Honors Program, which allowed students graduating from SCCC to transfer easily to Drew University and The College of New Jersey's honors programs to complete a baccalaureate degree. Under a new agreement, honors students graduating from SCCC will be able to attend as a fifth-semester student (or Junior).
- Fall and Spring Transfer Fairs are held to provide students with access to over 30 employers, colleges, and universities. Students can ask questions from prospective employers or from colleges about transfer options. Additional transfer opportunities such as Transfer Days and Instant Decision Days help students make an informed decision on their next college step.
- 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.
- Eighty-six Sussex County Community College students were inducted into the most prestigious honor society for community colleges in the United States - Phi Theta Kappa International.
- 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 fifth 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 18th 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 joins with hundreds of other communities across America in remembrance and prayer.
- The SCCC Skylanders' Baseball team hosted a special Military Appreciation Game. This event is a fundraiser for the College's Student Veterans Emergency Relief program (SVER).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2019 and 2018

- The Skylanders Men's Soccer won the NJCAA Region XIX Championship Game this past year. This was the first regionally-ranked sports team In the College's history.

Enrollment

Enrollment in the Fall 2018 semester reflected a 7.0% decrease in total credit hours from Fall 2017, while Spring 2019 enrollment dipped by 6.0% 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 2019 Fiscal Year was down by approximately 5.2% from 2018.

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 FY19, 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 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, 2019 and 2018

The overall decline in enrollment in FY19 was partially anticipated in the budget. It was budgeted to decline by approximately 7.7%, but the actual decline was 5.2%. The enrollment decline, combined with a reduction to the State aid projection, forced the College to implement cutbacks to cover the shortfall.

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
- 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
- Summer Youth Sports Camps
- Agricultural Conference
- Shakespeare Performance of A MidSummer Night's Dream
- Gardening, Culinary, Automotive and Wordworking 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 2020, by approximately 5.0%. The enrollment decline combined with a decrease in County operating aid and increase in operating costs has created challenging financial circumstances. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2019 and 2018

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,	
	2019	2018
ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
CURRENT ASSETS:		
Cash and equivalents	\$ 10,832,870	\$ 10,263,505
Cash held by bond trustee-NJEFA	1,124,574	1,328,677
Restricted cash and equivalents	132,282	148,558
Investments-certificates of deposit	4,492,195	3,420,470
Total Cash and Equivalents and Investments	16,581,921	15,161,210
Receivables - student, net of allowance of \$1,448,875 and \$1,448,875, respectively	322,712	337,295
Due from Foundation	147,210	138,026
Other assets	79,798	51,544
Other receivables	424,135	879,487
Other restricted receivables - grant funds	144,505	172,955
Total Receivables	1,118,360	1,579,307
Total Current Assets	17,700,281	16,740,517
NON-CURRENT ASSETS:		
Capital assets, non depreciable assets	16,574,505	16,219,288
Capital assets, net of accumulated depreciation of \$22,744,459 and \$21,112,013, respectively	18,048,672	17,968,359
Total Non-Current Assets	34,623,177	34,187,647
Total Assets	52,323,458	50,928,164
DEFERRED OUTFLOW OF RESOURCES -		
Pension deferrals	1,894,691	2,814,595
Total Assets and Deferred Outflow of Resources	54,218,149	53,742,759
LIABILITIES AND DEFERRED INFLOW OF RESOURCES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses:		
Vendors	1,262,497	1,559,554
Compensated absences, current portion	329,106	327,553
Unearned revenue	1,467,114	1,880,383
Capital lease payable-current	17,667	16,830
Total Current Liabilities	3,076,384	3,784,320
NON-CURRENT LIABILITIES:		
Capital lease payable-noncurrent	58,459	76,125
Compensated absences	1,316,423	1,310,215
Net pension liability	7,275,169	9,195,614
Total Non-Current Liabilities	8,650,051	10,581,954
Total Liabilities and Deferred Inflow of Resources	11,726,435	14,366,274
DEFERRED INFLOW OF RESOURCES -		
Pension deferrals	3,760,684	3,008,026
Total Liabilities and Deferred Inflow of Resources	15,487,119	17,374,300
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	34,547,051	34,094,692
RESTRICTED FOR EXTERNAL PURPOSES	132,282	148,558
UNRESTRICTED	4,051,697	2,125,209
Total Net Position	\$ 38,731,030	\$ 36,368,459

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	2019	2018
CURRENT ASSETS:		
Cash and equivalents	\$ 908,699	\$ 757,095
Investments	1,377,592	1,442,370
Pledges receivable, net	346,967	12,454
Prepaid expenses	500	1,142
Fixed assets, net	34,796	37,636
Total Assets	\$ 2,668,554	\$ 2,250,697
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 16,177	\$ 22,140
Due to Sussex County Community College	147,210	138,026
Deferred sponsorships	20,300	17,352
Total Current Liabilities	183,687	177,518
NET ASSETS:		
Without donor restrictions	6,201	37,689
With donor restrictions	2,478,666	2,035,490
Total Net Assets	2,484,867	2,073,179
Total Liabilities and Net Assets	\$ 2,668,554	\$ 2,250,697

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,	
	2019	2018
OPERATING REVENUES:		
Student revenues:		
Tuition and fees	\$ 13,111,612	\$ 14,622,231
Less: Scholarship allowance	<u>(603,653)</u>	<u>(1,003,393)</u>
Net student revenues	12,507,959	13,618,838
Federal and local grants and contracts	6,295,334	6,934,260
State grants and contracts	2,650,359	2,779,528
Chargeback reimbursements	128,681	186,637
Other operating revenues	<u>366,760</u>	<u>299,207</u>
Total Operating Revenues	<u>21,949,093</u>	<u>23,818,470</u>
OPERATING EXPENSES:		
Instruction	7,887,297	7,599,697
Academic support	1,708,288	2,173,329
Student affairs	2,457,966	2,615,671
Institutional support	4,381,866	4,866,214
Operation and maintenance of plant	3,091,226	2,627,009
Student aid	7,306,974	7,650,996
Chargeback expenses	128,681	186,637
Depreciation	<u>1,632,446</u>	<u>1,470,539</u>
Total Operating Expenses	<u>28,594,744</u>	<u>29,190,092</u>
OPERATING LOSS	<u>(6,645,651)</u>	<u>(5,371,622)</u>
NON-OPERATING REVENUES:		
State appropriations	3,282,344	3,265,155
County appropriations	4,020,000	4,020,000
Investment income	<u>79,534</u>	<u>38,219</u>
Total Non-Operating Revenues	<u>7,381,878</u>	<u>7,323,374</u>
INCOME BEFORE OTHER REVENUES	736,227	1,951,752
OTHER REVENUES:		
Go Bonds - County	64,947	34,191
Go Bonds - State	194,842	102,572
Capital appropriations-Chapter 12 funds	1,065,298	1,530,762
Higher Education funds	<u>301,257</u>	<u>408</u>
Total Other Revenues	<u>1,626,344</u>	<u>1,667,933</u>
INCREASE IN NET POSITION	2,362,571	3,619,685
NET POSITION, BEGINNING OF YEAR	<u>36,368,459</u>	<u>32,748,774</u>
NET POSITION, END OF YEAR	<u>\$ 38,731,030</u>	<u>\$ 36,368,459</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, 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	<u>459,050</u>	<u>443,176</u>	<u>902,226</u>
EXPENSES:			
Program services	456,934	-	456,934
Management and general	29,854	-	29,854
Fundraising	3,750	-	3,750
Total expenses	<u>490,538</u>	<u>-</u>	<u>490,538</u>
CHANGE IN NET ASSETS	(31,488)	443,176	411,688
NET ASSETS, BEGINNING OF YEAR	<u>37,689</u>	<u>2,035,490</u>	<u>2,073,179</u>
NET ASSETS, END OF YEAR	<u>\$ 6,201</u>	<u>\$ 2,478,666</u>	<u>\$ 2,484,867</u>
	Year Ended June 30, 2018		
	Without	With	Total
	Donor Restrictions	Donor Restrictions	
SUPPORT AND REVENUES:			
Contributions	\$ 10,000	\$ 302,525	\$ 312,525
Services received from personnel of an affiliates	83,162	-	83,162
Special events, net of expenses of \$33,173	64,658	-	64,658
Net investment return	1,209	19,724	20,933
Other income	15,889	-	15,889
Net assets released from restrictions	162,405	(162,405)	-
Total support and revenues	<u>337,323</u>	<u>159,844</u>	<u>497,167</u>
EXPENSES:			
Program services	366,334	-	366,334
Management and general	17,504	-	17,504
Fundraising	3,750	-	3,750
Total expenses	<u>387,588</u>	<u>-</u>	<u>387,588</u>
CHANGE IN NET ASSETS	(50,265)	159,844	109,579
NET ASSETS, BEGINNING OF YEAR	<u>87,954</u>	<u>1,875,646</u>	<u>1,963,600</u>
NET ASSETS, END OF YEAR	<u>\$ 37,689</u>	<u>\$ 2,035,490</u>	<u>\$ 2,073,179</u>

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,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 12,109,273	\$ 13,548,697
Federal and local grants and contracts received	6,323,784	7,781,087
State grants and contracts	2,650,359	1,129,898
Payments to suppliers	(14,525,917)	(14,002,112)
Payments for employee salaries and benefits	(12,973,560)	(12,003,267)
(Appreciation) of restricted cash	16,276	(17,175)
Other receipts	913,355	534,308
Net cash flows from operating activities	(5,486,430)	(3,028,564)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Direct lending receipts	2,507,582	2,939,055
Direct lending disbursements	(2,507,582)	(2,939,055)
State appropriations	3,282,344	3,265,155
County appropriations	4,020,000	4,020,000
Net cash flows from non-capital financing activities	7,302,344	7,285,155
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Deposits held by bond trustee-NJEFA	204,103	111
County Capital appropriation	1,065,298	1,530,762
Capital lease payable	(16,829)	(16,029)
Go Bond State and County revenue	259,789	136,763
Higher Education Equipment Leasing Fund (ELF & HETI)	301,257	408
Purchase of capital assets	(2,067,976)	(1,908,266)
Net cash flows from capital and related financing activities	(254,358)	(256,251)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	79,534	38,219
Investments purchased (net)	(1,071,725)	(1,027,164)
Net cash flows from investing activities	(992,191)	(988,945)
NET CHANGE IN CASH AND EQUIVALENTS	569,365	3,011,395
CASH AND EQUIVALENTS, BEGINNING OF YEAR	10,263,505	7,252,110
CASH AND EQUIVALENTS, END OF YEAR	\$ 10,832,870	\$ 10,263,505

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,	
	2019	2018
RECONCILIATION OF OPERATING LOSS TO		
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (6,645,651)	\$ (5,371,622)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,632,446	1,470,539
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Receivables - student, net	14,583	(4,785)
Due from Foundation	(9,184)	(18,090)
Other assets	(28,254)	56,100
Other receivables	455,352	10,454
Restricted cash and equivalents	16,276	(17,175)
Other restricted receivables - grant funds	28,450	846,827
Accounts payable and accrued expenses - vendors	(495,596)	168,135
Accounts payable-pension	198,539	(148,114)
Net pension liability	(1,920,445)	(3,894,709)
Deferred inflows-pension deferrals	752,658	2,562,468
Deferred outflows-pension deferrals	919,904	1,461,727
Compensated absences	7,761	(84,963)
Unearned revenue	(413,269)	(65,356)
	\$ (5,486,430)	\$ (3,028,564)
Net cash flows from operating activities	\$ (5,486,430)	\$ (3,028,564)

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, 2019 AND 2018

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, 2019 AND 2018

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 No. 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 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, 2019 AND 2018

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 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 government, state and county and net investment income.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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

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 Section 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, 2016.

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 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 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. Management has not yet determined the impact of this Statement on the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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

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. Management has not yet determined the impact of this Statement on the financial statements.

Subsequent Events - Management has reviewed and evaluated all events and transactions from June 30, 2019 through January 13, 2020, 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, have been recognized in the accompanying financial statements.

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, 2019 and 2018, cash held by trustees was \$1,124,574 and \$1,328,677, respectively. In addition, as of June 30, 2019 and 2018, the College's carrying amount of unrestricted and restricted deposits was \$10,965,152 and \$10,412,063 respectively, and the bank balance was \$11,151,496 and \$10,537,856, respectively. Of the above 2019 amounts, \$500,000 of the total deposits were insured by the FDIC as of June 30, 2019 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), 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.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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

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) and for the workforce consortium.

Investments - The College's investment policy is to invest in certificates of deposits with maturities of less than one year. As of June 30, 2019 and 2018, certificates of deposit were \$4,492,195 and \$3,420,470, respectively, with interest rates between 0.12% and 2.51% as of June 30, 2019. 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.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 3 - Capital Assets (continued):

Capital asset activity for the years ended June 30, 2019 and 2018 is comprised of the following:

	Year Ended June 30, 2019				Ending Balance
	Beginning Balance	Acquisitions	Dispositions	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>-</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>-</u>	<u>22,744,459</u>
DEPRECIABLE ASSETS, NET	<u>17,968,359</u>	<u>(1,445,907)</u>	<u>-</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>-</u>	<u>(1,526,220)</u>	<u>16,574,505</u>
	<u>\$ 34,187,647</u>	<u>\$ 435,530</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,623,177</u>

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 3 - Capital Assets (continued):

	Year Ended June 30, 2018				
	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
DEPRECIABLE ASSETS:					
Buildings and building improvements	\$ 22,957,405	\$ 39,047	\$ -	\$ 1,213,965	\$ 24,210,417
Land improvements	1,781,587	-	-	584,115	2,365,702
Machinery, equipment and vehicles	<u>11,742,803</u>	<u>192,939</u>	<u>(110,676)</u>	<u>679,187</u>	<u>12,504,253</u>
Total Depreciable Assets	<u>36,481,795</u>	<u>231,986</u>	<u>(110,676)</u>	<u>2,477,267</u>	<u>39,080,372</u>
ACCUMULATED DEPRECIATION:					
Buildings and building improvements	8,500,669	721,355	-	-	9,222,024
Land improvements	1,491,658	108,965	-	-	1,600,623
Machinery, equipment and vehicles	<u>9,759,823</u>	<u>640,219</u>	<u>(110,676)</u>	<u>-</u>	<u>10,289,366</u>
Total Accumulated Depreciation	<u>19,752,150</u>	<u>1,470,539</u>	<u>(110,676)</u>	<u>-</u>	<u>21,112,013</u>
DEPRECIABLE ASSETS, NET	<u>16,729,645</u>	<u>(1,238,553)</u>	<u>-</u>	<u>2,477,267</u>	<u>17,968,359</u>
NONDEPRECIABLE ASSETS:					
Land	15,944,035	-	-	-	15,944,035
Construction in progress	<u>1,076,240</u>	<u>1,676,280</u>	<u>-</u>	<u>(2,477,267)</u>	<u>275,253</u>
Total Nondepreciable Assets	<u>17,020,275</u>	<u>1,676,280</u>	<u>-</u>	<u>(2,477,267)</u>	<u>16,219,288</u>
	<u>\$ 33,749,920</u>	<u>\$ 437,727</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,187,647</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$1,632,446 and \$1,470,539, respectively. There were no significant commitments outstanding on projects as of June 30, 2019, however projects were identified and funds were board designated for deferred capital maintenance in the amount of \$3,300,000 as of June 30, 2019.

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 \$16,253,000. 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. As of June 30, 2018, \$8,366,039 had been spent with \$7,886,961 remaining to be spent for completion of the approved Capital Projects.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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 Footnote 5, for the years ended June 30, 2019 and 2018:

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>

Year Ended June 30, 2018	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Compensated absences	\$ 1,722,731	\$ 283,847	\$ 368,810	\$ 1,637,768	\$ 327,553	\$ 1,310,215
Capital lease payable	108,984	-	16,029	92,955	16,830	76,125
Net pension liability	13,090,323	-	3,894,709	9,195,614	-	9,195,614
	<u>\$ 14,922,038</u>	<u>\$ 283,847</u>	<u>\$ 4,279,548</u>	<u>\$ 10,926,337</u>	<u>\$ 344,383</u>	<u>\$ 10,581,954</u>

The College has recorded a liability for compensated absences of \$1,645,529 and \$1,637,768 as of June 30, 2019 and 2018, 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.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 4 - Non-Current Liabilities (continued):

The College has capitalized capital lease purchases of \$690,749 through June 30, 2019 and 2018. The College has paid \$16,830 and \$16,029 in principal payments in fiscal years ended June 30, 2019 and 2018, respectively.

As of June 30, 2019, the capital lease payable principal balance for the Series 2014 bonds is \$76,126. 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
2020	\$ 17,667	\$ 3,807	\$ 21,474
2021	18,541	2,923	21,464
2022	19,468	1,996	21,464
2023	20,450	1,023	21,473
	\$ 76,126	\$ 9,749	\$ 85,875

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 began participating in the New Jersey Defined Contribution Retirement Plan ("DCRP") during fiscal year 2012.

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, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports for PERS that include financial statements and required supplementary

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 5 - Retirement Plans (continued):

information. These reports may be 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, 2019, 2018, and 2017 were \$368,192, \$368,836, and \$392,653, 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) - 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, 2018, the College's proportion was 0.0369494900 percent, which was a decrease of 0.0025532826 from its proportion measured as of June 30, 2017.

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:

	Outflows of Resources	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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 5 - Retirement Plans (continued):

\$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)
	<u>\$ (2,224,550)</u>

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 formers 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 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 5 - Retirement Plans (continued):

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 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
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 5 - Retirement Plans (continued):

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. The 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.

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%

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 5 - Retirement Plans (continued):

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, 6.44 years, respectively.

Public Employee's Retirement System (PERS) - 2018

At June 30, 2018, the College reported a liability of \$9,195,614 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2016, which was rolled forward to June 30, 2017. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating colleges, actuarially determined. At June 30, 2018, the College's proportion was 0.0395027726 percent, which was a decrease of 0.00046957093 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the College recognized full accrual pension expense of \$499,581 in the financial statements. At June 30, 2018, 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	\$ 1,852,599	\$ 1,845,807
Net difference between projected and actual earnings on pension plan investments	216,525	62,616
Changes in proportion and differences between College contributions and proportionate share of contributions	314,019	1,162,219
College contributions subsequent to the measurement date	368,836	
	\$ 2,814,595	\$ 3,008,026

\$368,836 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:

2019	\$ (27,762)
2020	277,754
2021	16,509
2022	(521,633)
2023	(307,135)
	\$ (562,267)

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 5 - Retirement Plans (continued):

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. 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, 2016 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 and a one-year static projection based on mortality improvement Scale AA.

In addition, the tables for service retirements and beneficiaries of formers members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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, 2017) 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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 5.00% as of June 30, 2017. 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 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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 40% 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
(A Component Unit of the County of Sussex)**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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, 2017 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 (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	At 1% decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
College's proportionate share of the net pension liability	\$ 11,407,783	\$ 9,195,614	\$ 7,352,603

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, 2017 are as follows:

Deferred outflows of resources	\$ 6,424,455,842
Deferred inflows of resources	\$ 5,700,625,981
Net pension liability	\$ 23,278,401,588
College's Proportion	0.0395027726%

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 is \$1,694,305,613.

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, 2017, 2016, 2015 and 2014 is 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,

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019, ABP investment carriers received approximately 54% employer and 46% employee (includes additional discretionary amounts) contributions totaling \$1,365,123. During the year ended June 30, 2018, ABP investment carriers received approximately 52% employer and 48% employee (includes additional discretionary amounts) contributions totaling \$1,421,922. The contributions made by the Division on behalf of the College for the year ended June 30, 2019 amounted to \$229,356 as compared to \$223,590 for fiscal year 2018.

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 \$6,527 and \$3,916 for the fiscal year ended June 30, 2019 and \$9,386 and \$5,631 for the fiscal year ended June 30, 2018.

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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 6 - Other Postemployment Benefits (continued):

N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L., 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage. In Fiscal Year 2018, the State paid PRM benefits for 148,401 State and local retirees.

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 2018, the State contributed \$1.909 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The increase in the State's pay-as-you-go contribution between Fiscal Year 2017 and Fiscal Year 2018 is attributed to rising health care costs, an increase in the number of participants qualifying for State-paid PRM benefits at retirement and larger fund balance utilization in Fiscal Year 2017 than in Fiscal Year 2018. The Fiscal Year 2019 Appropriations Act includes \$1.921 billion 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. As such, the Fiscal Year 2017 total State OPEB liability to provide these benefits has been re-measured to \$97.1 billion, an increase of \$60.6 billion or 166 percent from the previous year's \$36.5 billion liability booked in accordance with GASB Statement No. 45. For Fiscal Year 2018, the total OPEB liability for the State is \$90.5 billion, a decrease of \$6.6 billion or 7 percent from the re-measured total OPEB liability in Fiscal Year 2017.

Total OPEB Liability - 2019

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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 6 – Other Postemployment Benefits (continued):

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	693,704
Difference between expected and actual	(1,309,347)
Changes in assumptions	(1,909,050)
Member contributions	15,374
Benefit payments	(444,837)
Net changes	(1,881,030)
Ending Total OPEB Liability, June 30, 2018	\$ 16,635,875

Employees covered by benefit terms

The following employees were covered by the benefit terms:

<u>Local Education</u>	<u>June 30, 2018</u>
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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 6 – Other Postemployment Benefits (continued):

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%
Thereafter	2.00 - 5.45%	3.15 - 5.15%
		based on age
		based on age

Mortality Rates

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year 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.

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

100% of all retirees who currently have health care coverage are assumed to continue with that coverage. 100% of all active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

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) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 6 – Other Postemployment Benefits (continued):

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%)
Net 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:

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Net 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 government-wide financial statements of \$1,272,894 for OPEB expenses incurred by the State.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 6 – Other Postemployment Benefits (continued):

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.

Total OPEB Liability - 2018

The net OPEB liability from New Jersey's plan is \$53,639,841,858.

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, 2017:

		<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2016	\$	19,431,939
Changes for the year:		
Service cost		1,270,170
Interest cost		584,165
Changes of assumptions		(2,356,272)
Member contributions		15,793
Gross benefit payments		(428,890)
Net changes		(915,034)
Ending Total OPEB Liability, June 30, 2017	\$	<u>18,516,905</u>

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 6 – Other Postemployment Benefits (continued):

Employees covered by benefit terms

The following employees were covered by the benefit terms:

Local Education	June 30, 2017
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	366,078

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, 2017 was \$18,516,905. 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, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. 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-2014 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-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 6 – Other Postemployment Benefits (continued):

The actuarial assumptions used in the June 30, 2016 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, 2017 was 3.58%. 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 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

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, 2017 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 (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	At 1% decrease (2.58%)	At current discount rate (3.58%)	At 1% increase (4.58%)
Net OPEB Liability (Allocable to the College and the responsibility of the State)	\$ 21,980,902	\$ 18,516,905	\$ 15,769,230

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

Note 6 – Other Postemployment Benefits (continued):

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2017 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 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Net OPEB Liability (Allocable to the College and the responsibility of the State)	\$ 13,681,399	\$ 18,516,905	\$ 20,559,384

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

For the year ended June 30, 2018, the College recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$1,649,630 for OPEB expenses incurred by the State.

Collective balances of the Local Education Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$ 99,843,255
Deferred inflows of resources	\$ 6,443,612,287
Collective OPEB Expense	\$ 3,348,490,523
College's Proportion	0.03%

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.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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.

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, 2019, 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 years ended June 30, 2019 and 2018, 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, 2019 AND 2018

Note 11 - Components of Net Position:

At June 30, 2019 and 2018, the College's components of net position consisted of the following:

	Net Investment in			Total FY	Total FY
	Capital Assets	Restricted	Unrestricted	2019	2018
NET INVESTMENT IN CAPITAL ASSETS	\$ 34,547,051	\$ -	\$ -	\$ 34,547,051	\$ 34,094,692
RESTRICTED FOR:					
Student activity groups	-	32,282	-	32,282	48,558
NJ Community College Consortium for Workforce & Economic Development	-	100,000	-	100,000	100,000
BOARD-DESIGNATED FOR:					
Deferred capital maintenance	-	-	3,300,000	3,300,000	2,900,000
Enrollment growth/student success	-	-	550,000	550,000	550,000
Information technology	-	-	276,125	276,125	293,000
Academic Initiatives	-	-	1,300,000	1,300,000	1,200,000
New Sports Programs	-	-	400,000	400,000	300,000
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)	(9,757,881)
UNDESIGNATED	-	-	7,025,291	7,025,291	5,940,090
Total per Statements of Net Position	\$ 34,547,051	\$ 132,282	\$ 4,051,697	\$ 38,731,030	\$ 36,368,459

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
 Schedule of the College's Proportionate Share of the Net Pension Liability and Note to Required Supplementary Information - PERs
 Public Employee's Retirement System
 Required Supplementary Information

Last Ten Fiscal Years

	Fiscal Year Ended									
	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	6/30/2010
College's proportion of the net pension liability (asset) - Local Group	0.036949400%	0.0395027726%	0.0441984819%	0.0449877506%	0.0415572530%	0.4466172820%	n/a	n/a	n/a	n/a
College's proportionate share of the net pension liability (asset)	\$ 7,275,169	\$ 9,195,614	\$ 13,090,323	\$ 10,098,849	\$ 7,780,654	\$ 8,535,744	n/a	n/a	n/a	n/a
College's covered-employee payroll	\$ 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	\$ 4,065,037
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	291.96%	361.78%	479.95%	329.20%	237.49%	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%	n/a	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 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018.

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

Last Ten Fiscal Years

	Fiscal Year Ended									
	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010
Contractually required contribution	\$ 358,557	\$ 368,836	\$ 392,653	\$ 386,774	\$ 342,592	\$ 336,517	\$ 419,001	\$ 431,903	\$ 424,190	\$ 294,744
Contributions in relation to the contractually required contribution	(358,557)	(368,836)	(392,653)	(386,774)	(342,592)	(336,517)	(419,001)	(431,903)	(424,190)	(294,744)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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
Contributions as a percentage of covered-employee payroll	14.59%	14.80%	15.45%	14.18%	11.17%	10.27%	13.36%	13.21%	10.65%	7.38%

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		
	6/30/2019	6/30/2018	6/30/2017
State's proportion of the net OPEB liability (asset) associated with the College	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	\$ 16,635,875	\$ 18,516,905	\$ 19,431,939
Total proportionate share of the net OPEB liability (asset) associated with the College	<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%
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017**</u>
Total OPEB Liability			
Service cost	\$ 1,073,126	\$ 1,270,170	
Interest cost	693,704	584,165	
Differences between expected and actual	(1,309,347)	-	
Changes of assumptions	(1,909,050)	(2,356,272)	
Member contributions	15,374	15,793	
Gross benefit payments	(444,837)	(428,890)	
Net change in total OPEB liability	<u>(1,881,030)</u>	<u>(915,034)</u>	
Total OPEB liability - beginning	<u>18,516,905</u>	<u>19,431,939</u>	
Total OPEB liability - ending	<u>\$ 16,635,875</u>	<u>\$ 18,516,905</u>	
Covered-employee payroll	<u>\$ 2,457,047</u>	<u>\$ 2,491,872</u>	
Total OPEB liability as a percentage of covered-employee payroll	<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 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

**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, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 13, 2020. 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Purpose of this Report

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

Wiss & Company

WISS & COMPANY, LLP

Livingston, New Jersey
January 13, 2020

**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, 2019. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal and state program is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

Livingston, New Jersey
January 13, 2020

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant or FAIN Number	FY 2019 Expenditures
Student Financial Assistance Cluster:			
U.S. Department of Education:			
Direct Awards:			
Federal Pell Grant Program (PELL)	84.063	P063P174434	\$ 2,921,557
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	P007A187578	69,000
Federal Direct Student Loans - Subsidized	84.268	P268K184434	867,312
Federal Direct Student Loans - Non subsidized	84.268	P268K184434	1,640,270
Federal Work-Study Program (FWS)	84.033	P033A178578	43,436
Total Student Financial Assistance Cluster			<u>5,541,575</u>
U.S. Department of Education Passed Through the NJ Department of Education:			
Career and Technical Education - Basic Grants to States	84.048	V048A170030	227,566
Adult Education - Basic Grants to States	84.002	V002A180031	154,197
Total U.S. Department of Education Passed Through the NJ Department of Education			<u>381,763</u>
U.S. Department of Transportation Passed Through the NJ Department of Education -			
National Highway Traffic Safety	20.614	DTNH2217H100107	6,171
Total Expenditures of Federal Awards			<u>\$ 5,929,509</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, 2019

State of New Jersey Grantor/Program or Cluster Title	State of New Jersey Account/ Grant Number	FY 2019 Award Amount	Grant Period	FY 2019 Cash Receipts	FY 2019 Expenditures
Student Financial Assistance Cluster:					
New Jersey Commissioner of Higher Education					
Tuition Aid Grant (TAG)	100-074-2405-007	\$ 584,743	7/1/18-6/30/19	\$ 584,743	\$ 584,743
Student NJ Class Loan (NJCL)	NJCL	43,651	7/1/18-6/30/19	34,753	34,753
New Jersey STARS	100-074-2405-313	263,903	7/1/18-6/30/19	208,756	208,756
Educational Opportunity Fund - Summer 2018	100-074-2401-002	47,515	7/1/17-6/30/18	5,176	25,545
Educational Opportunity Fund	100-074-2401-002	37,733	7/1/18-6/30/19	37,733	30,188
Educational Opportunity Fund - Summer 2019	100-074-2401-002	29,161	7/1/18-6/30/19	29,161	4,676
Educational Opportunity Fund - Fall '18	100-074-2401-002	75,000	7/1/18-6/30/19	75,000	74,723
Total Student Financial Assistance Cluster				<u>975,322</u>	<u>963,384</u>
Other State of New Jersey Programs:					
New Jersey Commissioner of Higher Education					
Operational Costs - County Colleges	100-074-2400-001	3,282,344	7/1/17-6/30/19	3,282,344	3,282,344
EMT - Emergency Medical Services	100-046-4220-316	36,750	7/1/17-6/30/18	36,750	-
EMT - Emergency Medical Services	100-046-4220-316	36,750	7/1/18-6/30/19	23,062	20,062
Alternate Benefit Program	100-082-2155-017	229,356	7/1/18-6/30/19	208,404	229,356
Alternate Benefit Program	100-082-2155-017	215,959	7/1/17-6/30/18	73,062	-
Subtotal New Jersey Department of Treasury				<u>3,623,622</u>	<u>3,531,762</u>
New Jersey Office of the Secretary of Higher Education					
College Readiness Now Project V	Not available	23,309	7/1/18-6/30/19	-	23,199
College Readiness Now Project IV	Not available	26,258	7/1/17-6/30/18	26,258	-
Community College Opportunity Grant (CCOG)	Not available	250,000	7/1/17-6/30/18	250,000	231,752
Community College Opportunity Grant (CCOG) - Financial Aid	Not available	75,295	7/1/18-6/30/19	34,236	75,295
Community College Opportunity Grant (CCOG) - Rural Rides	Not available	10,000	7/1/18-6/30/19	10,000	9,964
Building Our Future Bond Act (Go Bond Act)	Not available	3,120,203	7/1/17-6/30/19	280,409	194,842
Subtotal New Jersey Office of the Secretary of Higher Education				<u>600,903</u>	<u>535,052</u>
New Jersey Department of Labor and Workforce Development					
Machine Tool Program	OPGGY1801005	60,000	1/16/18-1/15/19	12,000	53,809
Total other State of New Jersey programs				<u>4,236,525</u>	<u>4,120,623</u>
Total Expenditures of State Financial Assistance				<u>\$ 5,211,847</u>	<u>\$ 5,084,007</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, 2019**

1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of Sussex County Community College (the "College") and are presented on the accrual basis of accounting. 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 contained in the U.S. Office of Management and Budget (OMB) 2 CFR Part 220, Cost Principles for Educational Institutions. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

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 \$2,543,855 at June 30, 2019. The College processed \$2,507,582 under Federal Direct Loans and \$34,753 under Student NJ Class Loans, respectively, during the fiscal year ended June 30, 2019.

3. Alternate Benefit Program

During the year ended June 30, 2019, the State of New Jersey, Department of Treasury made payments on behalf of Sussex County Community College to the Alternate Benefit Program of \$229,356. 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, 2019. The June 30, 2019 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, 2019

Part I - Summary of Auditor's 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, 2019

**Part II – Schedule of Federal Awards and State Financial Assistance Findings and
Questioned Costs**

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, 2019

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

Part III - Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major 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

2019-001 – Instance of Non-Compliance - Reporting

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

Criteria: In accordance with Uniform Guidance 34 CFR 690.83, the College is required to submit PELL origination records and disbursements to the Common Origination and Disbursement (COD) System within fifteen days of the disbursement to the student.

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.

Questioned Costs: None.

Context: During our testing of federal grant compliance, we selected a sample of students who received PELL disbursements. For each student selected, we requested the College to provide us with the supporting documentation for the disbursement, as well as the COD records. There were multiple instances where the information was properly reported, however, not within the required timeframes.

Cause and Effect: Those that were not reported within the required timeframes were the result of late enrollments, which were not confirmed and thus resulted in late disbursements. Violations of grant requirements could lead to a potential reduction in funding or return of funds.

Recommendation: We suggest the College implement a process to ensure the reporting of disbursements is within the appropriate timelines.

Views of Responsible Officials and Planned Corrective Actions: College management concurs with the finding and has developed a corrective action plan in response to the recommendations above and has begun to take action to address the finding, including receiving a daily report that will alert the personnel of late start registration of current students to ensure the appropriate code is input and early disbursement is avoided.

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, 2019

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2018-001 – Instance of Non-Compliance - Reporting

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 timeframe.

Status: Not repeated in current year.