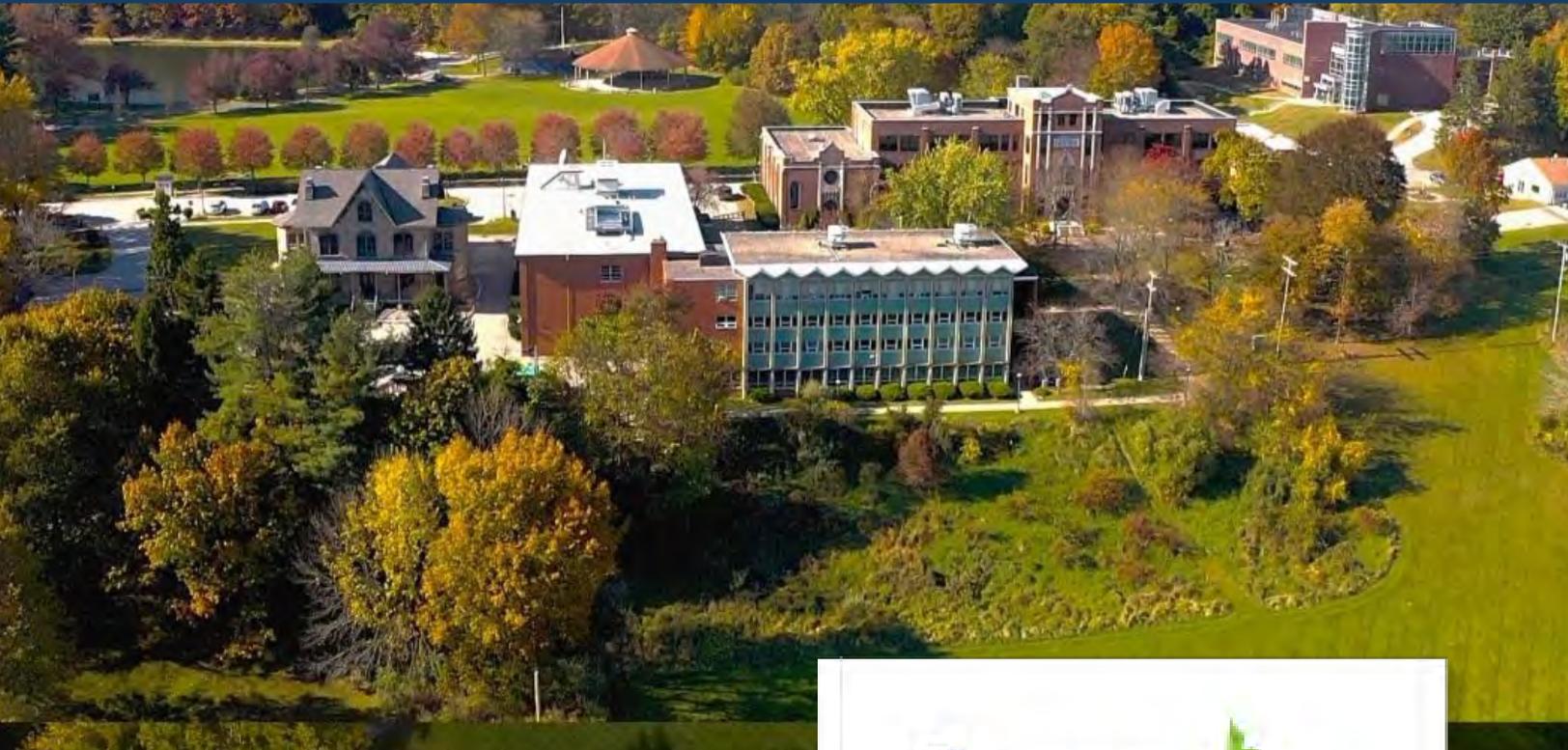


REPORT ON FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

(A Component Unit of the County of Sussex)



Sussex
County
COMMUNITY COLLEGE

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

**REPORT ON FINANCIAL STATEMENTS AND
SCHEDULES OF EXPENDITURES OF 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, 2023 AND 2022

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

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Independent Auditors' Report

**The Board of Trustees
Sussex County Community College**

Report on the Audit of the Financial Statements

Opinions

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College and the discretely presented component unit of Sussex County Community College, as of June 30, 2023 and 2022, 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6200 | Fax: 908.272.2416 | www.pkfod.com

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**The Board of Trustees
Sussex County Community College**

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the College's proportionate share of the net pension liability-PERS, schedule of the College's contributions-PERS, schedule of the State's proportionate share of the net OPEB liability associated with the College and changes in the total OPEB liability and related ratios – PERS and ABP, as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial

**The Board of Trustees
Sussex County Community College**

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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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying supplementary information as presented in the table of contents, which consists of 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 purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024, 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.

PKF O'Connor Davies, LLP

Cranford, New Jersey
February 22, 2024

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2023 and 2022**

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, 2023 and 2022, with selected information pertaining to the year ended June 30, 2021. 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 student and financial software upgrades, information technology initiatives, enrollment

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2023 and 2022**

growth/student success initiatives, deferred capital maintenance projects, academic initiatives, new sports programs, other capital programs and online program investment.

The statements of net position present the College's current and non-current assets, deferred outflow of resources, liabilities, deferred inflow 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. In addition, the College recorded \$2,022,005 of CARES Act revenues as nonoperating revenues in the 2023 fiscal year. Therefore, the operating revenues less operating expenses show an operating loss of (\$11,577,739) and (\$11,466,618) for fiscal years ended June 30, 2023 and 2022 respectively, and after adding the non-operating revenues shows income before other revenues of \$1,761,004 and \$425,958 for the fiscal years ended June 30, 2023 and 2022, 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, 2023 and 2022

Financial Highlights

Condensed Statements of Net Position

The following represents assets, deferred outflows and inflows of resources, liabilities and net position of the College at June 30, 2023, 2022, and 2021 :

	Net Position as of June 30,				
	2021	2022	2023	Change from 2022	Percent Change from 2022
CURRENT ASSETS	\$ 23,866,116	\$ 23,179,148	\$ 25,313,764	\$ 2,134,616	9%
NON-CURRENT ASSETS:					
Capital assets, nondepreciable land and construction in progress	21,061,451	19,237,330	17,689,445	(1,547,885)	-8%
Capital assets, net of accumulated depreciation	<u>22,401,924</u>	<u>25,591,807</u>	<u>27,656,742</u>	<u>2,064,935</u>	8%
Total Assets	<u>\$ 67,329,491</u>	<u>\$ 68,008,285</u>	<u>\$ 70,659,951</u>	<u>\$ 2,651,666</u>	4%
DEFERRED OUTFLOW OF RESOURCES	<u>830,390</u>	<u>485,227</u>	<u>753,146</u>	<u>267,919</u>	55%
CURRENT LIABILITIES	\$ 4,124,060	\$ 2,635,497	\$ 2,987,888	\$ 352,391	13%
NON-CURRENT LIABILITIES:					
Financed purchases payable	20,450	-	-	-	
Net pension liability	5,448,349	3,724,601	4,871,744	1,147,143	31%
Compensated absences	<u>1,382,759</u>	<u>1,349,269</u>	<u>1,283,468</u>	<u>(65,801)</u>	-5%
Total Liabilities	<u>\$ 10,975,618</u>	<u>\$ 7,709,367</u>	<u>\$ 9,143,100</u>	<u>\$ 1,433,733</u>	19%
DEFERRED INFLOW OF RESOURCES	<u>3,496,899</u>	<u>3,416,483</u>	<u>1,413,085</u>	<u>(2,003,398)</u>	-59%
NET POSITION:					
Net investment in capital assets	\$ 43,423,456	\$ 44,808,687	\$ 45,346,187	\$ 537,500	1%
Restricted	141,323	147,162	148,809	1,647	1%
Unrestricted	<u>10,122,585</u>	<u>12,411,813</u>	<u>15,361,916</u>	<u>2,950,103</u>	24%
Total Net Position	<u>\$ 53,687,364</u>	<u>\$ 57,367,662</u>	<u>\$ 60,856,912</u>	<u>\$ 3,489,250</u>	6%

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

Net position at June 30, 2023, totaled \$60.9 million.

Net position at June 30, 2022, totaled \$57.4 million.

Net position at June 30, 2021, totaled \$53.7 million.

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

Current assets increased due to cash and equivalent increases due to operating results and an unrealized gain on investments. These increases were offset by decreases in grants and other receivables.

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

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

At June 30, 2023, \$1,200,000 has been identified and designated for the College's student and financial software migration, \$5,000,000 for deferred capital maintenance, \$700,000 for enrollment growth/student success initiatives, \$420,000 for information technology initiatives, \$1,500,000 for academic initiatives, \$500,000 for new sports programs, \$600,000 for other capital programs and \$100,000 for online program investment.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2023 and 2022

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, 2023, 2022, and 2021 are as follows:

	Year Ended June 30,				
	2021	2022	2023	Change from 2022	Percent Change from 2022
OPERATING REVENUES:					
Net student revenues	\$ 11,649,868	\$ 11,562,147	\$ 12,195,013	\$ 632,866	5%
Federal and local grants and contracts	2,356,264	2,430,602	2,962,461	531,859	22%
State grants and contracts	3,606,108	3,453,779	3,667,232	213,453	6%
Other operating revenues	371,846	355,111	294,057	(61,054)	-17%
Total	17,984,086	17,801,639	19,118,763	1,317,124	7%
Less: Operating expenses	29,150,429	29,268,257	30,696,502	1,428,245	4.9%
Operating Loss	(11,166,343)	(11,466,618)	(11,577,739)	(111,121)	1%
NON-OPERATING REVENUES/(EXPENSES):					
State appropriations	2,836,595	3,349,747	3,559,252	209,505	6%
County appropriations	4,020,000	4,020,000	4,020,000		0%
Federal PELL grants	2,969,053	3,259,860	3,200,804	(59,056)	-2%
Federal CARES grants - institutional	2,314,377	1,102,421	1,337,788	235,367	21%
Federal CARES grants - student aid	753,250	592,007	684,217	92,210	16%
Federal CARES grants - Strengthening Institutional Program		158,113		(158,113)	-100%
Investment income, net	227,862	109,966	350,042	240,076	218%
Unrealized gain (loss) on investments		(699,538)	186,640	886,178	127%
Total	13,121,137	11,892,576	13,338,743	1,446,167	12%
OTHER REVENUES	<u>3,814,316</u>	<u>3,254,340</u>	<u>1,728,246</u>	<u>(1,526,094)</u>	<u>-47%</u>
INCREASE IN NET POSITION	<u>\$ 5,769,110</u>	<u>\$ 3,680,298</u>	<u>\$ 3,489,250</u>	<u>\$ (191,048)</u>	<u>-5%</u>

Net student revenues have increased as a result of enrollment increases.

Federal and local grants and contracts have increased in the current year due to increases in direct loans, HEERF spending on the HVAC project, and Perkins and Adult Basic Education grants. State grants and contracts have increased due spending of several new grants including the Adult Transition Center Grant and the Hunger Free Campus Grant. There were also increases in State student financial assistance. The overall increases in state grants and contracts was offset by a decrease in the on-behalf payments made by the State for OPEB benefits paid for retirees.

Other operating revenues decreased due to a one time donation in FY2022 that did not recur in FY2023 as well as slight decreases in other fees.

County appropriations remained flat in FY 2023.

State appropriations increased in FY2023 in accordance with the state funding award to the College.

Nonoperating revenues/(expenses),net, increased in the 2023 fiscal year, mainly due to the increased use of funds related to Federal CARES grants as well as an unrealized gain on investments of \$186,640.

Other revenues decreased in the 2023 fiscal year due to a decrease in the use of Chapter 12 funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2023 and 2022

Condensed Schedules of Operating Expenses

A summary of the College's operating expenses for the years ended June 30, 2023, 2022, and 2021 follows:

	Year Ended June 30,			Change from 2022	Percent Change from 2022
	2021	2022	2023		
OPERATING EXPENSES:					
Instruction	\$ 7,286,055	\$ 7,807,887	\$ 7,916,578	\$ 108,691	1.4%
Academic support	1,319,508	503,982	684,757	180,775	35.9%
Student affairs	2,773,796	2,418,600	2,637,123	218,523	9.0%
Institutional support	2,723,361	3,278,130	3,632,472	354,342	10.8%
OPEB expenses	1,712,340	1,641,914	1,254,239	(387,675)	-23.6%
Operation and maintenance of plant	3,535,273	3,414,292	3,170,721	(243,571)	-7.1%
Student aid	7,617,181	7,768,023	8,908,714	1,140,691	14.7%
Chargeback expenses	122,739	138,293	140,513	2,220	1.6%
Depreciation	2,060,176	2,297,136	2,351,385	54,249	2.4%
	<u>\$ 29,150,429</u>	<u>\$ 29,268,257</u>	<u>\$ 30,696,502</u>	<u>\$ 1,428,245</u>	4.9%

Operating expenses include salaries, fringe benefits, and other personal services expenses needed to operate the College. Fringe benefits are allocated to functional departments using various factors, including direct charges and headcounts. Operating expenses overall increased, approximately 5% from the prior year, however excluding payments made for student aid, the increase was approximately 1%. As the College continues to recover from the COVID-19 pandemic and returns to pre-pandemic level of service, expenses are expected to increase gradually.

Academic support expenses increased from the prior year as there was an increase of the pension expense in accordance with GASB 68.

Student affairs expenses increased due to the increase in information technology expenses as well as certain administrative costs.

Institutional support expenses increased in the current year due to increases in marketing, administrative, research and consulting expenses.

Operation and maintenance of plant has decreased from the prior year as there were reductions in expenses in response to the COVID-19 Pandemic, as well as decreased snow removal services.

Student aid increased in the current year as a result of increased spending of federal and state awards to benefit students.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2023 and 2022

Condensed Schedules of Capital Assets, Net

The following presents the changes in capital assets and related depreciation for the years ended June 30, 2023 and 2022:

Capital Assets Activity for the Year Ended June 30, 2023	Beginning Balance	Acquisitions	Transfers	Ending Balance
Land	\$ 16,656,635	\$ -	\$ -	\$ 16,656,635
Construction in progress	2,580,695	944,083	(2,491,968)	1,032,810
Land improvements	2,975,215	-	295,527	3,270,742
Buildings and building improvements	34,427,485	1,264,264	3,513,866	39,205,615
Machinery, equipment and vehicles	17,011,575	660,088	(1,317,425)	16,354,238
Total	73,651,605	2,868,435	-	76,520,040
Accumulated depreciation	28,822,468	2,351,385	-	31,173,853
Net capital assets	<u>\$ 44,829,137</u>	<u>\$ 517,050</u>	<u>\$ -</u>	<u>\$ 45,346,187</u>

Capital Assets Activity for the Year Ended June 30, 2022	Beginning Balance	Acquisitions	Transfers	Ending Balance
Land	\$ 16,656,635	\$ -	\$ -	\$ 16,656,635
Construction in progress	4,404,816	3,430,172	(5,254,293)	2,580,695
Land improvements	2,892,208	-	83,007	2,975,215
Buildings and building improvements	29,896,104	178,545	4,352,836	34,427,485
Machinery, equipment and vehicles	16,138,944	54,181	818,450	17,011,575
Total	69,988,707	3,662,898	-	73,651,605
Accumulated depreciation	26,525,332	2,297,136	-	28,822,468
Net capital assets	<u>\$ 43,463,375</u>	<u>\$ 1,365,762</u>	<u>\$ -</u>	<u>\$ 44,829,137</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, 2023 and 2022, the College had \$1,604,335 and \$1,686,586 (including current and long-term), respectively, of outstanding long-term liabilities related to compensated absences.

At June 30, 2022, the College had a financed purchase payable in the amount of \$20,450 related to the New Jersey Educational Facilities Authority Higher Education Equipment Leasing Fund. The final payment was made during the year ended June 30, 2023.

At June 30, 2023 and 2022, the College had a net pension liability of \$4,871,744 and \$3,724,601, respectively.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2023 and 2022**

Summary and Outlook

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

A few of the campus highlights from FY2023 include:

- SCCC is set to receive \$1,052,851 to improve technology on the College's main campus to enhance and expand educational opportunities for students. The College will upgrade classrooms to include interactive solutions such as interactive whiteboards to promote active learning and increase student engagement.
- The College and Sussex Technical High School have signed a Memorandum of Understanding to allow SCTS students to earn college credits for a Medical Assistant certification while attending high school. Students who complete the necessary courses will be eligible to sit for any National Commission for Certifying Agencies accredited Medical Assistant National Certification Exam.
- The Office of the Secretary of Higher Education has partnered with the College in a *Some College, No Degree* Institutional Grant for the fiscal year of 2024. The grant totals \$100,000. The purpose of the grant is to re-engage students who may have Some College, No Degree to re-enroll and complete a credential.
- The College made the move to become the first community college in New Jersey to offer women's wrestling. The program is slated to begin in the Fall 2024 season.
- SCCC was awarded the Economic Innovation Award for the SCCC McGuire Technical Education Center at the 18th Annual Sussex County Economic Partnership Awards Luncheon. The Sussex County Economic Development Partnership (SCEDP), Inc.'s Annual Award Program is a direct way to thank companies and individuals who have assisted economic development efforts in the county
- Along with the Arbor Restaurant, the new Bake Shop was also opening for the Baking and Pastry Arts students to use their skills and prepare baked goods for the community. The Bake Shop was open on Fridays during the semester.
- SCCC was selected by The Tepper Foundation to participate in the *Community to Opportunity: Building Community to Expand Opportunity Initiative* with the New Jersey Council of County Colleges. The College joins a statewide professional learning community.
- The SCCC Foundation hosted community events such as the Funding Their Future Foundation Event, Women's History Month, and the 100 Women Breakfast, which contributed to over \$150,000 in student scholarships.
- The College Foundation received a \$10,000 Lakeland Bank Community Impact Grant to support the College by purchasing five Apple iMac computers for the multi-use photography and graphics lab.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2023 and 2022

- SCCC is the 2023 recipient of a grant through the New Jersey Council for the Humanities to further develop the new Skylands Research Institute innovation lab. The Mission of the Skylands Research Institute is to provide support for rigorous scholarly inquiry intended to add to the body of knowledge through a systematic approach within the region while continuously promoting ethics, assisting with grant procurement, and advocating for quality throughout the research lifecycle.

Enrollment

Enrollment in the Fall 2022 semester reflected roughly a 2.5% increase in total credit hours from Fall 2021, while Spring 2023 enrollment showed an approximate increase of 11.5% in total credit hours compared to Spring 2022.

Total credit enrollment for the 2023 Fiscal Year increased by approximately 7.1% from 2022. It is likely that much of the increase in credits is due to the ongoing recovery from the COVID-19 pandemic.

The College hosted several "One Stop" Career & Technical Education Open Houses to bolster the programs offered. Attendees learned about industry-standard training from leaders in the industry. Student support services were on hand to ease students into the enrollment process.

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

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

There is an ongoing decrease of traditional-aged students enrolled at the college as high school populations within the County continue to decrease. In an effort to increase yield rates from the high schools, recruitment efforts have focused on the quality and substance of education and support services at the College. In FY23, the College Department of Marketing and Communications continued 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, Spotify Radio, digital advertising on various mobile platforms incorporating geofencing and geotargeting campaigns.

Interest in online learning has continued to grow nationally, and that interest is evident at Sussex County Community College. The expanded availability of online courses appeals to the technology

**SUSSEX COUNTY COMMUNITY COLLEGE
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Years ended June 30, 2023 and 2022**

focused students of today and allows students to do their course work any time of the day or night. This also allows the College to attract students unable to travel to campus and eases the demand for more classroom space. The Distance Education program at SCCC continues to evolve as it continues to work towards approval by the Middle States Commission on Higher Education. The College saw a need to further their online degree offerings and added four additional programs including Computer Information Systems, Computer Science Option, Information Systems Option and Information Technology.

Maintaining our tradition to community service

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

- 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
- DASI Candlelight Vigil/Walk Run for Domestic Violence
- FAFSA Workshops offered financial guidance on filling out FAFSA information.
- Veterans Day Ceremony
- Center for Lifelong Learning Events
- Grant-funded Training in Excel, Communication and Writing Skills
- Political debates, lectures, and community forums
- Service learning initiative to engage students in community service
- Ongoing partnership with United Way to introduce volunteer link
- Fire Academy held at Public Safety and Training Academy for students interested in careers in public safety
- 100 Women Breakfast Series
- Military Appreciation Game
- Culinary Workshops
- Holiday Wish Tree
- Teen Arts Festival for area middle and high school students

**SUSSEX COUNTY COMMUNITY COLLEGE
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Focus on the Future

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,			
	Business-type Activities Sussex County Community College 2023	Component Unit Sussex County Community College Foundation 2023	Business-type Activities Sussex County Community College 2022	Component Unit Sussex County Community College Foundation 2022
ASSETS AND DEFERRED OUTFLOW OF RESOURCES				
CURRENT ASSETS:				
Cash and equivalents	\$ 11,654,229	\$ 1,137,833	\$ 9,845,421	\$ 809,934
Cash held by bond trustee - NJEFA	63,457		87,399	
Restricted cash and equivalents	100,000		200,000	
Investments	10,979,720	2,193,885	10,022,193	2,022,533
Total Cash and Equivalents and Investments	<u>22,797,406</u>	<u>3,331,718</u>	<u>20,155,013</u>	<u>2,832,467</u>
Receivables - student, net of allowance of \$1,443,340 and \$1,581,184, respectively	380,299		138,421	
Due from Foundation	99,153		16,041	
Other assets	197,911	7,765	368,773	1,000
Other receivables	1,681,982	159,160	2,213,558	228,173
Other restricted receivables - grant funds	157,013		287,342	
Total Current Assets	<u>25,313,764</u>	<u>3,498,643</u>	<u>23,179,148</u>	<u>3,061,640</u>
NON-CURRENT ASSETS:				
Capital assets, non depreciable assets	17,689,445		19,237,330	
Capital assets, net of accumulated depreciation of \$31,173,853 and \$28,822,468, respectively	27,656,742	23,436	25,591,807	26,276
Total Non-Current Assets	<u>45,346,187</u>	<u>23,436</u>	<u>44,829,137</u>	<u>26,276</u>
Total Assets	<u>70,659,951</u>	<u>3,522,079</u>	<u>68,008,285</u>	<u>3,087,916</u>
DEFERRED OUTFLOW OF RESOURCES -				
Pension deferrals	753,146		485,227	
Total Assets and Deferred Outflow of Resources	<u>71,413,097</u>	<u>3,522,079</u>	<u>68,493,512</u>	<u>3,087,916</u>
LIABILITIES AND DEFERRED INFLOW OF RESOURCES				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses:				
Vendors	1,900,459	38,362	1,732,741	7,125
Compensated absences, current portion	320,867		337,317	
Unearned revenue	766,562		544,989	
Due to Sussex County Community College		99,153		16,041
Financed purchases payable-current			20,450	
Total Current Liabilities	<u>2,987,888</u>	<u>137,515</u>	<u>2,635,497</u>	<u>23,166</u>
NON-CURRENT LIABILITIES:				
Compensated absences	1,283,468		1,349,269	
Net pension liability	4,871,744		3,724,601	
Total Non-Current Liabilities	<u>6,155,212</u>		<u>5,073,870</u>	
Total Liabilities	<u>9,143,100</u>		<u>7,709,367</u>	
DEFERRED INFLOW OF RESOURCES -				
Pension deferrals	1,413,085		3,416,483	
Total Liabilities and Deferred Inflow of Resources	<u>10,556,185</u>	<u>137,515</u>	<u>11,125,850</u>	<u>23,166</u>
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	45,346,187		44,808,687	
RESTRICTED FOR EXTERNAL PURPOSES	148,809	2,994,108	147,162	2,769,058
UNRESTRICTED	15,361,916	390,456	12,411,813	295,692
Total Net Position	<u>\$ 60,856,912</u>	<u>\$ 3,384,564</u>	<u>\$ 57,367,662</u>	<u>\$ 3,064,750</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,			
	Business-type Activities Sussex County Community College 2023	Component Unit Sussex County Community College Foundation 2023	Business-type Activities Sussex County Community College 2022	Component Unit Sussex County Community College Foundation 2022
OPERATING REVENUES:				
Student revenues:				
Tuition and fees	\$ 12,761,095		\$ 12,043,133	
Less: Scholarship allowance	(566,082)		(480,986)	
Net student revenues	12,195,013		11,562,147	
Federal and local grants and contracts	2,962,461		2,430,602	
State grants and contracts	3,667,232		3,453,779	
Chargeback reimbursements	140,513		138,293	
Fundraising		\$ 1,298,077		\$ 888,392
Other operating revenues	153,544		216,818	
Total Operating Revenues	<u>19,118,763</u>	<u>1,298,077</u>	<u>17,801,639</u>	<u>888,392</u>
OPERATING EXPENSES:				
Instruction	7,916,578		7,807,887	
Academic support	684,757		503,982	
Student affairs	2,637,123		2,418,600	
Institutional support	4,886,711	647,153	4,920,044	596,600
Operation and maintenance of plant	3,170,721		3,414,292	
Student aid	8,908,714		7,768,023	
Chargeback expenses	140,513		138,293	
Depreciation	2,351,385		2,297,136	
Total Operating Expenses	<u>30,696,502</u>	<u>647,153</u>	<u>29,268,257</u>	<u>596,600</u>
OPERATING (LOSS) INCOME	<u>(11,577,739)</u>	<u>650,924</u>	<u>(11,466,618)</u>	<u>291,792</u>
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	3,559,252		3,349,747	
County appropriations	4,020,000		4,020,000	
Federal PELL grants	3,200,804		3,259,860	
Federal CARES grants - institutional	1,337,788		1,102,421	
Federal CARES grants - student aid	684,217		592,007	
Federal CARES grants - strengthening institution program			158,113	
Interest and investment income	350,042		109,966	
Unrealized gain / (loss) on investments	186,640	(331,110)	(699,538)	(372,596)
Total Non-Operating Revenues/(Expenses)	<u>13,338,743</u>	<u>(331,110)</u>	<u>11,892,576</u>	<u>(372,596)</u>
INCOME (LOSS) BEFORE OTHER REVENUES	1,761,004	319,814	425,958	(80,804)
OTHER REVENUES:				
Capital appropriations-Chapter 12 funds	1,643,229		3,185,071	
Higher Education funds	85,017		69,269	
Total Other Revenues	<u>1,728,246</u>		<u>3,254,340</u>	
INCREASE / (DECREASE) IN NET POSITION	3,489,250	319,814	3,680,298	(80,804)
NET POSITION, BEGINNING OF YEAR	<u>57,367,662</u>	<u>3,064,750</u>	<u>53,687,364</u>	<u>3,145,554</u>
NET POSITION, END OF YEAR	<u>\$ 60,856,912</u>	<u>\$ 3,384,564</u>	<u>\$ 57,367,662</u>	<u>\$ 3,064,750</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,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 12,180,037	\$ 11,807,546
Federal and local grants and contracts received	2,913,235	2,617,214
State grants and contracts	2,412,993	1,811,865
Payments to suppliers	(15,951,183)	(14,935,161)
Payments for employee salaries and benefits	(12,037,889)	(11,934,339)
Decrease/(Increase) of restricted cash	100,000	41,323
Other (disbursements)/receipts	1,716,953	(1,362,449)
Net cash flows from operating activities	(8,665,854)	(11,954,001)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Direct lending receipts	1,896,470	1,609,728
Direct lending disbursements	(1,908,955)	(1,609,728)
Federal PELL grant receipts	3,392,844	3,032,234
Federal CARES Act subsidies	1,072,593	392,850
State appropriations	3,559,252	3,349,747
County appropriations	4,020,000	4,020,000
Net cash flows from non-capital financing activities	12,032,204	10,794,831
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Deposits held by bond trustee-NJEFA	23,942	266,822
County Capital appropriation	1,643,229	3,185,071
Capital lease payable	(20,450)	(19,468)
Higher Education Equipment Leasing Fund (ELF and HETI)	85,017	69,269
Purchase of capital assets	(2,868,435)	(3,630,463)
Net cash flows from capital and related financing activities	(1,136,697)	(128,769)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	79,155	55,543
Investments redeemed		3,896,538
Investments purchased	(500,000)	(10,667,308)
Net cash flows from investing activities	(420,845)	(6,715,227)
NET CHANGE IN CASH AND EQUIVALENTS	1,808,808	(8,003,166)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	9,845,421	17,848,587
CASH AND EQUIVALENTS, END OF YEAR	\$ 11,654,229	\$ 9,845,421

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,	
	2023	2022
RECONCILIATION OF OPERATING LOSS TO		
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (11,577,739)	\$ (11,466,618)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	2,351,385	2,297,136
Non-cash donation of equipment		(32,435)
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Restricted cash and equivalents	100,000	41,323
Receivables - student, net	(241,878)	227,451
Due from Foundation	(83,112)	113,192
Other assets	170,862	(293,159)
Other receivables	1,475,659	(1,505,158)
Other restricted receivables - grant funds	(49,226)	186,612
Deferred outflows-pension deferrals	(267,919)	345,163
Accounts payable and accrued expenses - vendors	201,798	(78,311)
Accounts payable-pension	(34,080)	38,882
Compensated absences	(82,251)	(41,863)
Unearned revenue	226,902	17,948
Net pension liability	1,147,143	(1,723,748)
Deferred inflows-pension deferrals	(2,003,398)	(80,416)
Net cash flows from operating activities	\$ (8,665,854)	\$ (11,954,001)

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies:

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

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

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

Net Position - Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities in the financial statements. Net investment in capital assets consists of capital assets net of accumulated depreciation and any related debt on 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 financed purchase obligations associated with the acquisition of the capital assets.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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

- **Restricted:**

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

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

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

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

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

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

Investments – Investments are recorded in the financial statements at fair value, which is based on quoted market prices. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.

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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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

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

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

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

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

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

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

The Foundation is no longer subject to Federal tax examinations for its Federal Form 990 and for the State of New Jersey Form CRI-300R for years prior to June 30, 2020.

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

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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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

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

Recently Issued Accounting Pronouncements - The GASB issued Statement No. 96, *Subscription Based Information Technology Arrangements*, in May of 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Management has evaluated this Statement and determined that there is not a material impact on the financial statements.

The GASB issued Statement No. 101, *Compensated Absences* in June 2023. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has not determined the impact of the Statement on the financial statements.

Subsequent Events - Management has reviewed and evaluated all events and transactions from June 30, 2023 through February 22, 2024, the date that the financial statements are available to be issued and the effects of those that provide additional pertinent information about conditions that existed at the statements of net position date, have been recognized in the accompanying financial statements.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 and 2022, cash held by trustees was \$63,457 and \$87,399, respectively. In addition, as of June 30, 2023 and 2022, the College's carrying amount of unrestricted and restricted deposits was \$11,754,229 and \$10,045,421, respectively, and the bank balance was \$12,281,045 and \$10,371,760, respectively. Of the above 2023 amounts, \$250,000 of the total deposits were insured by the FDIC as of June 30, 2023 and the remainder was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Government Unit Deposit Protection Act.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that the College disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the College would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the College.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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

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

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

Investments - The College's investment policy is to invest excess cash balances in the form of United States Treasury bills or notes, certificates of deposit, repurchase agreements, or other investments such as United States government agency instruments, corporate stocks and bonds, and commercial paper. All insured money market investments are made at official depositories approved by the Board of Trustees. On an average monthly basis, the College's investment portfolio's fixed income portion is not less than 50 percent.

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.

Fair Value Measurement – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – quoted prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

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

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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

The following is a description of the valuation methodologies used for instruments measured at fair value:

- U.S. treasuries and corporate stock are valued at quoted price reported on the active market.
- Corporate bonds, and other fixed income securities are valued using prices based on bid evaluations or quoted prices in an inactive market.

As of June 30, 2023 and 2022, the College's investments are summarized in the following table by their fair value hierarchy:

Type	2023		
	Level 1	Level 2	Totals
U.S. Treasuries	\$ 90,152		\$ 90,152
Corporate Bonds		\$ 4,289,447	4,289,447
Corporate Stock	4,313,393		4,313,393
Other Fixed Securities		2,286,728	2,286,728
Total Investments	<u>\$ 4,403,545</u>	<u>\$ 6,576,175</u>	<u>\$ 10,979,720</u>

Type	2022		
	Level 1	Level 2	Totals
U.S. Treasuries	\$ 218,739		\$ 218,739
Corporate Bonds		\$ 4,066,140	4,066,140
Corporate Stock	3,973,169		3,973,169
Other Fixed Securities		1,764,145	1,764,145
Total Investments	<u>\$ 4,191,908</u>	<u>\$ 5,830,285</u>	<u>\$ 10,022,193</u>

As of June 30, 2023 and 2022, the Foundation's investments are summarized in the following tables by their fair value hierarchy:

Type	2023		
	Level 1	Level 2	Total
Equities	\$ 1,959,154		\$ 1,959,154
Mutual funds	69,216		69,216
Corporate bonds		\$ 67,815	67,815
Government securities	97,700		97,700
	<u>\$ 2,126,070</u>	<u>\$ 67,815</u>	<u>\$ 2,193,885</u>

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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

Type	2022		
	Level 1	Level 2	Total
Equities	\$ 1,679,847		\$ 1,679,847
Mutual funds	68,763		68,763
Corporate bonds		\$ 153,529	153,529
Government securities	120,394		120,394
	<u>\$ 1,869,004</u>	<u>\$ 153,529</u>	<u>\$ 2,022,533</u>

As of June 30, 2023 and 2022, the College had the following investments and maturities:

Investment Type	Fair Value	2023		
		Maturities (in years)		
		Less than 1	1-5	Greater than 5
U.S. Treasuries	\$ 90,152	\$ 90,152		
Corporate Bonds	4,289,448		\$ 3,688,947	\$ 600,501
Corporate Stock	4,313,393	4,313,393		
Other Fixed Income Securities	2,286,727	2,286,727		
Total	<u>\$ 10,979,720</u>	<u>\$ 6,690,272</u>	<u>\$ 3,688,947</u>	<u>\$ 600,501</u>

Investment Type	Fair Value	2022		
		Maturities (in years)		
		Less than 1	1-5	Greater than 5
U.S. Treasuries	\$ 218,739	\$ 218,739		
Corporate Bonds	4,066,140		\$ 2,949,094	\$ 1,117,046
Corporate Stock	3,973,169	3,973,169		
Other Fixed Income Securities	1,764,145	1,764,145		
Total	<u>\$ 10,022,193</u>	<u>\$ 5,956,053</u>	<u>\$ 2,949,094</u>	<u>\$ 1,117,046</u>

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 financed purchase payable on the College's financial statements is related to the New Jersey Educational Facilities Authority Higher Education Equipment Leasing Fund program.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 3 - Capital Assets (continued):

Capital asset activity for the years ended June 30, 2023 and 2022 is comprised of the following:

	Year Ended June 30, 2023			
	Beginning			Ending
	Balance	Acquisitions	Transfers	Balance
DEPRECIABLE ASSETS:				
Buildings and building improvements	\$ 34,427,485	\$ 1,264,264	\$ 3,513,866	\$ 39,205,615
Land improvements	2,975,215	-	295,527	3,270,742
Machinery, equipment and vehicles	<u>17,011,575</u>	<u>660,088</u>	<u>(1,317,425)</u>	<u>16,354,238</u>
Total Depreciable Assets	<u>54,414,275</u>	<u>1,924,352</u>	<u>2,491,968</u>	<u>58,830,595</u>
ACCUMULATED DEPRECIATION:				
Buildings and building improvements	12,726,982	1,530,002	1,687,663	15,944,647
Land improvements	1,967,200	111,675	(30,312)	2,048,563
Machinery, equipment and vehicles	<u>14,128,286</u>	<u>709,708</u>	<u>(1,657,351)</u>	<u>13,180,643</u>
Total Accumulated Depreciation	<u>28,822,468</u>	<u>2,351,385</u>	<u>-</u>	<u>31,173,853</u>
DEPRECIABLE ASSETS, NET	<u>25,591,807</u>	<u>(427,033)</u>	<u>2,491,968</u>	<u>27,656,742</u>
NONDEPRECIABLE ASSETS:				
Land	16,656,635	-	-	16,656,635
Construction in progress	<u>2,580,695</u>	<u>944,083</u>	<u>(2,491,968)</u>	<u>1,032,810</u>
Total Nondepreciable Assets	<u>19,237,330</u>	<u>944,083</u>	<u>(2,491,968)</u>	<u>17,689,445</u>
	<u>\$ 44,829,137</u>	<u>\$ 517,050</u>	<u>\$ -</u>	<u>\$ 45,346,187</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 3 - Capital Assets (continued):

	Year Ended June 30, 2022			
	Beginning			Ending
	Balance	Acquisitions	Transfers	Balance
DEPRECIABLE ASSETS:				
Buildings and building improvements	\$ 29,896,104	\$ 178,545	\$ 4,352,836	\$ 34,427,485
Land improvements	2,892,208	-	83,007	2,975,215
Machinery, equipment and vehicles	<u>16,138,944</u>	<u>54,181</u>	<u>818,450</u>	<u>17,011,575</u>
Total Depreciable Assets	<u>48,927,256</u>	<u>232,726</u>	<u>5,254,293</u>	<u>54,414,275</u>
ACCUMULATED DEPRECIATION:				
Buildings and building improvements	11,598,987	1,127,995	-	12,726,982
Land improvements	1,872,093	95,107	-	1,967,200
Machinery, equipment and vehicles	<u>13,054,252</u>	<u>1,074,034</u>	<u>-</u>	<u>14,128,286</u>
Total Accumulated Depreciation	<u>26,525,332</u>	<u>2,297,136</u>	<u>-</u>	<u>28,822,468</u>
DEPRECIABLE ASSETS, NET	<u>22,401,924</u>	<u>(2,064,410)</u>	<u>5,254,293</u>	<u>25,591,807</u>
NONDEPRECIABLE ASSETS:				
Land	16,656,635	-	-	16,656,635
Construction in progress	<u>4,404,816</u>	<u>3,430,172</u>	<u>(5,254,293)</u>	<u>2,580,695</u>
Total Nondepreciable Assets	<u>21,061,451</u>	<u>3,430,172</u>	<u>(5,254,293)</u>	<u>19,237,330</u>
	<u>\$ 43,463,375</u>	<u>\$ 1,365,762</u>	<u>\$ -</u>	<u>\$ 44,829,137</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$2,351,385 and \$2,297,136, respectively. There were no significant commitments outstanding on projects as of June 30, 2023, however projects were identified and funds were board designated for deferred capital maintenance and other capital programs in the amount of \$5,000,000 as of June 30, 2023.

Chapter 12 Capital Projects Funds available to the College that have been approved by the State and County, and are bonded, consist of nine bond ordinances totaling \$24,277,000. As of June 30, 2023, \$24,011,599 had been spent with \$265,401 remaining to be spent for completion of the approved Capital Projects. As of June 30, 2022, \$20,083,321 had been spent with \$1,969,679 remaining to be spent for completion of the approved Capital Projects.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 4 - Non-Current Liabilities:

Summary of Changes in Non-Current Liabilities - The following tables summarize the changes in non-current liabilities, including pensions disclosed in Note 5, for the years ended June 30, 2023 and 2022:

Year Ended June 30, 2023	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Compensated absences	\$ 1,686,586	\$ 264,372	\$ 346,623	\$ 1,604,335	\$ 320,867	\$ 1,283,468
Financed purchase payable	20,450		20,450			
Net pension liability	<u>3,724,601</u>	<u>1,147,143</u>	<u>-</u>	<u>4,871,744</u>	<u>-</u>	<u>4,871,744</u>
	<u>\$ 5,431,637</u>	<u>\$ 1,411,515</u>	<u>\$ 367,073</u>	<u>\$ 6,476,079</u>	<u>\$ 320,867</u>	<u>\$ 6,155,212</u>

Year Ended June 30, 2022	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Compensated absences	\$ 1,728,449	\$ 270,896	\$ 312,759	\$ 1,686,586	\$ 337,317	\$ 1,349,269
Financed purchase payable	39,918	-	19,468	20,450	20,450	-
Net pension liability	<u>5,448,349</u>	<u>-</u>	<u>1,723,748</u>	<u>3,724,601</u>	<u>-</u>	<u>3,724,601</u>
	<u>\$ 7,216,716</u>	<u>\$ 270,896</u>	<u>\$ 2,055,975</u>	<u>\$ 5,431,637</u>	<u>\$ 357,767</u>	<u>\$ 5,073,870</u>

The College has recorded a liability for compensated absences of \$1,604,335 and \$1,686,586 as of June 30, 2023 and 2022, 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 – Purchase Agreement Payable - In January 2014, the College entered into a purchase agreement payable with the New Jersey Educational Facility Authority (NJEFA), as lender, 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 was due and paid on May 1, 2023.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 4 - Non-Current Liabilities (continued):

The College has capitalized the capital assets as a result of the financed purchase agreement of \$690,749 through June 30, 2023. The College has paid \$20,450 and \$19,468 in principal payments in fiscal years ended June 30, 2023 and 2022, respectively.

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"), MetLife Insurance Company ("Brighthouse"), AXA Financial ("Equitable"), MassMutual Retirement Services (the "Hartford"), VOYA Financial Services ("VOYA") formerly known as ING U.S. Inc. and Variable Annuity Life Insurance Company ("VALIC") a subsidiary of AIG Retirement Services. ABP is administered by a separate board of trustees. Generally, all employees, except certain part-time employees, participate in one or more of these plans. The College also participates in the New Jersey Defined Contribution Retirement Plan ("DCRP").

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

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 5 - Retirement Plans (continued):

The State of New Jersey PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pension and Benefits. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports for PERS that include financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

PERS Funding Policy - PERS members are required to contribute 7.50% of their annual covered salary. The College is required to contribute at an actuarially determined rate. The College's actuarially determined contributions to PERS for the years ended June 30, 2023, 2022, and 2021 were \$373,007, \$407,087 and \$368,205, 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 Employees' Retirement System (PERS) - 2023

At June 30, 2023, the College reported a liability of \$4,871,744 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2021, which was rolled forward to June 30, 2022. 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, 2022, the College's proportion was 0.032281641 percent, which was an increase of 0.000841124 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the College recognized full accrual pension benefit of \$1,015,832 the financial statements. At June 30, 2023, 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	\$ 15,094	\$ 729,493
Difference between expected and actual experience	35,162	31,008
Net difference between projected and actual earnings on pension plan investments	201,637	
Changes in proportion and differences between College contributions and proportionate share of contributions	128,246	652,584
College contributions subsequent to the measurement date	373,007	
	\$ 753,146	\$ 1,413,085

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 5 - Retirement Plans (continued):

\$373,007 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:		
2024	\$	(664,492)
2025		(398,405)
2026		(193,005)
2027		222,986
2028		(30)
		<u>(1,032,946)</u>
	\$	<u>(1,032,946)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases through 2026	2.75 – 6.55%
	based on years of service
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. 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.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

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Note 5 - Retirement Plans (continued):

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.12%
Non-U.S. developed markets	13.50%	8.38%
Private Equity	13.00%	11.80%
Emerging markets equity	5.50%	10.33%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%
	100.00%	

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 5 - Retirement Plans (continued):

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the College's proportionate share of the net pension liability as of June 30, 2022 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	At 1% decrease (6.00%)	At current discount rate (7.00%)	At 1% increase (8.00%)
College's proportionate share of the net pension liability	\$ 6,258,764	\$ 4,871,744	\$ 3,691,334

Pension Plan Fiduciary Net Position

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

Additional Information

Collective balances for the local group at June 30, 2022 are as follows:

Deferred outflows of resources	\$ 1,660,772,008
Deferred inflows of resources	\$ 3,236,303,935
Net pension liability	\$ 15,219,184,920
College's Proportion	0.0322816410%

Collective pension benefit for the Local Group for the measurement period ended June 30, 2022 is \$1,032,778,934.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 5 - Retirement Plans (continued):

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, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 is 5.04, 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years, respectively.

Public Employees' Retirement System (PERS) - 2022

At June 30, 2022, the College reported a liability of \$3,724,601 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2020, which was rolled forward to June 30, 2021. 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, 2021, the College's proportion was 0.0314405174 percent, which was a decrease of 0.0019697981 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2021, the College recognized full accrual pension benefit of \$1,333,611 in the financial statements. At June 30, 2022, 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	\$ 19,398	\$ 1,325,982
Difference between expected and actual experience	58,742	26,664
Net difference between projected and actual earnings on pension plan investments		981,158
Changes in proportion and differences between College contributions and proportionate share of contributions		1,082,679
College contributions subsequent to the measurement date	407,087	
	\$ 485,227	\$ 3,416,483

\$407,087 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:	
2023	\$ (1,375,826)
2024	(896,892)
2025	(630,806)
2026	(425,405)
2027	(9,414)
	\$ (3,338,343)

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 5 - Retirement Plans (continued):

Actuarial Assumptions

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

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

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

For the June 30, 2021 measurement date, pre-retirement mortality rates were based on Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Postretirement mortality rates were based on the Pub-2010 General Below Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 5 - Retirement Plans (continued):

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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	3.33%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Investment grade credit	8.00%	1.68%
High yield	2.00%	3.73%
Private Credit	8.00%	7.60%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.13%
U.S. Equity	27.00%	7.71%
Non-U.S. development markets equity	13.50%	8.09%
Emerging markets equity	5.50%	8.71%
Private equity	13.00%	11.30%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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, 2021 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	At 1% decrease (6.00%)	At current discount rate (7.00%)	At 1% increase (8.00%)
College's proportionate share of the net pension liability	\$ 5,072,151	\$ 3,724,601	\$ 2,581,014

Pension Plan Fiduciary Net Position

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

Additional Information

Collective balances for the local group at June 30, 2021 are as follows:

Deferred outflows of resources	\$ 1,164,738,169
Deferred inflows of resources	\$ 8,339,123,762
Net pension liability	\$ 11,972,782,878
College's Proportion	0.0314405174%

Collective pension expense for the Local Group for the measurement period ended June 30, 2022 is \$1,164,738,169. 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, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 is 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, and 5.72 years, respectively.

Alternative Benefit Program Information - ABP provides the choice of six investment carriers, all of which are privately operated, defined contribution retirement plans. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for, or on behalf of, those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility is established by the State of New Jersey Retirement and Social Security Law, as are contributory and noncontributory requirements. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of

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NOTES TO FINANCIAL STATEMENTS

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Note 5 - Retirement Plans (continued):

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, 2023, ABP investment carriers received approximately 55% employer and 45% employee (includes additional discretionary amounts) contributions totaling \$1,387,579. During the year ended June 30, 2022, ABP investment carriers received approximately 56% employer and 44% employee (includes additional discretionary amounts) contributions totaling \$1,283,511. The contributions made by the Division on behalf of the College for the year ended June 30, 2023 amounted to \$287,488 including back contributions of \$53,538 as compared to \$221,992 for fiscal year 2022.

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 \$10,515 and \$6,030, respectively, for the fiscal year ended June 30, 2023 and \$9,325 and \$4,995, for the fiscal year ended June 30, 2022, respectively.

Note 6 – Other Postemployment Benefits:

Plan description and benefits provided

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

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 6 - Other Postemployment Benefits (continued):

financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

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

Certain local participating employers also provide post-retirement medical coverage to their employees.

Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents. The total nonemployer OPEB liability does not include certain other postemployment obligations that are provided by the local education employers.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For fiscal year 2020, the State contributed \$1.578 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State's "pay-as-you-go" contributions have decreased from fiscal year 2019 amounts. Reductions are attributable to various cost savings initiatives implemented by the State, including the new Medicare Advantage contracts. The State has appropriated \$1.775 billion in fiscal year 2021 as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. The State is required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2020 total State OPEB liability to provide these benefits is \$65.5 billion, a decrease of \$10.5 billion or 13.8 percent from the \$76.0 billion liability recorded in fiscal year 2019.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 6 – Other Postemployment Benefits (continued):

Total OPEB Liability - 2023

The total OPEB liability from New Jersey’s plan is \$50,646,462,966.

Changes in the College’s Total OPEB Liability

Below represents the changes in the State’s portion of the total OPEB liability associated with the College for the year ended June 30, 2022:

	<u>Total OPEB Liability</u>
Beginning Balance, June 30, 2021	\$ 23,530,336
Changes for the year:	
Service cost	1,183,762
Interest cost	566,121
Difference between expected and actual experience	2,355,301
Changes of assumptions	(5,730,591)
Member contributions	17,989
Gross benefit payments	(560,759)
Net changes	(2,168,177)
Ending Balance, June 30, 2022	\$ 21,362,159

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 6 – Other Postemployment Benefits (continued):

Employees covered by benefit terms

The following employees were covered by the benefit terms:

Local Education	June 30, 2022
Active Plan Members	
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	213,148
Inactive Plan Members Entitled to but not Yet Receiving Benefits	151,669
Total Plan Members	-
	364,817

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The College's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the College did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the College as of June 30, 2022 was \$21,362,159. Additional information can be obtained from the State of New Jersey's annual comprehensive financial report.

Actuarial assumptions and other inputs

The total nonemployer OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

	TPAF/ABP	PERS
Inflation rate	2.50%	2.50%
Salary increases	2.75 - 4.25%	2.75 - 6.55%
	based on service years	based on service years

Mortality Rates

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience TPAF and PERS studies for the periods July 1, 2018 through June 30, 2021.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 6 – Other Postemployment Benefits (continued):

Discount Rate

The discount rate for June 30, 2022 was 3.54%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.50% long-term trend rate after eight years. For post-65 medical benefits PPO, the trend is initially -1.99% in fiscal year 2023, increasing to 13.44% in fiscal year 2023, increasing to 13.44% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially -3.54% in fiscal year 2023, increasing to 15.19% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 8.00% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

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

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2022 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate:

	At a 1% decrease (2.54%)	At current discount rate (3.54%)	At a 1% increase (4.54%)
Total OPEB Liability (Allocable to the College and the responsibility of the State)	\$ 24,995,088	\$ 21,362,159	\$ 18,359,277

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 6 – Other Postemployment Benefits (continued):

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2022 calculated using the healthcare cost trend rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	At a 1% decrease	At current healthcare cost trend rate	At a 1% increase
Total OPEB Liability (Allocable to the College and the responsibility of the State)	\$ 17,657,130	\$ 21,362,159	\$ 26,228,939

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

For the year ended June 30, 2023, the College recognized on-behalf OPEB expense and revenue in the financial statements of \$1,254,239 for OPEB expenses incurred by the State.

Collective balances of the Local Education Group at June 30, 2022 are as follows:

Deferred outflows of resources	\$	20,104,625,333
Deferred inflows of resources	\$	34,996,842,046
Collective OPEB expense	\$	1,595,653,262
 College's Proportion		 0.04%

Special Funding Situation

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

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 6 – Other Postemployment Benefits (continued):

Total OPEB Liability - 2022

The net OPEB liability from New Jersey’s plan is \$60,007,650,970.

Changes in the College’s Total OPEB Liability

Below represents the changes in the College’s total OPEB liability for the year ended June 30, 2021:

	<u>Total OPEB Liability</u>
Beginning Balance, June 30, 2020	\$ 26,250,866
Changes for the year:	
Service cost	1,214,103
Interest cost	610,402
Difference between expected and actual experience	(4,077,983)
Changes of assumptions	23,214
Member contributions	15,605
Gross benefit payments	(480,826)
Net changes	(2,720,530)
Ending Balance, June 30, 2021	\$ 23,530,336

Employees covered by benefit terms

The following employees were covered by the benefit terms:

Local Education	June 30, 2021
Active Plan Members	
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	213,901
Inactive Plan Members Entitled to but not Yet Receiving Benefits	150,427
Total Plan Members	-
	364,328

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The College’s proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the College did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State’s proportionate share of the net OPEB liability associated with the College as of June 30, 2021 was \$23,530,336. Additional information can be obtained from the State of New Jersey’s annual comprehensive financial report.

**SUSSEX COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 6 – Other Postemployment Benefits (continued):

Actuarial assumptions and other inputs

The total nonemployer OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	TPAF/ABP	PERS
Inflation rate	2.50%	2.50%
Salary increases through 2026	1.55 - 4.45%	2.00 - 6.00%
	based on service years	based on service years
Thereafter	2.75 - 5.65%	3.00 - 7.00%
	based on service years	based on service years

Mortality Rates

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 through June 30, 2018 and July 2014 through June 30, 2018 for TPAF and PERS, respectively.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 6 – Other Postemployment Benefits (continued):

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.65% and decreases to a 4.50% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2022 through 2023 are reflected. For PPO the trend is initially 5.74% in fiscal year 2024, increasing to 12.93% in fiscal year 2025 and decreases to 4.50% after 11 years. For HMO the trend is initially 6.01% in fiscal year 2024, increasing to 15.23% in fiscal year 2025 and decreases to 4.50% after 11 years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

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

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2021 calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate:

	At a 1% decrease (1.16%)	At current discount rate (2.16%)	At a 1% increase (3.16%)
Total OPEB Liability (Allocable to the College and the responsibility of the State)	\$ 28,185,649	\$ 23,530,336	\$ 19,854,557

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2021 calculated using the healthcare cost trend rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	At a 1% decrease	At current healthcare cost trend rate	At a 1% increase
Total OPEB Liability (Allocable to the College and the responsibility of the State)	\$ 19,047,876	\$ 23,530,336	\$ 29,549,939

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 6 – Other Postemployment Benefits (continued):

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

For the year ended June 30, 2022, the College recognized on-behalf OPEB expense and revenue in the financial statements of \$1,641,914 for OPEB expenses incurred by the State.

Collective balances of the Local Education Group at June 30, 2021 are as follows:

Deferred outflows of resources	\$	21,549,947,255
Deferred inflows of resources	\$	29,769,148,209
Collective OPEB expense	\$	3,527,672,060
 College's Proportion		 0.04%

Special Funding Situation

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

Note 7 - Risk Management:

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

Note 8 - New Jersey Unemployment Compensation Insurance:

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

Note 9 - Commitments and Contingencies:

The College receives support from Federal and State of New Jersey grant programs, primarily student financial assistance. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2023, 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.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 9 - Commitments and Contingencies (continued):

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

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

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

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

During the year ended June 30, 2023, the Foundation did not make any distributions to the College for either restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administrative office at One College Hill Road, Newton, New Jersey 07860.

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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Note 11 - Components of Net Position:

At June 30, 2023 and 2022, the College's components of net position consisted of the following:

	Net Investment in			Total FY	Total FY
	<u>Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>2023</u>	<u>2022</u>
NET INVESTMENT IN CAPITAL ASSETS	\$ 45,346,187	\$ -	\$ -	\$45,346,187	\$44,808,687
RESTRICTED FOR:					
Student activity groups	-	48,809	-	48,809	47,162
NJ Community College Consortium for Workforce & Economic Development	-	100,000	-	100,000	100,000
BOARD-DESIGNATED FOR:					
Student and financial software conversion			1,200,000	1,200,000	-
COVID-19 related expenses	-	-	-	-	615,000
Deferred capital maintenance	-	-	5,000,000	5,000,000	5,000,000
Enrollment growth/student success	-	-	700,000	700,000	700,000
Information technology	-	-	420,000	420,000	420,000
Academic Initiatives	-	-	1,500,000	1,500,000	1,500,000
New Sports Programs	-	-	500,000	500,000	500,000
Other Capital Programs	-	-	600,000	600,000	600,000
Online Program Investment	-	-	100,000	100,000	100,000
EFFECT OF GASB 68 ADJUSTMENTS	-	-	(5,904,690)	(5,904,690)	(7,149,452)
UNDESIGNATED	-	-	11,246,606	11,246,606	10,126,265
Total per Statements of Net Position	<u>\$ 45,346,187</u>	<u>\$148,809</u>	<u>\$15,361,916</u>	<u>\$60,856,912</u>	<u>\$57,367,662</u>

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

Note 12 - Middle States Commission on Higher Education:

Sussex County Community College is fully accredited by the Middle States Commission on Higher Education (MSCHE), 3624 Market Street, Philadelphia, PA 19104. Regular accreditation visits by a team of MSCHE visitors are scheduled to take place every ten years; and five years after every regular visit, a status report, referred to as Periodic Review Report (PRR) is due to the Commission in order to document the institution's progress in certain areas as recommended by each visiting team assigned by the accrediting agency. The College was first accredited in 1993, and subsequently reaccredited in 1998 and 2008. The most recent visit from Middle States occurred in April 2018 and the College was reaccredited on November 15, 2018.

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

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

Last Ten Fiscal Years

	Fiscal Year Ended June 30.									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
College's proportion of the net pension liability (asset) - Local Group	0.0322816414%	0.0314405174%	0.0334103155%	0.0367686852%	0.0369494900%	0.0395027726%	0.0441984819%	0.0449877506%	0.0415572530%	0.4466172820%
College's proportionate share of the net pension liability (asset)	\$ 4,871,744	\$ 3,724,601	\$ 5,448,349	\$ 6,625,159	\$ 7,275,169	\$ 9,195,614	\$ 13,090,323	\$ 10,098,849	\$ 7,780,654	\$ 8,535,744
College's covered-employee payroll	\$ 2,167,527	\$ 2,452,965	\$ 2,448,455	\$ 2,457,047	\$ 2,491,872	\$ 2,541,794	\$ 2,727,452	\$ 3,067,727	\$ 3,276,196	\$ 3,137,160
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	224.76%	151.84%	222.52%	269.64%	291.96%	361.78%	479.95%	329.20%	237.49%	346.19%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

There were none.

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

Last Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 373,007	\$ 407,087	\$ 368,205	\$ 365,492	\$ 358,557	\$ 368,836	\$ 392,653	\$ 386,774	\$ 342,592	\$ 336,517
Contributions in relation to the contractually required contribution	(373,007)	(407,087)	(368,205)	(365,492)	(358,557)	(368,836)	(392,653)	(386,774)	(342,592)	(336,517)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 2,167,527	\$ 2,294,772	\$ 2,452,965	\$ 2,448,455	\$ 2,457,047	\$ 2,491,872	\$ 2,541,794	\$ 2,727,452	\$ 3,067,727	\$ 3,276,196
Contributions as a percentage of covered-employee payroll	17.21%	17.74%	15.01%	14.93%	14.59%	14.80%	15.45%	14.18%	11.17%	10.27%

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

Last Ten Fiscal Years*

	Fiscal Year Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
State's proportion of the net OPEB liability (asset) associated with the College	0.04%	0.04%	0.04%	0.04%	0.04%	0.03%	0.03%
College's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the College	\$ 21,362,159	\$ 23,530,336	\$ 26,250,866	\$ 15,940,593	\$ 16,635,875	\$ 18,516,905	\$ 19,431,939
Total proportionate share of the net OPEB liability (asset) associated with the College	<u>\$ 21,362,159</u>	<u>\$ 23,530,336</u>	<u>\$ 26,250,866</u>	<u>\$ 15,940,593</u>	<u>\$ 16,635,875</u>	<u>\$ 18,516,905</u>	<u>\$ 19,431,939</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total OPEB Liability							
Service cost	\$ 1,183,762	\$ 1,214,103	\$ 793,459	\$ 724,080	\$ 1,073,126	\$ 1,270,170	
Interest cost	566,121	610,402	578,003	662,730	693,704	584,165	
Changes in benefit terms		(25,045)					
Differences between expected and actual	2,355,301	(4,077,983)	4,586,834	(1,844,944)	(1,309,347)	-	
Changes of assumptions	(5,730,591)	23,214	4,795,131	237,676	(1,909,050)	(2,356,272)	
Member contributions	17,989	15,605	13,852	14,505	15,374	15,793	
Gross benefit payments	(560,759)	(480,826)	(457,006)	(489,329)	(444,837)	(428,890)	
Net change in total OPEB liability	<u>(2,168,177)</u>	<u>(2,720,530)</u>	<u>10,310,273</u>	<u>(695,282)</u>	<u>(1,881,030)</u>	<u>(915,034)</u>	
Total OPEB liability - beginning	<u>23,530,336</u>	<u>26,250,866</u>	<u>15,940,593</u>	<u>16,635,875</u>	<u>18,516,905</u>	<u>19,431,939</u>	
Total OPEB liability - ending	<u>\$ 21,362,159</u>	<u>\$ 23,530,336</u>	<u>\$ 26,250,866</u>	<u>\$ 15,940,593</u>	<u>\$ 16,635,875</u>	<u>\$ 18,516,905</u>	
Covered-employee payroll	<u>\$ 2,167,527</u>	<u>\$ 2,294,772</u>	<u>\$ 2,452,965</u>	<u>\$ 2,448,455</u>	<u>\$ 2,457,047</u>	<u>\$ 2,491,872</u>	
Total OPEB liability as a percentage of covered-employee payroll	<u>985.55%</u>	<u>1025.39%</u>	<u>1070.17%</u>	<u>651.05%</u>	<u>677.07%</u>	<u>743.09%</u>	

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

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

** information not available.

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.



**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, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 22, 2024. The financial statements of the Sussex County Community College Foundation, the discretely presented component unit, were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6200 | Fax: 908.272.2416 | www.pkfod.com

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**The Board of Trustees
Sussex County Community College**

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Compliance and Other Matters

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

Purpose of This Report

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
February 22, 2024



**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

Opinion on 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, 2023. 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.

In our opinion, the College complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the audit requirements of *Title 2 U.S. Code of Federal Regulations 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*. Our responsibilities under those standards, the Uniform Guidance and New Jersey OMB Circular 15-08 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

**The Board of Trustees
Sussex County Community College**

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the College's federal and state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey OMB Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and New Jersey OMB Circular 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**The Board of Trustees
Sussex County Community College**

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Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

PKF O'Connor Davies, LLP

Cranford, New Jersey
February 22, 2024

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal AL Number	Grant or FAIN Number	FY 2023 Expenditures	Passed through to Subrecipients
U.S. Department of Education:				
Direct Awards:				
Student Financial Assistance Cluster:				
Federal Pell Grant Program (PELL)	84.063	P063P224434	\$ 3,200,804	
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	P007A227578	95,524	
Federal Direct Student Loans - Subsidized	84.268	P268K214434	626,693	
Federal Direct Student Loans - Non subsidized	84.268	P268K214434	1,282,262	
Federal Work-Study Program (FWS)	84.033	P033A228578	66,425	
Total Student Financial Assistance Cluster			<u>5,271,708</u>	
Education Stabilization Fund:				
COVID-19 Higher Education Emergency Relief Fund (HEERF III) - Institutional Aid	84.425F	P425F210488	1,337,788	
COVID-19 Higher Education Emergency Relief Fund (HEERF III) - Student Aid	84.425E	P425E211247	684,217	
Total Education Stabilization Fund			<u>2,022,005</u>	
Total Direct Awards			<u>7,293,713</u>	
U.S. Department of Education Passed Through the				
NJ Department of Education:				
Career and Technical Education - Basic Grants to States	84.048	V048A200030	137,396	
Career and Technical Education - Basic Grants to States (Perkins Rural)	84.048A	V048A210030	162,259	
Cybersecurity Grant	84.116Z	P116Z220226	5,000	
Adult Education - Basic Grants to States	84.002	V002A200031	235,140	
Total U.S. Department of Education Passed Through the NJ Department of Education			<u>539,795</u>	
Total Expenditures of Federal Awards			<u>\$ 7,833,508</u>	<u>\$ -</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, 2023

State of New Jersey Grantor/Program or Cluster Title	State of New Jersey Account/ Grant Number	FY 2023 Award Amount	Grant Period	FY 2023 Cash Receipts	FY 2023 Expenditures
Student Financial Assistance Cluster:					
New Jersey Commissioner of Higher Education					
Tuition Aid Grant (TAG)	100-074-2405-007	\$ 724,716	7/1/22-6/30/23	\$ 724,716	\$ 724,716
Student NJ Class Loan (NJCL)	NJCL	29,838	7/1/22-6/30/23	29,838	29,838
New Jersey STARS	100-074-2405-313	205,295	7/1/22-6/30/23	205,295	205,295
Educational Opportunity Fund - Summer 2023	100-074-2401-002	47,697	7/1/22-6/30/23	47,697	43,463
Educational Opportunity Fund	100-074-2401-002	165,161	7/1/22-6/30/23	130,704	162,181
Educational Opportunity Fund - Summer 2024	100-074-2401-002	48,684	6/1/23-6/30/24		4,881
Community College Opportunity Grant (CCOG)	Not Available	750,365	7/1/22-6/30/23	760,098	750,365
Total Student Financial Assistance Cluster				<u>1,898,348</u>	<u>1,920,739</u>
Other State of New Jersey Programs:					
New Jersey Commissioner of Higher Education					
Operational Costs - County Colleges	100-074-2400-001	3,559,252	7/1/22-6/30/23	3,559,252	3,559,252
Alternate Benefit Program	100-082-2155-017	222,991	7/1/21-6/30/22	102,607	
Alternate Benefit Program	100-082-2155-017	287,488	7/1/22-6/30/23	178,475	287,488
Subtotal New Jersey Commissioner of Higher Education				<u>3,840,334</u>	<u>3,846,740</u>
New Jersey Office of the Secretary of Higher Education					
College Readiness Now Project IV	Not available	24,196	7/1/21-6/30/23	24,196	23,206
College Readiness Now Project IV	Not available	15,870	7/1/22-6/30/23		15,870
Community College Opportunity Grant (CCOG)	Not available	265,000	7/1/22-6/30/23	175,147	166,121
Career Accelerator Grant	Not available	13,614	7/1/21-6/30/23		12,129
Adult Transition Center	Not available	250,000	6/15/22-6/30/23	250,000	191,272
Hunger Free Campus Grant	Not available	53,808	7/1/22-6/30/23	20,000	34,043
Some College no Degree	Not available	17,574	7/1/22-6/30/23	17,574	11,938
Subtotal New Jersey Office of the Secretary of Higher Education				<u>486,917</u>	<u>454,579</u>
New Jersey Community College Consortium for Workforce and Economic Development					
Pathways to Career Opportunities	Not available	95,000	7/1/22-6/30/23	95,000	29,075
Subtotal New Jersey Community College Consortium for Workforce and Economic Development				<u>95,000</u>	<u>29,075</u>
New Jersey Department of State - State Council on the Arts Passed through Sussex County Arts and Heritage Council					
Alpha Arts Institute	Not available	3,000	7/1/22-6/30/23	2,600	2,600
Teen Arts Grant	Not available	6,000	7/1/22-6/30/23	6,000	6,000
Subtotal New Jersey Department of State - State Council on the Arts - Passed through Sussex County Arts and Heritage Council				<u>8,600</u>	<u>8,600</u>
Total other State of New Jersey programs				<u>4,430,851</u>	<u>4,338,994</u>
Total Expenditures of State Financial Assistance				<u>\$ 6,329,199</u>	<u>\$ 6,259,733</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, 2023**

1. Basis of Presentation

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

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

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

2. Loan Programs

Sussex County Community College is responsible only for the performance of certain administrative duties with respect to the Loan Programs. The balance of loans outstanding to students of Sussex County Community College under the federal loan programs was \$1,954,053 at June 30, 2023. The College processed \$1,908,955 under Federal Direct Loans and \$29,838 under Student NJ Class Loans, during the fiscal year ended June 30, 2023.

3. Alternate Benefit Program

During the year ended June 30, 2023, the State of New Jersey, Department of Treasury made payments on behalf of Sussex County Community College to the Alternate Benefit Program of \$287,488. 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, 2023. The June 30, 2023 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of 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, 2023**

4. Indirect Costs

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

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

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2023

Part II - Schedule of Financial Statement Findings

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

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

Year ended June 30, 2023

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

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

Federal Award Programs

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

State Award Programs

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