



SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)
REPORT ON FINANCIAL STATEMENTS AND
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
IN ACCORDANCE WITH
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES AND AUDIT
REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE) AND
NEW JERSEY OMB CIRCULAR 15-08

YEARS ENDED JUNE 30, 2017 AND 2016

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

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Sussex County Community College

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, 2017 and 2016, 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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.

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, 2017 and 2016, 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 and schedule of College contributions-PERS 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 Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017 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
October 23, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2017 and 2016
(Unaudited)

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, 2017 and 2016, with selected information pertaining to the year ended June 30, 2015. 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
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2017 and 2016
(Unaudited)**

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 a loss of (\$5,278,166) and (\$7,628,204) for fiscal years ended June 30, 2017 and 2016, respectively, while the net of non-operating revenues less non-operating expenses shows income before other revenues of \$1,960,357 and a loss of (\$340,769) for the fiscal years ended June 30, 2017 and 2016, 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, 2017 and 2016
(Unaudited)

Financial Highlights

Condensed Statements of Net Position

The following represents assets, deferred inflows and outflows of resources, liabilities and net position of the College at June 30, 2017, 2016, and 2015:

	Net Position as of June 30,				
	2015	2016	2017	Dollar Change from 2016	Percent Change from 2016
CURRENT ASSETS	\$ 10,265,191	\$ 10,233,633	\$ 13,575,400	\$ 3,341,767	33%
NON-CURRENT ASSETS:					
Capital assets, nondepreciable land and construction in progress	18,100,865	16,460,188	17,020,275	560,087	3%
Capital assets, net of accumulated depreciation	<u>14,266,202</u>	<u>17,425,409</u>	<u>16,729,645</u>	<u>(695,764)</u>	-4%
Total Assets	<u>\$ 42,632,258</u>	<u>\$ 44,119,230</u>	<u>\$ 47,325,320</u>	<u>\$ 3,206,090</u>	7%
DEFERRED OUTFLOWS OF RESOURCES	-	<u>2,257,148</u>	<u>4,276,322</u>	<u>2,019,174</u>	89%
CURRENT LIABILITIES	\$ 4,578,324	\$ 4,115,290	\$ 3,845,847	\$ (269,443)	-7%
NON-CURRENT LIABILITIES:					
Capital lease payable	124,250	108,985	92,955	(16,030)	-15%
Net pension liability	7,780,654	10,098,849	13,090,323	2,991,474	30%
Compensated absences	<u>1,690,569</u>	<u>1,556,699</u>	<u>1,378,185</u>	<u>(178,514)</u>	-11%
Total Liabilities	<u>\$ 14,173,797</u>	<u>\$ 15,879,823</u>	<u>\$ 18,407,310</u>	<u>\$ 2,527,487</u>	16%
DEFERRED INFLOWS OF RESOURCES	<u>964,880</u>	<u>571,436</u>	<u>445,558</u>	<u>(125,878)</u>	-22%
NET POSITION:					
Net investment in capital assets	\$ 32,228,280	\$ 33,761,347	\$ 33,640,936	\$ (120,411)	0%
Restricted	119,545	129,684	131,383	1,699	1%
Unrestricted (deficit)	<u>(4,222,804)</u>	<u>(3,965,912)</u>	<u>(1,023,545)</u>	<u>2,942,367</u>	-74%
Total Net Position	<u>\$ 28,125,021</u>	<u>\$ 29,925,119</u>	<u>\$ 32,748,774</u>	<u>\$ 2,823,655</u>	9%

This schedule is prepared from the College's statements of net position.

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

Net position at June 30, 2016, totaled \$29.9 million.

Net position at June 30, 2015, totaled \$28.1 million.

Deferred outflows of resources and deferred inflows of resources have increased and decreased, 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 to GASB Statement No. 68*.

Current assets increased mainly due to cash increases, as well as increases in grant receivables. The increase in cash is the result of increased tuitions fees, timing of receipts for future semesters, and decreases in operating costs. The increase in grant receivables is mainly due to an increase in the PELL receivable, due to the timing of draw downs and requesting of funds.

Current liabilities decreased mainly due to a decrease in unearned revenue relating to the state funding, NJ Educational Facilities Authority ELF and HETI programs as funds were received in prior years for these projects and a majority of the costs associated with these programs were incurred during the current year and previous year, and the projects are substantially complete as of June 30, 2017.

Non-current liabilities increased due to the increased net pension liability based upon the State's actuarial valuation of the net pension liability, offset by a decrease in compensated absences, due to a reduced workforce.

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 and increase tuition fees per credit in the 2016/17 fiscal year.

At June 30, 2017, \$2,373,728 has been identified and designated for deferred capital maintenance, \$550,000 for enrollment growth/student success initiatives, \$309,000 for information technology initiatives, \$900,000 for academic initiatives, \$400,000 for new sports programs, \$800,000 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, 2017 and 2016
(Unaudited)

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, 2017, 2016, and 2015 are as follows:

	Year Ended June 30,			Dollar Change from 2016	Percent Change from 2016
	2015	2016	2017		
OPERATING REVENUES:					
Net student revenues	\$ 13,065,924	\$ 13,627,910	\$ 14,126,470	\$ 498,560	4%
Federal and local grants and contracts	7,838,099	7,426,212	7,094,556	(331,656)	-4%
State grants and contracts	1,063,051	911,452	958,023	46,571	5%
Other operating revenues	657,594	539,182	500,766	(38,416)	-7%
Total	22,624,668	22,504,756	22,679,815	175,059	1%
Less: Operating expenses	30,301,802	30,132,960	27,957,981	(2,174,979)	-7%
Operating Loss	(7,677,134)	(7,628,204)	(5,278,166)	2,350,038	-31%
NON-OPERATING REVENUES/(EXPENSES):					
State appropriations	3,355,232	3,323,940	3,268,635	(55,305)	-2%
County appropriations	3,949,000	3,949,000	3,949,000	-	0%
(Loss) on sale of assets	-	(4,407)	-	4,407	100%
Investment income, net	15,422	18,902	20,888	1,986	11%
Total	7,319,654	7,287,435	7,238,523	(48,912)	-1%
CAPITAL APPROPRIATIONS	<u>1,655,146</u>	<u>2,140,867</u>	<u>863,298</u>	<u>(1,277,569)</u>	-60%
INCREASE IN NET POSITION	<u>\$ 1,297,666</u>	<u>\$ 1,800,098</u>	<u>\$ 2,823,655</u>	<u>\$ 1,023,557</u>	57%

Net student revenues have increased from the prior year due to increased tuition and fees in the current year, while the decreased enrollment has leveled off in the current year.

Federal and State grants and contracts have decreased from the prior year due mostly to the completion of the Healthcare Training Grant (NJ Health Professions Opportunities Grant) in the prior year, of which there was no new grant awarded in the current year. This decrease was offset by additional federal and state financial aid awards in the current year.

Other operating revenues have decreased due to a decrease in facility rental revenues.

Operating expenses have decreased in the current year, as there was a decrease in the payroll as a result of significant staff reductions in the prior two years.

State appropriations decreased slightly in FY 2017, as the State continued to reduce its funding.

Capital appropriations decreased due to the decreased Chapter 12 funding received in 2017 compared to the prior year. Additionally, there was a decrease that pertained to the NJ Educational Facilities Authority grants, of which were awarded in FY 2014, and the majority of the spending on the Higher Educational Equipment Leasing Fund (ELF) and the Higher Educational Technology Infrastructure Fund (HETI) program grants occurred in the prior years.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2017 and 2016
(Unaudited)

Condensed Schedules of Operating Expenses

A summary of the College's operating expenses for the years ended June 30, 2017, 2016, and 2015 follows:

	Year Ended June 30,			Dollar Change from 2016	Percent Change from 2016
	2015	2016	2017		
OPERATING EXPENSES:					
Instruction	\$ 9,301,362	\$ 8,915,078	\$ 7,445,479	\$ (1,469,599)	-16%
Academic support	2,408,430	2,840,767	2,990,272	149,505	5%
Student affairs	2,396,741	3,265,119	2,991,960	(273,159)	-8%
Institutional support	3,442,256	2,952,332	2,755,530	(196,802)	-7%
Operation and maintenance of plant	2,846,648	2,583,398	2,412,267	(171,131)	-7%
Student aid	8,589,842	8,038,673	7,738,624	(300,049)	-4%
Chargeback expenses	332,948	314,336	239,916	(74,420)	-24%
Depreciation	983,575	1,223,257	1,383,933	160,676	13%
	<u>\$ 30,301,802</u>	<u>\$ 30,132,960</u>	<u>\$ 27,957,981</u>	<u>\$ (2,174,979)</u>	-7%

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 7% from the prior year. As enrollment decreases have begun to level off in the current year, the College continued to cut certain program expenses and has made significant workforce reductions in the prior two years, reducing the payroll and related benefits expenses.

Instruction costs decreased from the prior year due to the workforce reductions, as mentioned above, in each of the prior two years.

Academic support increased from the prior year due to increases in counseling services, as well as a result of the increase in the net pension liability and expense related to PERS.

Student affairs decreased significantly from the prior year due to the prior year Information Technology changes and specifically consulting work performed by Ellucian with the upgrades of the computer software. The changes were part of a conversion process, and the College did not require as much consulting from Ellucian in the current year.

Institutional support has decreased mostly due to administrative services and the finance department, to reduce costs in order to shift funding to student affairs and academic support to expand interest in the College.

Operation and maintenance of plant has decreased from the prior year as several large projects were conducted in the prior year and completed, thus resulting in less being expended on these types of projects in the current year.

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
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2017 and 2016
(Unaudited)

Condensed Schedules of Capital Assets, Net

The following presents the changes in capital assets and related depreciation for the years ended June 30, 2017 and 2016:

Capital Assets Activity for the Year Ended June 30, 2017	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 15,944,035	\$ -	\$ -	\$ -	\$ 15,944,035
Construction in progress	516,153	1,248,256	-	(688,169)	1,076,240
Land improvements	1,720,447	-	-	61,140	1,781,587
Buildings and building improvements	22,369,432	-	-	587,973	22,957,405
Machinery, equipment and vehicles	11,703,747	-	-	39,056	11,742,803
Total	52,253,814	1,248,256	-	-	53,502,070
Accumulated depreciation	18,368,217	1,383,933	-	-	19,752,150
Net capital assets	<u>\$ 33,885,597</u>	<u>\$ (135,677)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,749,920</u>

Capital Assets Activity for the Year Ended June 30, 2016	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 15,944,035	\$ -	\$ -	\$ -	\$ 15,944,035
Construction in progress	2,156,830	2,719,264	-	(4,359,941)	516,153
Land improvements	1,617,598	-	(26,670)	129,519	1,720,447
Buildings and building improvements	19,530,424	-	-	2,839,008	22,369,432
Machinery, equipment and vehicles	10,318,828	26,930	(33,425)	1,391,414	11,703,747
Total	49,567,715	2,746,194	(60,095)	-	52,253,814
Accumulated Depreciation	17,200,648	1,223,257	(55,688)	-	18,368,217
Net capital assets	<u>\$ 32,367,067</u>	<u>\$ 1,522,937</u>	<u>\$ (4,407)</u>	<u>\$ -</u>	<u>\$ 33,885,597</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, 2017 and 2016, the College had \$1,722,731 and \$1,945,874 (including current and long-term), respectively, of outstanding long-term liabilities related to compensated absences.

At June 30, 2017 and 2016, the College had a capital lease payable outstanding in the amount of \$108,984 and \$124,250 (including current and long-term), respectively, related to the New Jersey Educational Facilities Authority Higher Education Equipment Leasing Fund.

At June 30, 2017 and 2016, the College had a net pension liability of \$13,090,323 and \$10,098,849, respectively.

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

SUSSEX COUNTY COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2017 and 2016
(Unaudited)

Summary and Outlook

Founded in 1982, Sussex County Community College enrolls more than 2,800 students from Sussex County, New Jersey, Pike County, Pennsylvania and southern Orange County, New York.

Some of the campus highlights from the year include:

- Sussex County Community College announced the addition of eleven new degree programs, including Architecture Design, Art Education, Culinary Arts, Digital Forensics, Electronic Music & Recording, Exercise Science, Fashion Design, Game Development, Interior Design, Musical Theater, and Technical Theater, as well as a new certificate of achievement in Cyber Crime Investigation and Cultural Competence. Each of the degree programs will be offered for the first time during the fall semester.
- Sussex County Community College offered new general education Late Start Courses for the fall semester. These courses, which began in late October, allow current students to add additional courses or give new students a chance to start their education, all at a reduced cost of \$125 off per course.
- SCCC increased their course offerings to high school students in a pilot program called Dual Enrollment. These courses are offered in an online format and give high school students the opportunity to take college credits in a convenient setting.
- SCCC secured and continued articulation/joint academic agreements in a wide selection of programs with numerous four-year colleges and universities including Berkeley College, Centenary College, East Stroudsburg University, Fairleigh Dickinson University, Felician College, CUNY- John Jay College of Criminal Justice, Marywood University, Montclair State University, New Jersey Institute of Technology, Ramapo College, Rutgers University, SUNY- Cobleskill and William Paterson University.
- SCCC offered new College Readiness III Workshops to help high school students sharpen their English or Algebra skills so they can avoid taking developmental courses when they begin college. In addition, College Ready Now courses were also offered to high school students who were looking to get ahead during the summer. These courses were offered through the College Credit Now Grant at SCCC.
- The College held a Diversity Colloquium on “The Power of Perception in Civil Rights Law,” which examined the limitations of the current paradigm for eliminating discrimination. Guest speakers presented issues of implicit bias, racial anxiety, microaggression and reimagining diversity.
- The Sussex County Fire Academy and SCCC sponsored a Summer Fire Academy for high school students held at the Public Safety Training Academy. The Summer Fire Academy is designed to educate young adults about fire safety and firefighting as well as to illustrate possible career paths and volunteer opportunities in firefighting.
- The SCCC Foundation hosted community events such as the Annual Scholarship Ball, Skylander 5K/10K Challenge, Skylander Golf Outing, and the Ladies’ Saturday Retreat, which contributed to over \$130,000 in student scholarships.
- SCCC continues to be one of only two authorized Pearson Vue Testing Centers in NJ, offering an extensive range of more than 450 academic, medical, government and licensure certification tests.

SUSSEX COUNTY COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2017 and 2016
(Unaudited)

- The SCCC Foundation continues to grow the 100 Women Project and successfully enlisted over 119 women who have pledged to support the Project. These scholarships will help support adult women learners returning to college and single mothers pursuing their educations at SCCC. The first 100 Women Scholarship was awarded at the Annual Scholarship Reception in May 2015.
- The College graduated more than 421 students at SCCC's 30th Commencement Ceremony.
- The Fall Dean's List saw 500 students making the list and the Spring Dean's List saw 477 students making the list.
- Fall and Spring Transfer Fairs are held to provide students with access to over 40 employers, colleges and universities who answer questions for prospective employees or students who are seeking transfer. 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 grow. SCCC student clubs and intercollegiate athletic teams continued to distinguish themselves locally and statewide.
- The Betty June Silconas Poetry Center at SCCC hosted an art festival with a full day of activities to interest and inspire. The festival included an all-day book fair featuring local poets, literary readings, and workshops.
- Ninety-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. International student, Sam Dunn, was the SCCC student that was among the 37 best and brightest community College students honored by the NJCCC for the Phi Theta Kappa All-State Academic Team.
- The College participated again 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.
- SCCC student, Jilyssa Stevens, was one of 119 individuals selected from throughout the country to lobby for young homeless people through The National Foster Youth Institute (NYFI). The NYFI organization is devoted to helping young people to get - and stay - on their feet. As a member of the lobbying team, she met with numerous Congressional Representatives, a New Jersey Congressman and the House Minority Speaker. A bipartisan set of five bills intended to help youth, including one specific to homelessness, were passed.
- The Senior Life Center 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 estate planning to English Tea Traditions to social media. Most classes are offered free of charge or at a minimal cost to area seniors.
- The Office of Veteran Services held its third 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 16th anniversary of the 9/11 terrorist attacks was held at the College at the 9/11 Memorial. Residents and college students were invited to attend the annual ceremony where each year we join with hundreds of other communities across America in remembrance and prayer.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2017 and 2016
(Unaudited)

- Sussex County Community College announced that 15 of their student athletes were recognized by the National Junior College Athletic Associations (NJCAA) for the 2016-2107 academic year. This is the largest group of student athletes recognized.
- 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 (SVÉR).

Enrollment

The College is undertaking a number of initiatives designed to bolster enrollment and increase efficiencies in both the near term and long term future. The College's Board of Trustees' 2020 Committee continues to review all enrollment trends and pursue new opportunities to maximize enrollment. We are benchmarking and implementing best-practices in enrollment planning and enhancing our outreach to underdeveloped market niches. The Task Force will help support the 2020 Committee with internal reviews of statistical information, ideas for expanded outreach and further review and development of this student market. The College has also begun to host additional Enrollment Days at our new campus locations as well as town days, back to school nights and local fairs and events to further attract new students and increase the number of adult learners.

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 group focuses their efforts on individual areas of the College to implement positive change.

In an effort to strengthen economic and workforce development in the Northwest New Jersey region, Sussex County Community College continues its partnership with Warren County Community College. Skylands Professional Training offers residents an opportunity to take advantage of certification programs and non-credit courses. Courses and programs offered are predominately in the health or business related fields. The College's administration has also begun to better 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 quality and substance of education and support services at the College. In FY17, 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 a various mobile platforms incorporating geofencing and geotargeting campaigns.

The College received formal approval from the Middle States Commission on Higher Education to offer fully online degree programs. In an effort to better serve its students and community, the College recognized that online learning is critical for many who do not have the time or means to travel and attend classes on campus. The first two degree programs that are being offered completely online through SCCC are an Associate in Arts Degree in Liberal Arts and an Associate in Science degree in Business Administration.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2017 and 2016
(Unaudited)

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.

The College charged Sussex County residents \$140 per credit hour in each of the semesters reported above. As of July 1, 2016, Pike County (PA) residents were charged one and a half times the Sussex County tuition rate, as were NJ residents outside of Sussex County. Out of state residents were charged two times the tuition rate. In an effort to support military veterans, the College offers a special tuition rate to all veterans 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.

Maintaining our tradition to community service

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

- Aids Quilt and many other art shows for public
- 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.
- Rockin' Fest for Student Vets
- 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
- Teen Arts Festival for area middle and high school students
- Thursdays on the Green - free community concerts where each week, 400-900 attendees enjoy music on the Connor Green.
- 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2017 and 2016
(Unaudited)**

Focus on the Future

Current demographic and economic conditions suggest that enrollment will begin to further stabilize FY 2019. 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.

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,	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2017	2016
CURRENT ASSETS:		
Cash and equivalents	\$ 7,252,110	\$ 4,659,849
Cash held by bond trustee-NJEFA	1,328,788	1,412,397
Restricted cash and equivalents	131,383	129,684
Investments-certificates of deposit	<u>2,393,306</u>	<u>2,258,505</u>
Total cash and equivalents and investments	<u>11,105,587</u>	<u>8,460,435</u>
Receivables - student, net of allowance of \$1,476,367 and \$1,376,967, respectively	332,510	303,617
Due from Foundation	119,936	105,369
Other assets	107,644	342,221
Other receivables	889,941	560,647
Other restricted receivables - grant funds	<u>1,019,782</u>	<u>461,344</u>
Total Receivables	<u>2,469,813</u>	<u>1,773,198</u>
Total Current Assets	<u>13,575,400</u>	<u>10,233,633</u>
NON-CURRENT ASSETS:		
Capital assets, non depreciable assets	17,020,275	16,460,188
Capital assets, net of accumulated depreciation of \$19,752,150 and \$18,368,217, respectively	<u>16,729,645</u>	<u>17,425,409</u>
Total Non-Current Assets	<u>33,749,920</u>	<u>33,885,597</u>
	<u>47,325,320</u>	<u>44,119,230</u>
DEFERRED OUTFLOW OF RESOURCES:		
Pension deferrals	<u>4,276,322</u>	<u>2,257,148</u>
Total Assets and Deferred Outflow of Resources	<u>51,601,642</u>	<u>46,376,378</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses:		
Vendors	1,539,533	1,617,198
Compensated absences, current portion	344,546	389,175
Unearned revenue	1,945,739	2,093,652
Capital lease payable-current	<u>16,029</u>	<u>15,265</u>
Total Current Liabilities	<u>3,845,847</u>	<u>4,115,290</u>
NON-CURRENT LIABILITIES:		
Capital lease payable-noncurrent	92,955	108,985
Compensated absences	1,378,185	1,556,699
Net pension liability	<u>13,090,323</u>	<u>10,098,849</u>
Total Non-Current Liabilities	<u>14,561,463</u>	<u>11,764,533</u>
	<u>18,407,310</u>	<u>15,879,823</u>
DEFERRED INFLOW OF RESOURCES:		
Pension deferrals	<u>445,558</u>	<u>571,436</u>
Total Liabilities and Deferred Inflow of Resources	<u>18,852,868</u>	<u>16,451,259</u>
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	33,640,936	33,761,347
RESTRICTED FOR EXTERNAL PURPOSES	131,383	129,684
UNRESTRICTED (DEFICIT)	<u>(1,023,545)</u>	<u>(3,965,912)</u>
Total Net Position	<u>\$ 32,748,774</u>	<u>\$ 29,925,119</u>

See accompanying notes to financial statements.

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

STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30,	
	2017	2016
CURRENT ASSETS:		
Cash and equivalents	\$ 625,777	\$ 657,703
Investments	1,146,709	1,049,514
Investments-restricted	251,070	283,606
Pledges receivable, net of allowance for doubtful accounts (\$4,900 in 2017 and \$2,000 in 2016)	25,711	24,509
Prepaid expenses	-	713
	<u>2,049,267</u>	<u>2,016,045</u>
NON-CURRENT ASSETS:		
Capital assets, net of accumulated depreciation (\$2,130 in 2017)	40,476	-
Pledges receivable - Noncurrent, net of present value discount (\$72 in 2017 and \$121 in 2016)	2,529	11,379
	<u>43,005</u>	<u>11,379</u>
Total Assets	<u>\$ 2,092,272</u>	<u>\$ 2,027,424</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 8,736	\$ 13,445
Due to Sussex County Community College	119,936	105,369
Deferred sponsorships	-	5,463
Total Current Liabilities	<u>128,672</u>	<u>124,277</u>
NET ASSETS:		
Unrestricted	87,954	197,571
Temporarily restricted:		
Scholarships	183,719	122,141
Endowments	412,121	295,604
Clearing Corporation gift	465,000	440,000
Other temporarily restricted donations	-	42,000
Growing endowments	56,806	47,831
	<u>1,117,646</u>	<u>947,576</u>
Permanently restricted - endowments	758,000	758,000
Total Net Assets	<u>1,963,600</u>	<u>1,903,147</u>
Total Liabilities and Net Assets	<u>\$ 2,092,272</u>	<u>\$ 2,027,424</u>

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,	
	2017	2016
OPERATING REVENUES:		
Student revenues:		
Tuition and fees	\$ 15,059,594	\$ 14,591,953
Less: Scholarship allowance	(933,124)	(964,043)
Net student revenues	14,126,470	13,627,910
Federal and local grants and contracts	7,094,556	7,426,212
State grants and contracts	958,023	911,452
Chargeback reimbursements	239,916	314,336
Other operating revenues	260,850	224,846
Total Operating Revenues	22,679,815	22,504,756
OPERATING EXPENSES:		
Instruction	7,445,479	8,915,078
Academic support	2,990,272	2,840,767
Student affairs	2,991,960	3,265,119
Institutional support	2,755,530	2,952,332
Operation and maintenance of plant	2,412,267	2,583,398
Student aid	7,738,624	8,038,673
Chargeback expenses	239,916	314,336
Depreciation	1,383,933	1,223,257
Total Operating Expenses	27,957,981	30,132,960
OPERATING LOSS	(5,278,166)	(7,628,204)
NON-OPERATING REVENUES (EXPENSES):		
State appropriations	3,268,635	3,323,940
County appropriations	3,949,000	3,949,000
Investment income	20,888	18,902
Loss on disposal of assets	-	(4,407)
Non-Operating Revenues (Expenses)	7,238,523	7,287,435
INCOME (LOSS) BEFORE OTHER REVENUES (EXPENSES)	1,960,357	(340,769)
OTHER REVENUES:		
Capital appropriations-Chapter 12 funds	743,727	1,565,193
Higher Education funds	119,571	575,674
INCREASE IN NET POSITION	2,823,655	1,800,098
NET POSITION, BEGINNING OF YEAR	29,925,119	28,125,021
NET POSITION, END OF YEAR	\$ 32,748,774	\$ 29,925,119

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, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Contributions	\$ 12,616	\$ 206,893	\$ -	\$ 219,509
Special events, net of expenses of \$41,312	73,300	-	-	73,300
Contributed services	188,074	-	-	188,074
Other income	49,701	-	-	49,701
Interest and dividends	1,184	-	-	1,184
Realized and unrealized gains on investments		124,811	-	124,811
Net assets released from restrictions	161,634	(161,634)	-	-
Total support and revenues	<u>486,509</u>	<u>170,070</u>	<u>-</u>	<u>656,579</u>
EXPENSES:				
Program services	405,922	-	-	405,922
Support services - management and general	188,074	-	-	188,074
Depreciation expense	2,130	-	-	2,130
Total expenses	<u>596,126</u>	<u>-</u>	<u>-</u>	<u>596,126</u>
CHANGE IN NET ASSETS	(109,617)	170,070	-	60,453
NET ASSETS, BEGINNING OF YEAR	<u>197,571</u>	<u>947,576</u>	<u>758,000</u>	<u>1,903,147</u>
NET ASSETS, END OF YEAR	<u>\$ 87,954</u>	<u>\$ 1,117,646</u>	<u>\$ 758,000</u>	<u>\$ 1,963,600</u>

	Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Contributions	\$ 40,548	\$ 241,635	\$ 110,000	\$ 392,183
Special events, net of expenses of \$35,480	89,243	-	-	89,243
Contributed services	187,344	-	-	187,344
Other income	17,519	-	-	17,519
Interest and dividends	889	-	-	889
Realized and unrealized gains on investments	-	30,485	-	30,485
Net assets released from restrictions	103,468	(121,968)	18,500	-
Total support and revenues	<u>439,011</u>	<u>150,152</u>	<u>128,500</u>	<u>717,663</u>
EXPENSES:				
Program services	279,487	-	-	279,487
Support services - management and general	187,344	-	-	187,344
Total expenses	<u>466,831</u>	<u>-</u>	<u>-</u>	<u>466,831</u>
CHANGE IN NET ASSETS	(27,820)	150,152	128,500	250,832
NET ASSETS, BEGINNING OF YEAR	<u>225,391</u>	<u>797,424</u>	<u>629,500</u>	<u>1,652,315</u>
NET ASSETS, END OF YEAR	<u>\$ 197,571</u>	<u>\$ 947,576</u>	<u>\$ 758,000</u>	<u>\$ 1,903,147</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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 13,949,664	\$ 13,115,293
Federal and local grants and contracts received	6,536,118	7,292,947
State grants and contracts	958,023	911,452
Payments to suppliers	(13,886,987)	(14,326,803)
Payments for employee salaries and benefits	(12,141,447)	(14,426,352)
(Appreciation) use of restricted cash	(1,699)	(10,139)
Other receipts	391,482	636,812
Net cash flows from operating activities	(4,194,846)	(6,806,790)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Direct lending receipts	3,232,745	2,748,785
Direct lending disbursements	(3,232,745)	(2,748,785)
State appropriations	3,268,635	3,323,940
County appropriations	3,949,000	3,949,000
Net cash flows from non-capital financing activities	7,217,635	7,272,940
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Deposits held by bond trustee-NJEFA	83,608	457,581
County Capital appropriation	743,727	1,565,193
Capital lease payable	(15,265)	(14,537)
Higher Education Equipment Leasing Fund (ELF & HETI)	119,571	575,674
Purchase of capital assets	(1,248,256)	(2,746,194)
Net cash flows from capital and related financing activities	(316,615)	(162,283)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	20,888	18,902
Investments purchased	(134,801)	(9,434)
Net cash flows from investing activities	(113,913)	9,468
NET CHANGE IN CASH AND EQUIVALENTS	2,592,261	313,335
CASH AND EQUIVALENTS, BEGINNING OF YEAR	4,659,849	4,346,514
TOTAL CASH AND EQUIVALENTS, END OF YEAR	\$ 7,252,110	\$ 4,659,849

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,	
	2017	2016
RECONCILIATION OF OPERATING LOSS TO		
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (5,278,166)	\$ (7,628,204)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,383,933	1,223,257
Changes in operating assets and liabilities:		
Receivables - student, net	(28,893)	(57,479)
Due from Foundation	(14,567)	62,305
Other assets	234,577	(291,059)
Other receivables	(329,294)	326,384
Restricted cash and equivalents	(1,699)	(10,139)
Other restricted receivables - grant funds	(558,438)	(133,265)
Accounts payable and accrued expenses - vendors	774,636	323,885
Accounts payable-pension	(852,301)	(299,042)
Net pension liability	2,991,474	2,318,195
Deferred inflows-pension deferrals	(125,878)	(393,444)
Deferred outflows-pension deferrals	(2,019,174)	(1,625,709)
Compensated absences	(223,143)	(167,337)
Unearned revenue	(147,913)	(455,138)
	<u>\$ (4,194,846)</u>	<u>\$ (6,806,790)</u>
Net cash flows from operating activities	<u>\$ (4,194,846)</u>	<u>\$ (6,806,790)</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies:

Nature of the 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 inflows of resources, deferred outflows 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

Note 1 - Nature of the 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 Governmental Accounting Standards Board. 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 recorded at estimated fair market value at the date of donation. 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

Note 1 - Nature of the 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 United States, 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

Note 1 - Nature of the 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, 2014.

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. Currently, 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 - GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB No. 75"). This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

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

employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 30, 2017. Management has not yet determined the impact of the Statement on the financial statements.

Subsequent Events - Management has reviewed and evaluated all events and transactions from June 30, 2017 through October 23, 2017, 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, 2017 and 2016, cash held by trustees was \$1,328,788 and \$1,412,397, respectively. In addition, as of June 30, 2017 and 2016, the College's carrying amount of unrestricted and restricted deposits was \$7,383,493 and \$4,789,533, respectively, and the bank balance was \$7,436,431 and \$5,240,497, respectively. Of the above 2017 amounts, \$500,000 of the total deposits were insured by the FDIC as of June 30, 2017 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.

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.

SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

Note 2 - Cash and Equivalents and Investments (continued)

Investments - The College's investment policy is to invest in certificates of deposits with maturities of less than one year. As of June 30, 2017 and 2016, certificates of deposit were \$2,393,306 and \$2,258,505, respectively, with interest rates of approximately between 0.12% and 0.80% as of June 30, 2017. 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.

Capital asset activity for the years ended June 30, 2017 and 2016 is comprised of the following:

	Year Ended June 30, 2017				Ending Balance
	Beginning Balance	Acquisitions	Dispositions	Transfers	
DEPRECIABLE ASSETS:					
Buildings and building improvements	\$ 22,369,432	\$ -	\$ -	\$ 587,973	\$ 22,957,405
Land improvements	1,720,447	-	-	61,140	1,781,587
Machinery, equipment and vehicles	11,703,747	-	-	39,056	11,742,803
Total Depreciable Assets	<u>35,793,626</u>	<u>-</u>	<u>-</u>	<u>688,169</u>	<u>36,481,795</u>
ACCUMULATED DEPRECIATION:					
Buildings and building improvements	7,885,953	614,716	-	-	8,500,669
Land improvements	1,375,646	116,012	-	-	1,491,658
Machinery, equipment and vehicles	9,106,618	653,205	-	-	9,759,823
Total Accumulated Depreciation	<u>18,368,217</u>	<u>1,383,933</u>	<u>-</u>	<u>-</u>	<u>19,752,150</u>
DEPRECIABLE ASSETS, NET	<u>17,425,409</u>	<u>(1,383,933)</u>	<u>-</u>	<u>688,169</u>	<u>16,729,645</u>
NONDEPRECIABLE ASSETS:					
Land	15,944,035	-	-	-	15,944,035
Construction in progress	516,153	1,248,256	-	(688,169)	1,076,240
Total Nondepreciable Assets	<u>16,460,188</u>	<u>1,248,256</u>	<u>-</u>	<u>(688,169)</u>	<u>17,020,275</u>
	<u>\$ 33,885,597</u>	<u>\$ (135,677)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,749,920</u>

SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

Note 3 - Capital Assets (continued):

	Year Ended June 30, 2016				
	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
DEPRECIABLE ASSETS:					
Buildings and building improvements	\$ 19,530,424	\$ -	\$ -	\$ 2,839,008	\$ 22,369,432
Land improvements	1,617,598	-	(26,670.00)	129,519	1,720,447
Machinery, equipment and vehicles	10,318,828	26,930	(33,425)	1,391,414	11,703,747
Total Depreciable Assets	<u>31,466,850</u>	<u>26,930</u>	<u>(60,095)</u>	<u>4,359,941</u>	<u>35,793,626</u>
ACCUMULATED DEPRECIATION:					
Buildings and building improvements	7,351,791	556,425	(22,263)	-	7,885,953
Land improvements	1,257,388	118,258	-	-	1,375,646
Machinery, equipment and vehicles	8,591,469	548,574	(33,425)	-	9,106,618
Total Accumulated Depreciation	<u>17,200,648</u>	<u>1,223,257</u>	<u>(55,688)</u>	<u>-</u>	<u>18,368,217</u>
DEPRECIABLE ASSETS, NET	<u>14,266,202</u>	<u>(1,196,327)</u>	<u>(4,407)</u>	<u>4,359,941</u>	<u>17,425,409</u>
NONDEPRECIABLE ASSETS:					
Land	15,944,035	-	-	-	15,944,035
Construction in progress	2,156,830	2,719,264	-	(4,359,941)	516,153
Total Nondepreciable Assets	<u>18,100,865</u>	<u>2,719,264</u>	<u>-</u>	<u>(4,359,941)</u>	<u>16,460,188</u>
	<u>\$ 32,367,067</u>	<u>\$ 1,522,937</u>	<u>\$ (4,407)</u>	<u>\$ -</u>	<u>\$ 33,885,597</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$1,383,933 and \$1,223,257, respectively. There were no significant commitments outstanding on projects as of June 30, 2017, however projects were identified and funds were board designated for deferred capital maintenance in the amount of \$2,373,728 as of June 30, 2017.

Chapter 12 Capital Projects Funds available to the College that have been approved by the State and County, and are bonded, consist of five bond ordinances totaling \$13,453,000. As of June 30, 2017, \$6,992,361 had been spent with \$6,460,639 remaining to be spent for completion of the approved Capital Projects. As of June 30, 2016, \$6,091,550 had been spent with \$7,361,450 remaining to be spent for completion of the approved Capital Projects.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

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, during the years ended June 30, 2017 and 2016:

<u>Year Ended June 30, 2017</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated absences	\$ 1,945,874	\$ 803,608	\$ 1,026,751	\$ 1,722,731	\$ 350,562	\$ 1,372,169
Capital lease payable	124,250	-	15,266	108,984	16,029	92,955
Net pension liability	10,098,849	2,991,474	-	13,090,323	-	13,090,323
	<u>\$ 12,168,973</u>	<u>\$ 3,795,082</u>	<u>\$ 1,042,017</u>	<u>\$ 14,922,038</u>	<u>\$ 366,591</u>	<u>\$ 14,555,447</u>

<u>Year Ended June 30, 2016</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated absences	\$ 2,113,211	\$ 668,620	\$ 835,957	\$ 1,945,874	\$ 389,175	\$ 1,556,699
Capital lease payable	138,787	-	14,537	124,250	15,265	108,985
Net pension liability	7,780,654	2,318,195	-	10,098,849	-	10,098,849
	<u>\$ 10,032,652</u>	<u>\$ 2,986,815</u>	<u>\$ 850,494</u>	<u>\$ 12,168,973</u>	<u>\$ 404,440</u>	<u>\$ 11,764,533</u>

The College has recorded a liability for compensated absences of \$1,722,731 and \$1,945,874 as of June 30, 2017 and 2016, 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
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NOTES TO FINANCIAL STATEMENTS

Note 4 - Non-Current Liabilities (continued):

The College has capitalized capital purchases of \$690,749 and \$651,693 through June 30, 2017 and 2016, respectively. The College has paid \$15,266 and \$14,537 in principal payments in fiscal years ended June 30, 2017 and 2016, respectively.

As of June 30, 2017, the capital lease payable principal balance for the Series 2014 bonds is \$108,984. 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:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 16,029	\$ 5,449	\$ 21,478
2019	16,830	4,648	21,478
2020	17,667	3,807	21,474
2021	18,540	2,923	21,463
2022	19,468	1,996	21,464
2023	20,450	1,023	21,473
	<u>\$ 108,984</u>	<u>\$ 19,846</u>	<u>\$ 128,830</u>

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 - PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State of New Jersey or public agencies, provided the employee is not a member of another retirement system administered by the State of New Jersey. PERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of New Jersey.

Employees who are members of PERS and retire at age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal year's compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports for PERS that include financial statements and required supplementary information. These reports may be 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 6.64% as of July 2012 of their annual covered salary (increased to 6.78%, 6.92%, 7.06%, 7.20%, 7.34% and 7.48% each July from 2013 through 2018). The College is required to contribute at an actuarially determined rate. The rate for FY16/17

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

Note 5 - Retirement Plans (continued):

was 7.20% through June 2017. The College's actuarially determined contributions to PERS for the years ended June 30, 2017, 2016, and 2015 were \$392,653, \$386,774, and \$342,592, 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) - 2017

At June 30, 2016, the College reported a liability of \$13,090,323 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the College's proportion was 0.0441984819 percent, which was a decrease of 0.0007892687 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the College recognized full accrual pension expense of \$1,239,075 in the financial statements. At June 30, 2017, 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	\$ 2,711,616	
Net difference between projected and actual earnings on pension plan investments	742,586	
Changes in proportion and differences between College contributions and proportionate share of contributions	429,467	\$ 445,558
College contributions subsequent to the measurement date	392,653	
	\$ 4,276,322	\$ 445,558

\$392,653 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:	
2018	\$ 716,439
2019	716,440
2020	1,021,956
2021	760,711
2022	222,565
	\$ 3,438,111

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

Note 5 - Retirement Plans (continued):

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.08%
Salary increase through 2026	1.65 - 4.15%
	based on age
Thereafter	2.65 - 5.15%
	based on age
Investment rate of return	7.65%

The actuarial assumptions used in the July 1, 2015 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 (7.65% at June 30, 2016) 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

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

Note 5 - Retirement Plans (continued):

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High yield bonds	2.00%	4.56%
Inflation-indexed bonds	1.50%	3.44%
Broad U.S. equities	26.00%	8.53%
Developed foreign equities	13.25%	6.83%
Emerging market equities	6.50%	9.95%
Private equity	9.00%	12.40%
Hedge funds/Absolute return	12.50%	4.68%
Real Estate (property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 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 30% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

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, 2016 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 (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	At 1% decrease (2.98%)	At current discount rate (3.98%)	At 1% increase (4.98%)
College's proportionate share of the net pension liability	\$ 16,040,663	\$ 13,090,323	\$ 10,654,562

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, 2016 are as follows:

Deferred outflows of resources	\$ 8,685,338,380
Deferred inflows of resources	\$ 870,133,595
Net pension liability	\$ 29,617,131,759
College's Proportion	0.0441984819%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is \$2,830,763,540.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 5.57 years and 5.72 years for the period ended June 30, 2015.

Public Employee's Retirement System (PERS) - 2016

At June 30, 2016, the College reported a liability of \$10,098,849 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2014, which was rolled forward to June 30, 2015. 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, 2015, the College's proportion was 0.0449877506 percent, which was an increase of 0.003404976 from its proportion measured as of June 30, 2014.

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

NOTES TO FINANCIAL STATEMENTS

Note 5 - Retirement Plans (continued):

For the year ended June 30, 2016, the College recognized full accrual pension expense of \$685,817 in the government-wide financial statements. At June 30, 2016, 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	\$ 1,084,536		
Net difference between projected and actual earnings on pension plan investments	240,923	\$	162,370
Changes in proportion and differences between College contributions and proportionate share of contributions	544,915	\$	409,066
College contributions subsequent to the measurement date	386,774		
	\$ 2,257,148	\$	571,436

\$386,774 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:	
2017	\$ 189,828
2018	189,830
2019	189,831
2020	495,347
2021	234,102
	\$ 1,298,938

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.04%
Salary increases	
2012-2021	2.15 - 4.40% based on age
Thereafter	3.15 - 5.40% based on age
Investment rate of return	7.90%

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

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

NOTES TO FINANCIAL STATEMENTS

Note 5 - Retirement Plans (continued):

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 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 average of the last five years of contributions made in relation to the last five years of recommended 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, 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

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, 2015 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 (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	At 1% decrease (3.90%)	At current discount rate (4.90%)	At 1% increase (5.90%)
College's proportionate share of the net pension liability	\$ 12,551,634	\$ 10,098,849	\$ 8,042,452

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, 2015 are as follows:

Deferred outflows of resources	\$ 3,578,755,666
Deferred inflows of resources	\$ 993,410,455
Net pension liability	\$ 22,447,996,119
College's Proportion	0.0449877506%

Collective pension expense for the Local Group for the measurement period ended June 30, 2015 is \$1,481,308,816.

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, 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, 2017, ABP investment carriers received approximately 51% employer and 49% employee (includes

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

NOTES TO FINANCIAL STATEMENTS

Note 5 - Retirement Plans (continued):

additional discretionary amounts) contributions totaling \$1,486,302. During the year ended June 30, 2016, ABP investment carriers received approximately 52% employer and 48% employee (includes additional discretionary amounts) contributions totaling \$1,520,414. The contributions made by the Division on behalf of the College for the year ended June 30, 2017 amounted to \$235,682 as compared to \$252,016 for fiscal year 2016.

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 \$9,717 and \$5,830 for the fiscal year ended June 30, 2017 and \$18,967 and \$11,380 for the fiscal year ended June 30, 2016.

Post-Employment Benefits Other Than Pensions - The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement established standards of accounting and financial reporting for other postemployment benefits (OPEB) expenses and related OPEB liabilities or OPEB assets, note disclosures and required supplementary information (RSI) in the financial reports of state and local government employers. Since the State of New Jersey pays OPEB benefits on behalf of the College and the State is recording the OPEB liability on its financial statements, this GASB does not apply to the College.

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Public Employees' Retirement System (PERS) to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, Chapter 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 C.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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

NOTES TO FINANCIAL STATEMENTS

Note 6 - Risk Management:

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

Note 7 - 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 8 – 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, 2017, 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. There is one significant matter that is being defended by the College's comprehensive liability insurance fund and there is excess coverage up to \$10,000,000. The matter is an action for substantial bodily injuries sustained by the employee of one of the College's outside contractors requesting damages in the amount of \$100,000,000. While the attorney is not able to evaluate the likelihood of an unfavorable outcome or the amount of the potential loss, it is presently believed by legal counsel that the College's insurance coverage is sufficient to address the risk presented by the claim. 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 (\$365,400) and Higher Education Facilities Trust Fund (\$1,276,000). 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 9 - 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.

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

NOTES TO FINANCIAL STATEMENTS

Note 9 - Component Unit - Sussex County Community College Foundation (continued):

During the years ended June 30, 2017 and 2016, the Foundation did not make any distributions to the College for both 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.

Note 10 - Components of Net Position:

At June 30, 2017 and 2016, the College's components of net position consisted of the following:

	Net Investment in			Total FY	Total FY
	Capital Assets	Restricted	Unrestricted	2017	2016
NET INVESTMENT IN CAPITAL ASSETS	\$ 33,640,936	\$ -	\$ -	\$ 33,640,936	\$ 33,761,347
RESTRICTED FOR:					
Student activity groups	-	31,383	-	31,383	29,684
NJ Community College Consortium for Workforce & Economic Development	-	100,000	-	100,000	100,000
BOARD-DESIGNATED FOR:					
Deferred capital maintenance	-	-	2,373,728	2,373,728	1,077,734
Enrollment growth/student success	-	-	550,000	550,000	550,000
Information technology	-	-	309,000	309,000	1,150,307
Academic Initiatives	-	-	900,000	900,000	-
New Sports Programs	-	-	400,000	400,000	-
Other Capital Programs	-	-	800,000	800,000	-
On Line Program Investment	-	-	100,000	100,000	-
EFFECT OF GASB 68 ADJUSTMENTS	-	-	(9,652,212)	(9,652,212)	(8,799,911)
UNDESIGNATED	-	-	3,195,939	3,195,939	2,055,958
Total per Statements of Net Position	<u>\$ 33,640,936</u>	<u>\$ 131,383</u>	<u>\$ (1,023,545)</u>	<u>\$ 32,748,774</u>	<u>\$ 29,925,119</u>

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

Note 11 - 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. The College was first accredited in 1993 and subsequently reaccredited in 1998 and 2008. 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. Sussex County Community College last submitted a Periodic Review Report on May 31, 2013.

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

NOTES TO FINANCIAL STATEMENTS

Note 11 - Middle States Commission on Higher Education (continued):

Following the submission of the College's PRR on May 31, 2013, the report was reviewed by an external reviewer assigned by the Middle States Commission on Higher Education. The reviewer prepared a formal report, dated August 12, 2013. That report was subsequently reviewed by the entire Middle States Commission on Higher Education at its regular meeting on November 27, 2013. At that time, the full Commission voted to accept the College's PRR and commended the institution for the quality of the report. On that same date, the Commission also requested that the College prepare a Monitoring Report, due September 1, 2014, documenting continued compliance with accrediting standards relating to institutional resources, institutional effectiveness, general education, and assessment of student learning. The Commission also advised the College that a small follow-up team visit would occur during the fall of 2014.

The Monitoring Report was prepared and submitted, as requested, on September 1, 2014; and the small team visit occurred on October 13-14, 2014. At the conclusion of the small team visit, the College was advised that the team found reason to believe that the College was in compliance with each of the four accreditation standards addressed in the Monitoring Report. The small team did make four recommendations that the College has addressed, and work has been completed to fully satisfy each of the four recommendations.

Following the submission of the Monitoring Report, MSCHE requested a supplemental report relating to the Board of Trustees' ethics policy, policies and procedures ensuring sound ethical practices and periodic assessment of the integrity evidenced in the policies. The College submitted the requested report to MSCHE on October 3, 2014, in order to demonstrate compliance with established governance and integrity standards.

The Middle States Commission on Higher Education accepted the monitoring report on November 20, 2014 and requested an updated monitoring report due on October 1, 2015 to further document the implementation of an organized and sustainable process to improve the institutional effectiveness and student learning. The next evaluation visit is scheduled for 2017-2018.

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
 Public Employee's Retirement System

Last Ten Fiscal Years

	Year Ended									
	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
College's proportion of the net pension liability (asset) - Local Group	0.0441984819%	0.0449877506%	0.0415572530%	0.4466172820%	n/a	n/a	n/a	n/a	n/a	n/a
College's proportionate share of the net pension liability (asset)	\$ 13,090,323	\$ 10,098,849	\$ 7,780,654	\$ 8,535,744	n/a	n/a	n/a	n/a	n/a	n/a
College's covered-employee payroll	\$ 2,727,452	\$ 3,067,727	\$ 3,276,196	\$ 3,137,160	\$ 3,269,344	\$ 3,984,003	\$ 3,993,349	\$ 4,065,037	\$ 3,438,404	\$ 3,112,661
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	479.95%	329.20%	237.49%	272.09%	n/a	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	40.14%	47.93%	52.08%	48.72%	n/a	n/a	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 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

Sussex County Community College
 Schedule of College Contributions and Note to Required Supplementary Information
 Public Employee's Retirement System

Last Ten Fiscal Years

	Year Ended									
	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Contractually required contribution	\$ 392,653	\$ 386,774	\$ 342,592	\$ 336,517	\$ 419,001	\$ 431,903	\$ 424,190	\$ 294,744	\$ 219,746	\$ 170,765
Contributions in relation to the contractually required contribution	(392,653)	(386,774)	(342,592)	(336,517)	(419,001)	(431,903)	(424,190)	(294,744)	(219,746)	(170,765)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 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	\$ 3,438,404
Contributions as a percentage of covered-employee payroll	15.45%	14.18%	11.17%	10.27%	13.36%	13.21%	10.65%	7.38%	5.41%	4.97%

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016.

**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, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 23, 2017. 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 and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness as finding 2017-001.

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*.

College's Response to Finding #2017-001

The College's response to the 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 the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
October 23, 2017

**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, 2017. 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, 2017.

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 the 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
October 23, 2017

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA/ Grant Number</u>	<u>FAIN Number</u>	<u>FY 2017 Expenditures</u>
Student Financial Assistance Cluster:			
U.S. Department of Education:			
Federal Pell Grant Program (PELL)	84.063	P063P164434	\$ 2,937,041
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	P007A177578	44,574
Federal Direct Loans - Subsidized	84.268	P268K174434	1,303,103
Federal Direct Loans - Non subsidized	84.268	P268K174434	1,929,642
Federal Work-Study Program (FWS)	84.033	P033A177578	<u>31,332</u>
Total Student Financial Assistance Cluster			<u>6,245,692</u>
U.S. Department of Education Passed Through the			
NJ Department of Education:			
Carl D. Perkins Vocational and Applied Technology	84.048	V048A160030	140,978
Adult Basic Education	84.002	V002A170031	<u>143,837</u>
Total U.S. Department of Education Passed Through the NJ Department of Education			<u>284,815</u>
U.S. Department of Transportation			
Passed Through the NJ Department of Education:			
National Highway Traffic Safety	20.614	DTNH2217H100107	<u>18,278</u>
U.S. Department of Labor, Employment and Training Administration			
Trade Adjustment Assistance Community College & Career Training Grants Program			
Passed through Bergen Community College - NJ PREP	17.282	TC26591460A34	<u>231,815</u>
Total Expenditures of Federal Awards			<u>\$ 6,780,600</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, 2017

State of New Jersey Grantor/Program or Cluster Title	State of New Jersey Account/ Grant Number	FY 2017 Award Amount	Grant Period	FY 2017 Cash Receipts	FY 2017 Expenditures
Student Financial Assistance Cluster:					
New Jersey Department of Treasury					
Tuition Aid Grant (TAG)	100-074-2405-007	\$ 628,180	7/1/16-6/30/17	\$ 618,579	\$ 616,620
Student NJ Class Loan (NJCL)	NJCL	24,535	7/1/16-6/30/17	23,798	23,798
New Jersey STARS	100-074-2405-313	242,420	7/1/16-6/30/17	242,480	242,420
Total Student Financial Assistance Cluster				<u>884,857</u>	<u>882,838</u>
Other State of New Jersey Programs:					
New Jersey Department of Treasury					
Operational Costs - County Colleges	100-074-2400-001	3,268,635	7/1/16-6/30/17	3,268,635	3,268,635
EMT - Emergency Medical Services	100-046-4220-316	36,750	7/1/16-6/30/17		36,750
EMT - Emergency Medical Services	100-046-4220-316	34,313	7/1/15-6/30/16	34,313	
Alternate Benefit Program	100-082-2155-017	235,685	7/1/16-6/30/17	163,019	235,682
Alternate Benefit Program	100-082-2155-017	252,016	7/1/15-6/30/16	63,059	
Subtotal New Jersey Department of Treasury				<u>3,529,026</u>	<u>3,541,067</u>
New Jersey Department Secretary of Higher Education					
College Readiness Now Project III	Not available	18,799	7/1/16-6/30/17		18,799
College Readiness Now Project II	Not available	15,433	7/1/16-6/30/17	11,316	
College Credit Now	Not available	20,000	7/1/15-6/30/16		19,636
Subtotal New Jersey Department Secretary of Higher Education				<u>11,316</u>	<u>38,435</u>
Total other State of New Jersey programs				<u>3,540,342</u>	<u>3,579,502</u>
Total Expenditures of State Financial Assistance				<u>\$ 4,425,199</u>	<u>\$ 4,462,340</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, 2017

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. It is not practical to determine the balance of loans outstanding to students of Sussex County Community College under the programs as of June 30, 2017 and 2016. The College processed \$3,232,745 under Federal Direct Loans and \$23,798 under Student NJ Class Loans, respectively, during the fiscal year ended June 30, 2017.

3. Alternate Benefit Program

During the year ended June 30, 2017, the State of New Jersey, Department of Treasury made payments on behalf of Sussex County Community College to the Alternate Benefit Program of \$235,682. 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, 2017. The June 30, 2017 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of state financial assistance.

4. Indirect Costs

The College did not use the 10% de minimis indirect cost rate.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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? X Yes No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to the financial statements noted?

 Yes X No

Federal Awards and State Financial Assistance

Internal control over major federal and state programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified Yes X 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 X No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Part I - Summary of Auditor's Results

Identification of major programs:

CFDA Number/State Account Number	FAIN Number	Name of Federal and State Program or Cluster
Federal:		
United States Department of Education		
Student Financial Assistance Cluster:		
84.063	P063P164434	Federal Pell Grant Program
		Federal Supplementary Educational Opportunity
84.007	P007A177578	Grants
84.033	P268K174434	Federal Work-Study Program
84.268	P033A177578	Federal Direct Loans
State:		
100-074-2400-001		Operational Costs - County Colleges

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

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

Auditee qualified as low-risk auditee? X 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, 2017**

Part II - Schedule of Financial Statement Findings

Material Weakness in Internal Control - Finding 2017-001

Criteria:

A properly functioning financial statement close process provides an adequate internal control system to ensure that appropriate month and year-end internal controls are in place to ensure that financial statements are produced on a timely basis and are materially accurate.

Condition:

The College's accounting office personnel perform certain financial statement close process procedures on a monthly basis and at year end which include the posting of journal entries and other various accruals and reconciliations. We noted that there is no formalized process that requires account balances to be reconciled and reviewed in totality.

Context:

There was a lack of oversight of the financial close process and lack of communication between departments to ensure journal entries were properly posted and account balances reconciled to subsidiary ledgers and schedules.

The following are specific items that warrant consideration related to the financial statement close process:

- Certain College bank statements were not reconciled on a timely basis.
- The College's general ledger year end balances, for several liability accounts, including: accounts payable, general accrued payables and medical accrual did not reconcile to detailed subsidiary records.
- The College's general ledger year end balance and supporting schedule for prepaid expenses included certain prepaid assets that were incorrectly recorded.
- The College hired an outside appraisal company to update its capital assets for current year activity. The schedule provided, which was utilized in the financial statement close process, was not reviewed by College personnel included incorrectly calculated depreciation. The depreciation on current year additions included accumulated depreciation in excess of current year depreciation amounts. Additionally, certain completed projects were not properly capitalized.
- The College did not perform a complete grant analysis. There were several grants where the entire amount of the grant award was recorded as accounts receivable and offset by unearned revenue at the time the award was received. Grants that are on a cost reimbursement basis should only be recorded as an accounts receivable when the funds have been expended and not yet reimbursed. Unearned revenue should be recorded when money is received in advance of when the money has been spent. This accounting does not overstate the statements of revenues, expenses and changes in net position, however it overstates accounts receivable and unearned grant revenue on the statements of net position. In addition, we noted that several grants final expenditure reports did not agree to the underlying accounting records, as there were adjustments in reports not recorded to the general ledger. This could potentially result in under or overstating revenues and expenses.
- The College prepared a compensated absences liability schedule, however, there were several discrepancies within the detailed schedule. There were instances where the calculation was incorrect and also instances where the incorrect number of days were utilized in the calculation.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Part II - Schedule of Financial Statement Findings (continued)

Cause and Effect:

An appropriately designed financial statement close process reduces the risk of errors in the financial statements. In addition, audit adjustments were proposed during preparation of the financial statements that could be avoided if the College's had a more structured close-out process.

Recommendation:

In order to better document the monthly and year end close processes, we suggest that the College develop a formal financial statement close process document identifying the various procedures performed along with timelines for the procedures and use this document to capture the signatures or initials of the individuals performing and reviewing/approving the various closing procedures. We suggest the College strengthen the controls surrounding the reconciliation procedures of the College's trial balance accounts to ensure all accounts are in agreement with supporting documentation.

Views of Responsible Officials and Planned Corrective Actions:

College management concurs with the finding, as there was turnover of key employees during the current year and the College will develop a corrective action plan in response to the recommendation above.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

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

No compliance or internal control findings noted that are required to be reported in accordance with 2 CFR 200 Section 516(a) and New Jersey State OMB Circular 15-08.

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Not Applicable – no prior year audit findings.