

SUSSEX COUNTY COMMUNITY COLLEGE
(A Component Unit of the County of Sussex)
**REPORT ON FINANCIAL STATEMENTS AND
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04**

YEARS ENDED JUNE 30, 2013 AND 2012



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

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Sussex County Community College

Report on the Financial Statements

We have audited the accompanying basic financial statements of Sussex County Community College (the "College"), a component unit of the County of Sussex and its discretely presented component unit (the "Foundation"), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sussex County Community College and its discretely presented component unit, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows, for the years then ended and its discretely presented component unit as of June 30, 2013 and 2012, and the respective changes in net position and cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis as presented in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 opinions on the financial statements taken as a whole. 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 04-04, *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 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2013 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Wiss & Company

WISS & COMPANY, LLP

Iselin, New Jersey
October 28, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2013 and 2012
(Unaudited)

Overview of the Basic Financial Statements and Financial Analysis

This section of the audited financial statements for Sussex County Community College (the "College") presents management's discussion and analysis of the College's financial position for the years ended June 30, 2013 and 2012, with selected information pertaining to the year ended June 30, 2011. 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 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 after liabilities and deferred inflows 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. Restricted for external purposes primarily includes scholarships that are subject to regulations or restrictions governing their use. Unrestricted net position is available to the College for general purposes, some of which is internally designated for information technology initiatives, enrollment growth/student success initiatives and deferred capital maintenance projects.

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The statements of net position present the College's current and non-current assets and liabilities and the resultant net position. The statements of revenues, expenses and changes in net position show the College's revenues and expenses segregated into operating and non-operating sections. It is important to note that the state and county appropriations, which are essential to the College's operations, are recorded as non-operating revenues. Therefore, the operating revenues less operating expenses show a loss of \$6,331,409 and \$8,113,188 for fiscal years ended June 30, 2013 and 2012, respectively, while the net of non-operating revenues less non-operating expenses shows an excess revenue over expenses of \$972,579 for the year ending June 30, 2013 and an excess of expenses over revenues of \$689,422 for the fiscal year ended June 30, 2012. 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, liabilities, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
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(Unaudited)

Financial Highlights

Condensed Schedules of Net Position

The following represents assets, liabilities and net position of the College at June 30, 2013, 2012 and 2011:

	Net Position as of June 30,				
	<i>(As Restated)</i>			Dollar Change from 2012	Percent Change from 2012
	2011	2012	2013		
CURRENT ASSETS	\$ 3,784,848	\$ 5,210,608	\$ 7,190,815	\$ 1,980,207	38%
NON-CURRENT ASSETS:					
Capital assets, nondepreciable land and construction in progress	15,944,035	16,222,640	16,383,122	160,482	1%
Capital assets, net of accumulated depreciation	<u>16,109,367</u>	<u>14,481,526</u>	<u>13,961,160</u>	<u>(520,366)</u>	-4%
Total Assets	<u>\$ 35,838,250</u>	<u>\$ 35,914,774</u>	<u>\$ 37,535,097</u>	<u>\$ 1,620,323</u>	5%
CURRENT LIABILITIES	\$ 2,251,999	\$ 2,519,824	\$ 2,036,552	\$ (483,272)	-19%
NON-CURRENT LIABILITIES:					
Compensated absences	<u>1,599,258</u>	<u>1,818,774</u>	<u>2,012,486</u>	<u>193,712</u>	11%
Total Liabilities	<u>\$ 3,851,257</u>	<u>\$ 4,338,598</u>	<u>\$ 4,049,038</u>	<u>\$ (289,560)</u>	-7%
NET POSITION					
Net investment in capital assets	\$ 32,053,402	\$ 30,704,166	\$ 30,344,282	\$ (359,884)	-1%
Restricted	36,848	32,984	21,423	(11,561)	-35%
Unrestricted/(Deficit)	<u>(103,257)</u>	<u>839,026</u>	<u>3,120,354</u>	<u>2,281,328</u>	272%
Total Net Position	<u>\$ 31,986,993</u>	<u>\$ 31,576,176</u>	<u>\$ 33,486,060</u>	<u>\$ 1,909,883</u>	6%

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

Net position at June 30, 2013, totaled \$33.5 million.

Net position at June 30, 2012, totaled \$31.6 million.

Net position at June 30, 2011, totaled 32.0 million. *(As Restated)*.

Current assets increased for a variety of reasons, mainly an increase in cash in unrestricted funds due to current year improved operating results. There was \$953,567 of capital asset purchases during the fiscal year ended June 30, 2013 of which \$937,304 were County Chapter 12 funds.

Capital assets, net decreased overall mainly due to current year depreciation expense exceeding capital asset additions.

Current liabilities decreased mainly due to a decrease in unearned revenue from tuition due to a change in the timing of the summer semesters.

Balances in net position are shown as either net investment in capital assets, restricted or unrestricted. Restricted funds are those specifically restricted by the funding source. Certain unrestricted funds have been designated by the Board of Trustees for information technology initiatives, enrollment growth/student success initiatives and deferred capital maintenance projects. All board-designated and undesignated amounts are included in unrestricted net position on the statements of net position.

At June 30, 2013, \$600,000 had been identified and designated for deferred capital maintenance, \$550,000 for enrollment growth/student success initiatives and \$722,500 for information technology initiatives.

SUSSEX COUNTY COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2013 and 2012
(Unaudited)

Condensed Schedule 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, 2013, 2012 and 2011 are as follows:

	Year Ended June 30,				
	<i>(As Restated)</i> 2011	2012	2013	Dollar Change from 2012	Percent Change from 2012
OPERATING REVENUES:					
Net student revenues	\$ 12,616,452	\$ 12,891,076	\$ 13,787,992	\$ 896,916	7%
Federal grants and contracts	7,944,021	8,345,121	7,844,899	(500,222)	-6%
State, county and private grants	990,048	1,019,834	931,850	(87,984)	-9%
Other operating revenues	575,811	747,152	817,442	70,290	9%
Total	<u>22,126,332</u>	<u>23,003,183</u>	<u>23,382,183</u>	<u>379,000</u>	<u>2%</u>
Less: Operating expenses	31,890,396	31,116,371	29,713,592	(1,402,779)	-5%
Operating Loss	<u>(9,764,064)</u>	<u>(8,113,188)</u>	<u>(6,331,409)</u>	<u>1,781,779</u>	<u>-22%</u>
NON-OPERATING REVENUES:					
State appropriations	3,810,418	3,617,989	3,499,385	(118,604)	-3%
County appropriations	4,797,000	3,797,000	3,797,000	-	0%
Investment income, net	6,776	8,777	7,603	(1,174)	-13%
Total	<u>8,614,194</u>	<u>7,423,766</u>	<u>7,303,988</u>	<u>(119,778)</u>	<u>-2%</u>
CAPITAL APPROPRIATIONS	<u>-</u>	<u>278,605</u>	<u>937,304</u>	<u>658,699</u>	<u>236%</u>
(DECREASE)/INCREASE IN NET POSITION	<u>\$ (1,149,870)</u>	<u>\$ (410,817)</u>	<u>\$ 1,909,883</u>	<u>\$ 2,320,700</u>	<u>-565%</u>

Federal, State and County appropriations make up a significant portion of the College's annual revenues and should be viewed as an offset to net operating expenses. The \$896,916 increase in net student revenues is a result of a tuition rate increase offset by a decrease in enrollment. Federal grants and contracts have decreased by \$500,222 which is mainly attributable to a decrease in Student Financial Assistance as related to the enrollment decrease. Operating expenses decreased due to cost savings measures initiated by the College and a reduction of student aid and due to decreased enrollment. County appropriations remained flat in FY13 and the State reduced its funding slightly. Capital appropriations increased due to the College receiving \$937,304 Chapter 12 funding during the 2013 fiscal year as compared to \$278,605 during the 2012 fiscal year.

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Condensed Schedules of Operating Expenses

A summary of the College's operating expenses for the years ended June 30, 2013, 2012 and 2011 follows:

	Year Ended June 30,			Dollar Change from 2012	Percent Change from 2012
	<i>(As Restated)</i> 2011	2012	2013		
OPERATING EXPENSES:					
Instruction	\$ 8,291,351	\$ 8,619,224	\$ 8,316,435	\$ (302,789)	-4%
Academic support	2,395,953	2,542,903	2,585,691	42,788	2%
Student affairs	2,488,026	2,481,475	2,183,429	(298,046)	-12%
Institutional support	6,230,691	4,291,307	4,260,131	(31,176)	-1%
Operation and maintenance of plant	2,036,244	2,220,426	2,300,174	79,748	4%
Student aid	8,641,701	9,069,759	8,475,460	(594,299)	-7%
Chargeback expenses	178,589	263,436	280,964	17,528	7%
Depreciation	1,627,841	1,627,841	1,311,308	(316,533)	-19%
	<u>\$ 31,890,396</u>	<u>\$ 31,116,371</u>	<u>\$ 29,713,592</u>	<u>\$ (1,402,779)</u>	<u>-5%</u>

Operating expenses include salaries, fringe benefits, and other personal services expenses. Fringe benefits are allocated to functional departments using various factors, including direct charges and headcounts. Operating expenses decreased from the prior year due to eliminating certain educational programs, reducing the number of sections (classes) taught, increasing minimum class size, reducing support staffing, reducing the adjunct professional teaching staff, reduction in student aid due to decreased enrollment and utilizing internal resources more effectively.

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Condensed Schedules of Capital Assets, Net

The following presents the changes in capital assets and related depreciation for the years ended June 30, 2013 and 2012:

Capital Assets Activity for the Year Ended June 30, 2013	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 15,944,035	\$ -	\$ -	\$ -	\$ 15,944,035
Construction in progress	278,605	937,304	-	(776,822)	439,087
Land improvements	1,338,519	-	-	-	1,338,519
Buildings and building improvements	17,396,025	-	-	199,079	17,595,104
Machinery, equipment and vehicles	9,671,921	16,263	(47,827)	577,743	10,218,100
Total	44,629,105	953,567	(47,827)	-	45,534,845
Accumulated depreciation	13,924,939	1,311,308	(45,684)	-	15,190,563
Net capital assets	<u>\$ 30,704,166</u>	<u>\$ (357,741)</u>	<u>\$ (2,143)</u>	<u>\$ -</u>	<u>\$ 30,344,282</u>

Capital Assets Activity for the Year Ended June 30, 2012	<i>(As Restated)</i> Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 15,944,035	\$ -	\$ -	\$ -	\$ 15,944,035
Construction in progress	-	278,605	-	-	278,605
Land improvements	1,338,519	-	-	-	1,338,519
Buildings and building improvements	17,396,025	-	-	-	17,396,025
Machinery, equipment and vehicles	9,671,921	-	-	-	9,671,921
Total	44,350,500	278,605	-	-	44,629,105
Accumulated depreciation	12,297,098	1,627,841	-	-	13,924,939
Net capital assets	<u>\$ 32,053,402</u>	<u>\$ (1,349,236)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,704,166</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, 2013 and 2012, the College had \$2,403,506 and \$2,020,860, respectively, of outstanding long-term liabilities all related to compensated absences.

The College does not have any bonds or capital leases outstanding at June 30, 2013 or 2012.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)
Years ended June 30, 2013 and 2012
(Unaudited)

Summary and Outlook

Founded in 1982, Sussex County Community College enrolls more than 4,000 students from Sussex County, New Jersey and Pike County, Pennsylvania.

Some of the campus highlights from the year include:

- The signing of the "Principles of Excellence" letter by Dr. Mazur expanded the College's commitment and agreement to adhere to nine different principles that will benefit veterans and their families.
- The College launched a veterans "Foundation for Success" course geared towards veterans returning to college. A course gives veterans the opportunity to start their college experience with their peers.
- The Carl D. Perkins Grant, based on the Career and Technical Education Improvement Act of 2006, allocated \$114,668 for the College for the Fall of 2012. The funding was used to initiate, improve, expand & modernize computer and media equipment; career guidance materials; conferences for CTE instructors and counselors; support training & activities for CTE faculty including online training; and to assist CTE student organizations.
- The College was awarded a \$2.2 million grant from the U.S. Department of Health and Human Services, Administration for Children and Families in fall of 2010, to strengthen and expand healthcare training. The College is now in its third year of grant implementation, and has successfully met student enrollment, training and job placement goals to date.
- The College received a partial grant for the third year for the "Return, Learn and Earn (RLE)" program targeting returning adult students. The program is supported by a grant from the New Jersey Commission on Higher Education. The College continued with the "RLE 2" program to expand the geographical area and criteria for eligible students.
- The SCCC Foundation hosted many events such as the annual Foundation, the Skylanders 5k and 10k Challenge, Skylander Golf Outing, and the Ladies' Saturday Retreat which contributed to over \$140,000 in student scholarships.
- SCCC students were able to partake in paid internships over the summer due to funding from Ira Polk and the Clearing Corporation. The internship allowed students to integrate their classroom learning into a real work environment.
- SCCC counselors continued to give class presentations on Careering, Transfer and the Myers-Briggs Type Indicator.
- A new A.A.S. degree in Criminal Justice Studies was approved. Law Enforcement professionals with 5+ years' experience in the criminal justice field can complete this AAS degree.
- A Criminal Justice Certificate was approved for a start date of January 2013. The Leadership Training Certificate will be focused on those law enforcement professionals who are looking for training in order to advance their career.
- The College launched an online radio station. Students began broadcasting as part of a directed study.
- The College maintained its commitment to diversity and presented dozens of events for students and community members focused on cultural awareness and diversity.
- The Performing Arts Center continued to grow with new and exciting events. Ticket sales grew and the spring shows opened to mostly sold out crowds.
- The College graduated more than 500 students at SCCC's 26th commencement ceremony.
- Fall and Spring Transfer Fairs are held each year to provide students with access to over 40 four year colleges and institutions on campus.

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- The rate of participation of students in student activities and intercollegiate athletic programs continued to grow. SCCC student clubs and intercollegiate athletic teams continued to distinguish themselves locally and statewide.
- The College launched the "Ask a Counselor" forum on the website, a means to interact with students and field questions regarding advisement and general college questions. The forum has been highly successful in reaching students and meeting their needs.
- SCCC's nursing students held a consistent 100% passage rate, with the exception of one failure in 1999 even though the national average passing rate is just 87%.
- The College added 12 Certificates of Achievement to its academic offerings. These are new, short-term professional development programs that can be completed in 12 months or less leading to the acquisition of entry level skills or an expanded resume.

Enrollment

Following years of record high attendance at SCCC through the end of the 2011 fiscal year, enrollment continued to decline in FY12/13. Enrollment in the fall 2012 semester reflected a 10.2% decrease in total credit hours from fall 2011. Enrollment in the spring semester dipped by 10.4%. An increase in part time enrollment and decrease in full time enrollment was evident and we expect this trend to continue as a result from the weakened economy. Total credit enrollment for the 2013 Fiscal Year was down by approximately 6.9% from 2012.

The College is undertaking a number of initiatives designed to bolster enrollment in both the near term and long term future. We are benchmarking and implementing best-practices in enrollment planning and enhancing our outreach to underdeveloped market niches. Several new grants have been awarded to SCCC with a focus on the returning adult student. These grants provide support services for returning adults that encourage persistence in academic programs and degree completion.

The millennial student demographic continues a gradual decrease in numbers. In an effort to increase yield rates from the high schools, recruitment efforts have focused on quality and substance of education and support services at the College. New recruitment campaigns have been designed to speak directly to parents and classroom faculty. The utilization of social networking opportunities have been employed in communicating with potential students.

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Interest in online learning has continued to grow nationally and that interest is evident at Sussex County Community College. The expanded availability of online courses appeals to the technology focused students of today and allows students to do their course work any time of the day or night. This also allows the College to attract students unable to travel to campus and eases the demand for more classroom space. The Distance Education program at SCCC continues to evolve. The College completed a migration to a new Learning Management System at the end of FY 2010. We anticipate continuing to grow in this area.

The College charged Sussex County residents \$127 per credit hour in each of the semesters reported above. As of July 1, 2013, Pike County residents were charged 1.5 times the Sussex County tuition rate as were NJ residents outside of Sussex County, while other out of state residents were charged 2 times the tuition rate.

The overall decline in enrollment in 2012-13 was partially anticipated in the FY 2013 budget. It was budgeted to decline by 4.4%, but the actual decline was 6.9%. The enrollment decline combined with a reduction to the State aid projection forced the College to implement several cost savings measures mid-year.

Maintaining our tradition to community service

Consistent with the College's mission, SCCC supported and continued many outreach initiatives in FY 12/13 which included:

- Annual 911 Memorial Ceremony
- Relay for Life - annual walk for American Cancer Society
- Dozens of performances in our Performing Arts Center and Student Center Theater
- College Fair for all area high school students with over 50 colleges in attendance
- Annual butterfly release for Karen Ann Quinlan Hospice
- Clothesline project to create awareness of domestic violence issues
- DASI Candlelight Vigil/Walk Run for Domestic Violence
- Rotary luncheon hosted by the Rotaract Club
- Literacy Volunteers of Sussex County Scrabble Tournament
- Aids Quilt and many other art shows for public
- A Career Symposium and Job Fair co-sponsored by SCCC and the New Jersey Department of Labor and Workforce Development was held on campus. 67 companies participated.
- March of Dimes kick off
- Political debates, lectures and community forums held in the Performing Arts Center
- 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
- Human Spirit Awards
- Seniors Day held on campus.
- History Day
- Teen Arts festival for area middle and high school students
- Trash to Treasures - Newton Rotary
- Thursdays on the Green - free community concerts
- Blood drives held each semester

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Focus on the Future

Current demographic and economic conditions suggest that enrollment will continue to decline in FY 2014. The impact of this, budgeted for a 3% decline, combined with a decrease in County operating aid and increase in operating costs has created challenging financial circumstances. The College is committed to a proactive approach in financial matters. We are taking steps now 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 in order to continue to thrive in the future.

Requests for Information

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

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

STATEMENTS OF NET POSITION

	June 30,	
ASSETS	2013	2012
CURRENT ASSETS:		
Cash and equivalents	\$ 5,272,249	\$ 3,110,296
Restricted cash and equivalents	21,423	32,984
Investments	737,491	593,375
Total cash and equivalents and investments	6,031,163	3,736,655
Receivables - student, net of allowance of \$1,416,486 and \$1,382,935, respectively	312,554	275,710
Due from Foundation	138,510	264,879
Other assets	434,529	504,175
Other restricted receivables - grant funds	274,059	429,189
Total Receivables	1,159,652	1,473,953
Total Current Assets	7,190,815	5,210,608
NON-CURRENT ASSETS:		
Capital assets, non depreciable assets	16,383,122	16,222,640
Capital assets, net of accumulated depreciation of \$15,190,563 and \$13,924,939, respectively	13,961,160	14,481,526
Total Non-Current Assets	30,344,282	30,704,166
	37,535,097	35,914,774
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses:		
Vendors	1,114,983	1,264,877
Compensated absences, current portion	391,020	202,086
Total Accounts Payable and Accrued Expenses	1,506,003	1,466,963
Unearned revenue	530,549	1,052,861
Total Current Liabilities	2,036,552	2,519,824
NON-CURRENT LIABILITIES:		
Compensated absences	2,012,486	1,818,774
Total Non-Current Liabilities	2,012,486	1,818,774
	4,049,038	4,338,598
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	30,344,282	30,704,166
RESTRICTED FOR EXTERNAL PURPOSES	21,423	32,984
UNRESTRICTED	3,120,354	839,026
Total Net Position	\$ 33,486,059	\$ 31,576,176

See independent auditors' report and accompanying notes to financial statements.

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

STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30,	
	2013	2012
Cash and equivalents	\$ 283,576	\$ 591,943
Investments	1,072,490	773,409
Prepaid expenses and other assets	8,774	21,307
Total Assets	\$ 1,364,840	\$ 1,386,659
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to Sussex County Community College	\$ 138,510	\$ 264,879
Accounts payable	7,183	16,033
Deferred sponsorships	10,000	-
Total Liabilities	155,693	280,912
NET ASSETS:		
Unrestricted	264,813	309,838
Temporarily restricted		
Scholarships	56,890	17,542
Endowments	254,241	198,820
Clearing Corporation gift	100,000	50,000
Growing endowments	20,203	16,547
	431,334	282,909
Permanently restricted	513,000	513,000
Total Net Assets	1,209,147	1,105,747
	\$ 1,364,840	\$ 1,386,659

See independent auditors' report and 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,	
	2013	2012
OPERATING REVENUES:		
Student revenues:		
Tuition and fees	\$ 14,682,719	\$ 13,952,672
Less: Scholarship allowance	<u>(894,727)</u>	<u>(1,061,596)</u>
Net Student Revenues	13,787,992	12,891,076
Federal and local grants and contracts	7,844,899	8,345,121
State grants and contracts	931,850	1,019,834
Chargeback reimbursements	280,964	263,436
Other operating revenues	<u>536,478</u>	<u>483,716</u>
Total Operating Revenues	<u>23,382,183</u>	<u>23,003,183</u>
OPERATING EXPENSES:		
Instruction	8,316,435	8,619,224
Academic support	2,585,691	2,542,903
Student affairs	2,183,429	2,481,475
Institutional support	4,260,131	4,291,307
Operation and maintenance of plant	2,300,174	2,220,426
Student aid	8,475,460	9,069,759
Chargeback expenses	280,964	263,436
Depreciation	<u>1,311,308</u>	<u>1,627,841</u>
Total Operating Expenses	<u>29,713,592</u>	<u>31,116,371</u>
OPERATING LOSS	<u>(6,331,409)</u>	<u>(8,113,188)</u>
NON-OPERATING REVENUES:		
State appropriations	3,499,385	3,617,989
County appropriations	3,797,000	3,797,000
Investment income	<u>7,603</u>	<u>8,777</u>
Non-Operating Revenues	<u>7,303,988</u>	<u>7,423,766</u>
INCOME/(LOSS) BEFORE OTHER REVENUES	972,579	(689,422)
OTHER REVENUES:		
Capital appropriations-Chapter 12 funding	<u>937,304</u>	<u>278,605</u>
INCREASE/(DECREASE) IN NET POSITION	1,909,883	(410,817)
NET POSITION, BEGINNING OF YEAR	<u>31,576,176</u>	<u>31,986,993</u>
NET POSITION, END OF YEAR	<u>\$ 33,486,059</u>	<u>\$ 31,576,176</u>

See independent auditors' report and accompanying notes to financial statements

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

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUES:				
Contributions	\$ -	\$ 127,609	\$ -	\$ 127,609
Special events, net of expenses of \$59,323	109,438	-	-	109,438
Contributed services	111,836	-	-	111,836
Other income	34,263	-	-	34,263
Interest and dividends	146	-	-	146
Realized and unrealized gains on investments	-	63,697	-	63,697
Net assets released from restrictions	42,881	(42,881)	-	-
Total support and revenues	<u>298,564</u>	<u>148,425</u>	<u>-</u>	<u>446,989</u>
EXPENSES:				
Program services	231,753	-	-	231,753
Support services - management and general	111,836	-	-	111,836
Total expenses	<u>343,589</u>	<u>-</u>	<u>-</u>	<u>343,589</u>
CHANGE IN NET ASSETS	(45,025)	148,425	-	103,400
NET ASSETS, BEGINNING OF YEAR	<u>309,838</u>	<u>282,909</u>	<u>513,000</u>	<u>1,105,747</u>
NET ASSETS, END OF YEAR	<u>\$ 264,813</u>	<u>\$ 431,334</u>	<u>\$ 513,000</u>	<u>\$ 1,209,147</u>

	Year Ended June 30, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUES:				
Contributions	\$ -	\$ 87,960	\$ -	\$ 87,960
Special events, net of expenses of \$60,663	95,596	-	-	95,596
Contributed services	70,488	-	-	70,488
Other income	47,589	-	-	47,589
Interest and dividends	212	-	-	212
Realized and unrealized gains on investments	-	23,161	-	23,161
Net assets released from restrictions	80,423	(80,423)	-	-
Total support and revenues	<u>294,308</u>	<u>30,698</u>	<u>-</u>	<u>325,006</u>
EXPENSES:				
Program services	265,518	-	-	265,518
Support services - management and general	70,488	-	-	70,488
Total expenses	<u>336,006</u>	<u>-</u>	<u>-</u>	<u>336,006</u>
CHANGE IN NET ASSETS	(41,698)	30,698	-	(11,000)
NET ASSETS, BEGINNING OF YEAR	<u>351,536</u>	<u>252,211</u>	<u>513,000</u>	<u>1,116,747</u>
NET ASSETS, END OF YEAR	<u>\$ 309,838</u>	<u>\$ 282,909</u>	<u>\$ 513,000</u>	<u>\$ 1,105,747</u>

See independent auditors' report and 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,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	\$ 13,228,836	\$ 13,130,398
Federal and local grants and contracts received	8,000,029	8,122,102
State grants and contracts	931,850	1,019,834
Payments to suppliers	(28,167,389)	(29,163,802)
Use of restricted cash	11,561	3,864
Other receipts	1,013,457	318,469
Net cash flows from operating activities	(4,981,656)	(6,569,135)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	3,499,385	3,617,989
County appropriations	3,797,000	3,797,000
Net cash flows from non-capital financing activities	7,296,385	7,414,989
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
County Capital appropriation	937,304	278,605
Purchase of capital assets	(953,567)	(278,605)
Net cash flows from capital and related financing activities	(16,263)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	7,603	8,777
Investments purchased	(144,116)	(3,021)
Net cash flows from investing activities	(136,513)	5,756
NET CHANGE IN CASH AND EQUIVALENTS	2,161,953	851,610
CASH AND EQUIVALENTS, BEGINNING OF YEAR	3,110,296	2,258,686
CASH AND EQUIVALENTS, END OF YEAR	\$ 5,272,249	\$ 3,110,296

See independent auditor's report and 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,	
	2013	2012
RECONCILIATION OF OPERATING LOSS TO		
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (6,331,409)	\$ (8,113,188)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Loss on disposal of capital assets	2,143	-
Depreciation	1,311,308	1,627,841
Changes in operating assets and liabilities:		
Receivables - student, net	(36,844)	76,709
Due from Foundation	126,369	(137,428)
Other assets	69,646	(291,255)
Restricted cash and equivalents	11,561	3,864
Other restricted receivables - grant funds	155,130	(223,019)
Accounts payable and accrued expenses - vendors	(149,894)	80,821
Compensated absences	382,646	243,907
Unearned revenue	<u>(522,312)</u>	<u>162,613</u>
 Net cash flows from operating activities	 <u>\$ (4,981,656)</u>	 <u>\$ (6,569,135)</u>

See independent auditors' report and accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

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

Nature of the Organization - Sussex County Community College (the "College") was established as a unit of the New Jersey Master Plan for Higher Education and is one of 19 county colleges in the State of New Jersey. The College offers pre-baccalaureate preparation (A.S. and A.A. degrees), as well as programs and certificates that are designed to prepare students for employment (A.A.S. degrees). The College also maintains a comprehensive community development operation which provides lifelong learning opportunities to the citizens and businesses of the County of Sussex. The College is a component unit of the County of Sussex under Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*. The College is an institution of higher education and a governmental unit and 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 - GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (which is the net residual amount of the other elements). This statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

Net position represents the difference between assets, deferred inflows, deferred outflows and liabilities in the financial statements. Net investment in capital assets consists of capital assets net of accumulated depreciation. 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.

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

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

- **Restricted:**

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

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

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

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

Measurement Focus and Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus in accordance with the Governmental Accounting Standards Board. The College reports its financial statements as a business-type activity, as defined by GASB Statement No. 34 and 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

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

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 federal, state and county appropriations is recognized in the fiscal years during which the United States, State of New Jersey and the County of Sussex appropriate the funds to the College.

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

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

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

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

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

Recently Adopted Accounting Standards – The College has implemented the provisions of GASB Statement No. 61 “The Financial Reporting Entity: Omnibus,” an amendment of GASB Statements No. 14 and 34 for the year ended June 30, 2013. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB No. 65”). This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The College has not completed the process of evaluation the impact that will result from adopting GASB No. 65.

Subsequent Events - Management has reviewed and evaluated all events and transactions from June 30, 2013 through October 28, 2013, the date that the financial statements are available to be issued and the effects of those that provide additional pertinent information about conditions that existed at the statements of net position, have been recognized in the accompanying financial statements.

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

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, 2013 and 2012, the College's carrying amount of unrestricted and restricted deposits was \$5,293,672 and \$3,143,280, respectively, and the bank balance was \$5,644,400 and \$3,825,509, respectively. Of the above 2013 amounts, \$500,000 of the total deposits were insured by the FDIC as of June 30, 2013 and the remainder was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Government Unit Deposit Protection Act.

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

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

Restricted Cash and Equivalents - Restricted cash consists of funds designated for student activity groups (student club dues).

Investments - The College's investment policy is to invest in certificates of deposits with maturities of less than one year. As of June 30, 2013 and 2012, certificates of deposit were \$737,491 and \$593,375 with interest rates of approximately between .2% and .4% as of June 30, 2013. The amounts are covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Government Unit Deposit Protection Act.

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

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

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.

Capital assets activity for the years ended June 30, 2013 and 2012 is comprised of the following:

	Year Ended June 30, 2013				Ending Balance
	Beginning Balance	Acquisitions	Dispositions	Transfers	
DEPRECIABLE ASSETS:					
Buildings and building improvements	\$ 17,396,025	\$ -	\$ -	\$ 199,079	\$ 17,595,104
Land improvements	1,338,519	-	-	-	1,338,519
Machinery, equipment and vehicles	9,671,921	16,263	(47,827)	577,743	10,218,100
Total Depreciable Assets	<u>28,406,465</u>	<u>16,263</u>	<u>(47,827)</u>	<u>776,822</u>	<u>29,151,723</u>
ACCUMULATED DEPRECIATION:					
Buildings and building improvements	5,883,631	489,144	-	-	6,372,775
Land improvements	944,208	91,033	-	-	1,035,241
Machinery, equipment and vehicles	7,097,100	731,131	(45,684)	-	7,782,547
Total Accumulated Depreciation	<u>13,924,939</u>	<u>1,311,308</u>	<u>(45,684)</u>	<u>-</u>	<u>15,190,563</u>
DEPRECIABLE ASSETS, NET	<u>14,481,526</u>	<u>(1,295,045)</u>	<u>(2,143)</u>	<u>776,822</u>	<u>13,961,160</u>
NONDEPRECIABLE ASSETS:					
Land	15,944,035	-	-	-	15,944,035
Construction in progress	278,605	937,304	-	(776,822)	439,087
Total Nondepreciable Assets	<u>16,222,640</u>	<u>937,304</u>	<u>-</u>	<u>(776,822)</u>	<u>16,383,122</u>
	<u>\$ 30,704,166</u>	<u>\$ (357,741)</u>	<u>\$ (2,143)</u>	<u>\$ -</u>	<u>\$ 30,344,282</u>

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

Note 3 - Capital Assets (continued):

	Year Ended June 30, 2012		
	<i>(As Restated)</i> Beginning Balance	Acquisitions	Ending Balance
DEPRECIABLE ASSETS:			
Buildings and building improvements	\$ 17,396,025	\$ -	\$ 17,396,025
Land improvements	1,338,519	-	1,338,519
Machinery, equipment and vehicles	9,671,921	-	9,671,921
Total Depreciable Assets	28,406,465	-	28,406,465
ACCUMULATED DEPRECIATION:			
Buildings and building improvements	5,388,196	495,435	5,883,631
Land improvements	872,262	71,946	944,208
Machinery, equipment and vehicles	6,036,640	1,060,460	7,097,100
Total Accumulated Depreciation	12,297,098	1,627,841	13,924,939
DEPRECIABLE ASSETS, NET	16,109,367	(1,627,841)	14,481,526
NONDEPRECIABLE ASSETS:			
Land	15,944,035	-	15,944,035
Construction in progress	-	278,605	278,605
Total Nondepreciable Assets	15,944,035	278,605	16,222,640
	\$ 32,053,402	\$ (1,349,236)	\$ 30,704,166

Depreciation expense for the years ended June 30, 2013 and 2012 was \$1,311,308 and \$1,627,841, respectively. There were no significant commitments outstanding on projects as of June 30, 2013, however projects were identified and funds noted to be board designated for deferred capital maintenance in the amount of \$600,000 as of June 30, 2013.

Chapter 12 Capital Projects Funds available to the College that have been approved by the State and County, and are bonded, consist of two bond ordinances totaling \$5,753,000. As of June 30, 2013, \$1,215,909 had been spent with \$4,537,091 remaining to be spent for completion of the approved Capital Projects.

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

Note 4 - Non-Current Liabilities:

Summary of Changes in Non-Current Liabilities - The following tables summarize the changes in non-current liabilities during the years ended June 30, 2013 and 2012:

Year Ended June 30, 2013	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 2,020,860	\$ 455,475	\$ 72,829	\$ 2,403,506	\$ 391,020
	<u>\$ 2,020,860</u>	<u>\$ 455,475</u>	<u>\$ 72,829</u>	<u>\$ 2,403,506</u>	<u>\$ 391,020</u>

Year Ended June 30, 2012	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 1,776,953	\$ 496,407	\$ 252,500	\$ 2,020,860	\$ 202,086
	<u>\$ 1,776,953</u>	<u>\$ 496,407</u>	<u>\$ 252,500</u>	<u>\$ 2,020,860</u>	<u>\$ 202,086</u>

The College has recorded a liability for compensated absences of \$2,403,506 and \$2,020,860 as of June 30, 2013 and 2012, 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.

Note 5 - Retirement Plans:

Plan Descriptions - The College participates in several retirement plans for its employees - the State of New Jersey Public Employees' Retirement System ("PERS") and the Alternate Benefit Program ("ABP"), which presently makes contributions to the Teachers' Insurance and Annuity Association - College Retirement Equities Fund ("TIAA/CREF"), MetLife Insurance Company, AXA Financial (Equitable), the Hartford, ING Life Insurance and Annuity Co. and VALIC. ABP is administered by a separate board of trustees. Generally, all employees, except certain part-time employees, participate in one or more of these plans. The College also began participating in the New Jersey Defined Contribution Retirement Plan ("DCRP") during fiscal year 2012.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

Note 5 - Retirement Plans (continued):

PERS Funding Policy - PERS members are required to contribute 6.64% as of July 2012 of their annual covered salary (increased to 6.78%, 6.92%, 7.06%, 7.20%, 7.34% and 7.48% each July from 2013 through 2018). The College is required to contribute at an actuarially determined rate. The rate for FY12/13 was 6.64% through June 2013. The College's actuarially determined contributions to PERS for the years ended June 30, 2013, 2012 and 2011 were \$419,001, \$431,903 and \$424,190, 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.

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Public Employees' Retirement System (PERS) to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, Chapter 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 C.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

Alternative Benefit Program Information - ABP provides the choice of six investment carriers, all of which are privately operated, defined contribution retirement plans. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for, or on behalf of, those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility is established by the State of New Jersey Retirement and Social Security Law, as are contributory and noncontributory requirements. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees contribute 5% of their salaries and may contribute a voluntary additional contribution, up to the maximum Federal statutory limit, on a pre-tax basis. Employer contributions are 8% of participating employee eligible salaries. Contributions are made on base salary excluding bonus, overtime and other forms of extra compensation. The participants have personal contracts with the fund companies and personally own the annuities. During the year ended June 30, 2013, ABP investment carriers received approximately 38% employer and 62% employee (includes additional discretionary amounts) contributions totaling \$1,235,360. The contributions made by the Division on behalf of the College for the year ended June 30, 2013 amounted to \$306,341 as compared to \$298,133 for fiscal year 2012.

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

Note 5 - Retirement Plans (continued):

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

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 \$15,397 and \$8,377 for the fiscal year ended June 30, 2013 and \$31,163 and \$16,939 for the fiscal year ended June 30, 2012, respectively.

Note 6 - Risk Management:

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

Note 7 - New Jersey Unemployment Compensation Insurance:

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

Note 8 - 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, 2013, 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
(See independent auditors' report)

Note 8 – Contingencies (continued):

The College is involved in several claims and lawsuits incidental to its operations. There is one significant matter that is being defended by the College's comprehensive liability insurance fund and there is excess coverage up to \$10,000,000. The matter is an action for substantial bodily injuries sustained by the employee of one of the College's outside contractors requesting damages in the amount of \$100,000,000. As the matter has just commenced, the attorney is not able to evaluate the likelihood of an unfavorable outcome or the amount of the potential loss. 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.

Note 9 - Component Unit - Sussex County Community College Foundation:

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

During the years ended June 30, 2013 and 2012, the Foundation distributed approximately \$5,000 and \$67,000, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administrative office at One College Hill Road, Newton, New Jersey 07860.

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

Note 10 - Related Party Transactions:

During the years ended June 30, 2013 and 2012, the College recognized \$7,805,723 and \$8,469,495, respectively, of federal and state financial aid and grants from the County of Sussex for current operations and various capital projects.

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

NOTES TO FINANCIAL STATEMENTS
(See independent auditors' report)

Note 11 - Components of Net Position:

At June 30, 2013 and 2012, the College's components of net position consisted of the following:

	Net Investment in			Total FY	Total FY
	Capital Assets	Restricted	Unrestricted	2013	2012
NET INVESTMENT IN CAPITAL ASSETS	\$ 30,344,282	\$ -	\$ -	\$ 30,344,282	\$ 30,704,166
RESTRICTED FOR:					
Student activity groups	-	21,423	-	21,423	32,984
BOARD-DESIGNATED FOR:					
Deferred capital maintenance	-	-	600,000	600,000	210,000
Enrollment growth/student success	-	-	550,000	550,000	-
Information technology	-	-	722,500	722,500	-
UNDESIGNATED	-	-	1,247,854	1,247,854	629,026
Total per Statements of Net Position	<u>\$ 30,344,282</u>	<u>\$ 21,423</u>	<u>\$ 3,120,354</u>	<u>\$ 33,486,059</u>	<u>\$ 31,576,176</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:

The Middle States Commission on Higher Education performed their analysis of the College and issued their Periodic Review Report (PRR) dated August 12, 2013. A peer review was also conducted providing a review of institutional materials submitted by the College to document compliance with accreditation-relevant federal regulations. This report dated July 24, 2013 provided verification to the Self Study Visiting Team of institutional compliance in the following areas: 1) Student identity verification in distance and correspondence education; 2) Transfer of Credit; 3) Title IV cohort default rate; and 4) Assignment of credit hours.

Accreditation is a peer-review process designed to solicit institutions to self-identify areas in which they need improvement. The peer review report review of institutional materials suggested that the College met the four requirements noted above. The PRR identified eight recommendations on the fourteen accreditation standards established by Middle States that required improvement. The College is currently preparing a corrective action plan to address the eight recommendations. Overall, the College was compliant with the standards and the report commended the College for the quality of their PRR.



**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 Sussex County Community College (the "College"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2013. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wiss & Company

WISS & COMPANY, LLP

Iselin, New Jersey
October 28, 2013



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditors' Report

The Board of Trustees
Sussex County Community College

Report on Compliance for Each Major Federal and State Program

We have audited Sussex County Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and State of New Jersey ("state") programs for the year ended June 30, 2013. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of New Jersey Department of Treasury's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the College's compliance.

Opinion of Each Major Federal and State Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purposes.


WISS & COMPANY, LLP

Iselin, New Jersey
October 28, 2013

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA/ Grant Number	2013 FY Expenditures
Student Financial Assistance Cluster:		
U.S. Department of Education:		
Federal Pell Grant Program (PELL)	84.063	\$ 3,860,070
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	46,550
Federal Direct Loans - Subsidized	84.268	1,351,484
Federal Direct Loans - Non subsidized	84.268	1,555,769
Federal Work-Study Program (FWS)	84.033	<u>60,000</u>
Total Student Financial Assistance Cluster		<u>6,873,873</u>
U.S. Department of Education Passed Through the NJ Department of Education:		
Disengaged Adults Returning to College (DARC)	84.RLE	25,292
Carl D. Perkins Vocational and Applied Technology Art	84.048	155,083
Adult Basic Education	84.002	110,041
U.S. Department of Health and Human Services Passed Through the NJ Department of Education:		
Health Professions Opportunities Grant (HPOG)	93.093	<u>379,321</u>
Total Other Federal Programs		<u>669,737</u>
Total Expenditures of Federal Awards		<u>\$ 7,543,610</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, 2013

<u>State of New Jersey Grantor/Program or Cluster Title</u>	<u>State of New Jersey Account/ Grant Number</u>	<u>FY 2013 Award Amount</u>	<u>Grant Period</u>	<u>FY 2013 Cash Receipts</u>	<u>FY 2013 Expenditures</u>
Student Financial Assistance Cluster:					
New Jersey Department of Treasury					
Tuition Aid Grant - 2012-2013 (TAG)	100-074-2405-007	\$ 718,487	7/1/12-6/30/13	\$ 718,487	\$ 718,487
New Jersey STARS - 2012-2013	100-074-2405-313	202,508	7/1/12-6/30/13	202,508	202,508
Total Student Financial Assistance Cluster				<u>920,995</u>	<u>920,995</u>
Other State of New Jersey Programs:					
New Jersey Department of Treasury					
Operational Costs - County Colleges	100-074-2400-001	3,499,385	7/1/12-6/30/13	3,499,385	3,499,385
EMT - Emergency Medical Services	100-046-4220-316	10,855	7/1/12-6/30/13	10,855	10,855
Alternate Benefit Program	100-082-2155-017	298,133	7/1/11-6/30/12	46,021	-
Alternate Benefit Program	100-082-2155-017	306,341	7/1/12-6/30/13	236,659	306,341
Total other State of New Jersey programs				<u>3,792,920</u>	<u>3,816,581</u>
Total Expenditures of State Financial Assistance				<u>\$ 4,713,915</u>	<u>\$ 4,737,576</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**

1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of Sussex County Community College (the "College") and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the purposes of these schedules, Federal Awards and State Financial Assistance include any assistance provided by a Federal and State agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations and other non-cash assistance. Because these schedules present only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position, changes in net position and other changes of the College in conformity with generally accepted accounting principles.

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

Expenditures for direct costs are recognized as incurred using the accrual method of accounting contained in the U.S. Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

2. Loan Programs

Sussex County Community College is responsible only for the performance of certain administrative duties with respect to the Loan Programs. It is not practical to determine the balance of loans outstanding to students of Sussex County Community College under the programs as of June 30, 2013 and 2012. The College processed \$2,907,253 under Federal Direct Loans during the fiscal year ended June 30, 2013.

3. Alternate Benefit Program

During the year ended June 30, 2013, the State of New Jersey, Department of Treasury made payments on behalf of Sussex County Community College to the Alternate Benefit Program of \$306,341. 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, 2013. The June 30, 2013 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)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

Yes No

Federal Awards and State Financial Assistance

Internal control over compliance:

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

Type of auditor's report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with section .510(a) of Circular A-133
or NJ OMB 04-04?

Yes No

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Part II - Schedule of Financial Statement Findings

None to report.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

None to report.

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2012-1 Financial Statement Close Process

Condition: The College's business office personnel perform certain financial statement close processes on a monthly basis and at year end which include the posting of journal entries and other various accruals and reconciliations. We did note that there is a formalized document that details the various steps performed as part of the monthly and year-end close processes; however, it was not being signed off by the preparer/reviewer. We suggested procedures that the College should implement to allow for a more accurate financial statement close process.

Status: Not repeated in the current year. The College has implemented a financial statement close process to ensure accurate information is obtained and included in the financial statements. Significant strides have been made by the College in the 2012 and 2013 fiscal years to implement and improve procedures relating to the College's financial statement close process.