



**SUSSEX COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of the County of Sussex)**  
**REPORT ON FINANCIAL STATEMENTS AND**  
**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**IN ACCORDANCE WITH**  
**UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES AND AUDIT**  
**REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE) AND**  
**NEW JERSEY OMB CIRCULAR 15-08**  
**YEARS ENDED JUNE 30, 2016 AND 2015**

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

**TABLE OF CONTENTS**

	Page
Independent Auditors' Report	1-3
Management's Discussion and Analysis-Required Supplementary Information	4-14
Basic Financial Statements:	
Statements of Net Position (Sussex County Community College)	15
Statements of Financial Position (Sussex County Community College Foundation)	16
Statements of Revenues, Expenses and Changes in Net Position (Sussex County Community College)	17
Statements of Activities and Changes in Net Assets (Sussex County Community College Foundation)	18
Statements of Cash Flows (Sussex County Community College)	19-20
Notes to Basic Financial Statements	21-40
Required Supplementary Information and Note to Required Supplementary Information	
Schedule of the College's Proportionate Share of the Net Pension Liability-PERS	41
Schedule of the College's Contributions - PERS	42
Single Audit Section:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44
Report on Compliance For Each Major Federal and State Program and Internal Control over Compliance Required by Uniform Guidance and New Jersey OMB Circular 15-08	45-46
Schedule of Expenditures of Federal Awards-Supplementary Information	47
Schedule of Expenditures of State Financial Assistance-Supplementary Information	48
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	49
Schedule of Findings and Questioned Costs	50-53
Summary Schedule of Prior Year Audit Findings	54

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Sussex County Community College

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit, Sussex County Community College Foundation, (the "Foundation") of Sussex County Community College (the "College"), a component unit of the County of Sussex, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 respective financial position of the business-type activities and the discretely presented component unit of Sussex County Community College as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the College's proportionate share of the net pension liability-PERS and schedule of College contributions-PERS as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying supplementary information as presented in the table of contents, which consists of the schedules of expenditures of federal awards and state financial assistance, are presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Audit Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016 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 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

October 28, 2016  
Livingston, New Jersey

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*  
**Years ended June 30, 2016 and 2015**  
**(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, 2016 and 2015, with selected information pertaining to the year ended June 30, 2014. Management has prepared the financial statements and the related note disclosures, along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with management. Combined with the financial statements and accompanying notes that follow, this explains and clarifies College-wide financial performance, as well as the direction envisioned for the future.

**Financial Statements**

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

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

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

**Statements of Net Position**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
***(Required Supplementary Information)***  
**Years ended June 30, 2016 and 2015**  
**(Unaudited)**

The statements of net position present the College's current and non-current assets, deferred outflows of resources, liabilities, deferred inflows of resources and the resultant net position. The statements of revenues, expenses and changes in net position show the College's revenues and expenses segregated into operating and non-operating sections. It is important to note that the state and county appropriations, which are essential to the College's operations, are recorded as non-operating revenues. Therefore, the operating revenues less operating expenses show a loss of (\$7,628,204) and (\$7,677,134) for fiscal years ended June 30, 2016 and 2015, respectively, while the net of non-operating revenues less non-operating expenses shows a loss before other revenues of (\$340,769) and (\$357,480) for the fiscal years ended June 30, 2016 and 2015, respectively. The statements of cash flows show the sources and uses of the College's cash for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Required Supplementary Information)  
Years ended June 30, 2016 and 2015  
(Unaudited)

**Financial Highlights**

**Condensed Statements of Net Position**

The following represents assets, deferred inflows and outflows of resources, liabilities and net position of the College at June 30, 2016, 2015, and 2014:

	Net Position as of June 30,				
	2014	2015	2016	Dollar Change from 2015	Percent Change from 2015
CURRENT ASSETS	\$ 8,276,255	\$ 10,265,191	\$ 10,233,633	\$ (31,558)	0%
NON-CURRENT ASSETS:					
Capital assets, nondepreciable land and construction in progress	18,692,120	18,100,865	16,460,188	(1,640,677)	-9%
Capital assets, net of accumulated depreciation	12,918,171	14,266,202	17,425,409	3,159,207	22%
Total Assets	<u>\$ 39,886,546</u>	<u>\$ 42,632,258</u>	<u>\$ 44,119,230</u>	<u>\$ 1,486,972</u>	3%
DEFERRED OUTFLOWS OF RESOURCES	-	631,440	2,257,148	1,625,708	257%
CURRENT LIABILITIES	\$ 2,557,296	\$ 4,578,324	\$ 4,115,290	\$ (463,034)	-10%
NON-CURRENT LIABILITIES:					
Capital lease payable	138,787	124,250	108,985	(15,265)	-12%
Net pension liability	-	7,780,654	10,098,849	2,318,195	30%
Compensated absences	1,827,364	1,690,569	1,556,699	(133,870)	-8%
Total Liabilities	<u>\$ 4,523,447</u>	<u>\$ 14,173,797</u>	<u>\$ 15,879,823</u>	<u>\$ 1,706,026</u>	12%
DEFERRED INFLOWS OF RESOURCES	-	964,880	571,436	(393,444)	-41%
NET POSITION:					
Net investment in capital assets	\$ 31,460,078	\$ 32,228,280	\$ 33,761,347	\$ 1,533,067	5%
Restricted	18,135	119,545	129,684	10,139	8%
Unrestricted (deficit)	3,884,886	(4,222,804)	(3,965,912)	256,892	-6%
Total Net Position	<u>\$ 35,363,099</u>	<u>\$ 28,125,021</u>	<u>\$ 29,925,119</u>	<u>\$ 1,800,098</u>	6%

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

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

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

Net position at June 30, 2014, totaled \$35.4 million.

Deferred outflows of resources and deferred inflows of resources have increased and decreased, respectively, based upon the actuarial valuation done of the net pension liability for the State of NJ as a result of the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* in the prior year.

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

Non-current liabilities increased due to the increased net pension liability based upon the State's actuarial valuation of the net pension liability.

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, 2016, \$1,500,000 has been identified and designated for deferred capital maintenance, \$550,000 for enrollment growth/student success initiatives and \$1,150,307 for information technology initiatives.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Required Supplementary Information)  
Years ended June 30, 2016 and 2015  
(Unaudited)

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

The statements of revenues, expenses and changes in net position present the College's changes in net position. The purpose of the statement is to present revenues earned by the College, both operating and non-operating and expenses incurred by the College. A summary of the College's revenues and total operating expenses for the years ended June 30, 2016, 2015, and 2014 are as follows:

	Year Ended June 30,			Dollar Change from 2015	Percent Change from 2015
	2014	2015	2016		
<b>OPERATING REVENUES:</b>					
Net student revenues	\$ 13,070,923	\$ 13,065,924	\$ 13,627,910	\$ 561,986	4%
Federal and local grants and contracts	7,891,723	7,838,099	7,426,212	(411,887)	-5%
State grants and contracts	1,001,365	1,063,051	911,452	(151,599)	-14%
Other operating revenues	736,646	657,594	539,182	(118,412)	-18%
Total	<u>22,700,657</u>	<u>22,624,668</u>	<u>22,504,756</u>	<u>(119,912)</u>	-1%
Less: Operating expenses	<u>30,389,532</u>	<u>30,301,802</u>	<u>30,132,960</u>	<u>(168,842)</u>	-1%
Operating Loss	<u>(7,688,875)</u>	<u>(7,677,134)</u>	<u>(7,628,204)</u>	<u>48,930</u>	-1%
<b>NON-OPERATING REVENUES/(EXPENSES):</b>					
State appropriations	3,413,124	3,355,232	3,323,940	(31,292)	-1%
County appropriations	3,872,000	3,949,000	3,949,000	-	0%
(Loss) gain on sale of assets	4,450	-	(4,407)	(4,407)	100%
Investment income, net	12,649	15,422	18,902	3,480	23%
Total	<u>7,302,223</u>	<u>7,319,654</u>	<u>7,287,435</u>	<u>(32,219)</u>	0%
<b>CAPITAL APPROPRIATIONS</b>	<u>2,263,692</u>	<u>1,655,146</u>	<u>2,140,867</u>	<u>485,721</u>	29%
<b>INCREASE IN NET POSITION</b>	<u>\$ 1,877,040</u>	<u>\$ 1,297,666</u>	<u>\$ 1,800,098</u>	<u>\$ 502,432</u>	39%

Net student revenues have increased from the prior year due to increased tuition and fees in the current year to offset decreased enrollment.

Federal and State grants and contracts have decreased from the prior year due to a decrease in enrollment, which resulted in decreased PELL and TAG awards, as well as decrease in the Alternate Benefit Program, which was the result of a decreased workforce.

Other operating revenues have decreased from the prior year due to a decrease in the bookstore revenue, which is related to decreased enrollment from the prior year. Additionally, there was a decrease in facility rental revenues.

State appropriations decreased slightly in FY 2016, as the State continued to reduce its funding slightly.

Capital appropriations increased due to the College receiving \$1,565,193 Chapter 12 funding during the 2016 fiscal year as compared to \$1,348,231 during the 2015 fiscal year. This increase was also a result of the College having received grants from the NJ Educational Facilities Authority, of which spending began for the Higher Educational Equipment Leasing Fund (ELF) and the Higher Educational Technology Infrastructure Fund (HETI), which spending began in FY 2014 and 2015, respectively, however, continued in 2016, when the majority of these projects were completed.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*  
**Years ended June 30, 2016 and 2015**  
**(Unaudited)**

**Condensed Schedules of Operating Expenses**

A summary of the College's operating expenses for the years ended June 30, 2016, 2015, and 2014 follows:

	Year Ended June 30,			Dollar Change from 2015	Percent Change from 2015
	2014	2015	2016		
<b>OPERATING EXPENSES:</b>					
Instruction	\$ 8,949,507	\$ 9,301,362	\$ 8,915,078	\$ (386,284)	-4%
Academic support	2,742,184	2,408,430	2,840,767	432,337	18%
Student affairs	2,628,314	2,396,741	3,265,119	868,378	36%
Institutional support	3,355,342	3,442,256	2,952,332	(489,924)	-14%
Operation and maintenance of plant	2,780,737	2,846,648	2,583,398	(263,250)	-9%
Student aid	8,568,305	8,589,842	8,038,673	(551,169)	-6%
Chargeback expenses	281,333	332,948	314,336	(18,612)	-6%
Depreciation	1,083,810	983,575	1,223,257	239,682	24%
	<u>\$ 30,389,532</u>	<u>\$ 30,301,802</u>	<u>\$ 30,132,960</u>	<u>\$ (168,842)</u>	-1%

Operating expenses include salaries, fringe benefits, and other personal services expenses. Fringe benefits are allocated to functional departments using various factors, including direct charges and headcounts. Operating expenses overall decreased, less approximately 1% from the prior year. As enrollment was down, expenses remained flat due to progression of several college initiatives to improve the attractiveness of the College, including increased spending for information system technology and upgrades throughout the campus, and increased security services. All cost increases were part of the initiative to improve the attractiveness of the College.

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

Student affairs increased significantly from the prior year due to the Information Technology changes and specifically consulting work performed by Ellucian with the upgrades of the computer software.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*  
Years ended June 30, 2016 and 2015  
(Unaudited)

**Condensed Schedules of Capital Assets, Net**

The following presents the changes in capital assets and related depreciation for the years ended June 30, 2016 and 2015:

Capital Assets Activity for the Year Ended June 30, 2016	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 15,944,035	\$ -	\$ -	\$ -	\$ 15,944,035
Construction in progress	2,156,830	2,719,265	-	(4,359,942)	516,153
Land improvements	1,617,598		(26,670)	129,519	1,720,447
Buildings and building improvements	19,530,424		-	2,839,009	22,369,433
Machinery, equipment and vehicles	10,318,828	26,929	(33,425)	1,391,414	11,703,746
Total	49,567,715	2,746,194	(60,095)	-	52,253,814
Accumulated depreciation	17,200,648	1,223,257	(55,688)	-	18,368,217
Net capital assets	<u>\$ 32,367,067</u>	<u>\$ 1,522,937</u>	<u>\$ (4,407)</u>	<u>\$ -</u>	<u>\$ 33,885,597</u>

Capital Assets Activity for the Year Ended June 30, 2015	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 15,944,035	\$ -	\$ -	\$ -	\$ 15,944,035
Construction in progress	2,748,085	1,696,287	-	(2,287,542)	2,156,830
Land improvements	1,338,519	-	-	279,079	1,617,598
Buildings and building improvements	17,595,104	-	-	1,935,320	19,530,424
Machinery, equipment and vehicles	10,201,621	44,064	-	73,143	10,318,828
Total	47,827,364	1,740,351	-	-	49,567,715
Accumulated Depreciation	16,217,073	983,575	-	-	17,200,648
Net capital assets	<u>\$ 31,610,291</u>	<u>\$ 756,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,367,067</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, 2016 and 2015, the College had \$1,945,874 and \$2,113,211 (including current and long-term), respectively, of outstanding long-term liabilities related to compensated absences.

At June 30, 2016 and 2015, the College had a capital lease payable outstanding in the amount of \$124,250 and \$138,787 (including current and long-term), respectively, related to the New Jersey Educational Facilities Authority Higher Education Equipment Leasing Fund.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*  
**Years ended June 30, 2016 and 2015**  
**(Unaudited)**

**Summary and Outlook**

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

Some of the campus highlights from the year include:

- Sussex County Community College announced the addition of seven new degree programs, including Building Construction, Cosmetology, Food-Beverage Management, Hotel-Restaurant Management, Electronic Music, Music Option, and Technical Studies, as well as a new certificate of achievement in Music Fundamentals. Each of the degree programs will be offered for the first time during the fall semester.
- The New Skylands Professional Training Certificates offered at SCCC and in partnership with Warren County Community College was launched in June. These certificates aid securing careers for Dialysis Technician, EKG Technician, Fiber Optics Training, Leadership Development, Personal Trainer, Pharmacy Technician, Physical Therapy Aide, Pilates Instructor, and Veterinary Assistant.
- Sussex County Community College will offer students the option to complete some of their courses at new satellite locations at Vernon and Hopatcong High Schools in NJ. These locations offer students a wide variety of course options that can be applied toward their degree.
- The academic honor society for community and junior colleges throughout the United States, Phi Theta Kappa, recognized the Top 25 Chapters with the highest membership acceptance rates. Sussex County Community College was among those recognized, ranking 12<sup>th</sup> in the nation and the only College to be so recognized in New Jersey.
- SCCC secured and continued articulation/joint academic agreements in a wide selection of programs with numerous four-year colleges and universities including Berkeley College, Centenary College, East Stroudsburg University, Fairleigh Dickinson University, Felician College, CUNY- John Jay College of Criminal Justice, Marywood University, Montclair State University, New Jersey Institute of Technology, Ramapo College, Rutgers University, SUNY- Cobleskill and William Paterson University.
- The Sussex County Fire Academy and SCCC sponsored a Summer Fire Academy for high school students held at the Public Safety Training Academy. The Summer Fire Academy is designed to educate young adults about fire safety and firefighting as well as to illustrate possible career paths and volunteer opportunities in firefighting.
- SCCC hosted the FBI's Advanced Law Enforcement Rapid Response Training or commonly referred to as ALERRT. Law enforcement officers from around the region attended this active shooter training, which is critical to teaching the skills and techniques on how to safely and effectively respond to an active shooter event. This training was a National initiative through a cooperative venture with the Federal Bureau of Investigation (FBI), and the U.S. Department of Justice's - Bureau of Justice Assistance.
- The SCCC Foundation hosted community events such as the Annual Scholarship Ball, Skylander 5K/10K Challenge, Skylander Golf Outing, and the Ladies' Saturday Retreat, which contributed to over \$130,000 in student scholarships.
- SCCC continues to be one of only two authorized Pearson Vue Testing Centers in NJ, offering an extensive range of more than 450 academic, medical, government and licensure certification tests.
- SCCC incorporated Juniper technologies, products and training into its curriculum and became the exclusive testing center for Juniper certification in northern New Jersey.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*  
**Years ended June 30, 2016 and 2015**  
**(Unaudited)**

- The SCCC Foundation continued to grow the 100 Women Project and successfully enlisted over 113 women who have pledged to support the Project. These scholarships will help support adult women learners returning to college and single mothers pursuing their educations at SCCC. The first 100 Women Scholarship was awarded at the Annual Scholarship Reception in May 2015.
- The College graduated more than 421 students at SCCC's 29<sup>th</sup> commencement ceremony.
- The Fall Dean's List saw 515 students making the list and the Spring Dean's List saw 476 students making the list for the spring semester.
- A Health Science and Career Fair was held for current SCCC students, past graduates and local community members with licenses/certifications. Local employers in the healthcare field were in attendance.
- Fall and Spring Transfer Fairs are held to provide students with access to over 60 employers, colleges and universities who answer questions for prospective employees or students who are seeking transfer.
- The rate of participation of students in student activities and intercollegiate athletic programs continued to grow. SCCC student clubs and intercollegiate athletic teams continued to distinguish themselves locally and statewide.
- The Betty June Silconas Poetry Center at SCCC hosted an art festival with a full day of activities to interest and inspire. The festival included an all-day book fair featuring local poets, literary readings, and workshops.
- More than 100 Sussex County Community College students were inducted into the most prestigious honor society for community colleges in the United States - Phi Theta Kappa International. International student, Sam Dunn, was the SCCC student that was among the 37 best and brightest community College students honored by the NJCCC for the Phi Theta Kappa All-State Academic Team.
- The SCCC Skylanders baseball team hosted the second annual Military Appreciation Game at Skylands Stadium. This event was a tribute to all veterans and a fundraiser for the College's Student Veterans Emergency Relief program (SVER).
- Sussex County Community College hosted a Zika Virus Forum. With cases on the rise around the globe, the Sussex County Department of Environmental and Public Health Services brought this forum to the community to discuss public health issues and discuss their efforts.
- SCCC and the SCCC Foundation received \$92,000 from Caristia, Kulsar & Wade Charitable Foundation for the newly established David W. Kulsar Endowment scholarship. An additional \$40,000 grant from the John and Margaret Post Foundation secured the purchase of a Greenhouse for the new Clearing Corporation Charitable Foundation School of Agriculture.
- The College participated in The New Jersey Council of County Colleges' (NJCCC) Center for Student Success and the New Jersey Education Association (NJEA) for New Jersey's statewide Phi Theta Kappa Community College Completion Challenge (NJC4), a statewide effort to increase awareness about the importance of completing an associate degree or certificate.
- The College Board of Trustees approved the installation of a new Enterprise Resource Planning system, Ellucian Datatel. This new system will better serve our students and community by creating a "one-stop" registration process and fully integrate the College's scheduling, accounting and student services business processes. The new system was purchased in part by a technology grant and cost savings from conversion of legacy systems.
- The new Senior Life Center at Sussex County Community College is working with Senior Services of Sussex County to host an array of afternoon classes that explore everything from estate planning to English Tea Traditions to social media. Most classes are offered free of charge or at a minimal cost.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*  
**Years ended June 30, 2016 and 2015**  
**(Unaudited)**

- The Office of Veteran Services held its second annual "Rockin' Fest for Student Vets," which raises funds for the Student Veteran Emergency Relief Fund. This Fund provides grants for student vets beyond tuition and fees.
- The Women's Soccer team won the Region 19 Championship for the first time in program history.
- The College announced one of the Men's Soccer players was named by the National Junior College Athletic Association (NJCAA) to the Division III First Team, All-American Soccer Team.

***Enrollment***

Following years of record high attendance at SCCC through the end of the 2011 fiscal year, enrollment continued to decline in FY15/16. Enrollment in the fall 2015 semester reflected a 7.7% decrease in total credit hours from fall 2014, while spring 2016 enrollment dipped by 8.1% in total credit hours compared to spring 2015. An increase in part time enrollment and decrease in full time enrollment was evident and we expect this trend to continue as a result of the weakened economy, significant outward migration of the county and significant decrease in the traditional student population over the years. Total credit enrollment for the 2016 Fiscal Year was down by approximately 8.0 % from 2015.

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

The College has formed the new Strategic Enrollment Group (SEG) to aid and support enrollment and retention at the College, along with other areas such as academic offerings and campus services offered to both prospective and current students. These groups will focus their efforts on individual areas of the College and come together as a whole to implement positive change. The SEG was broken down into five working groups of individuals from inside and outside of the College. The groups are as follows: Academic Offerings, Campus Services, Marketing and Community Outreach, Recruitment, and Retention, Progression and Completion.

In an effort to strengthen economic and workforce development in the Northwest New Jersey region, Sussex County Community College signed a partnership agreement with Warren County Community College that offers residents an opportunity to take advantage of certification programs and non-credit courses. Courses and programs offered are predominately in the health/science/allied health.

The College's administration has also begun to better streamline the admissions and enrollment process for students, and continues to make changes to ensure that the SCCC Student Advisement Center is a "one-stop" for admissions and enrollment needs. This includes the upgrade of the College's ERP system to Ellucian Datatel, with a more streamlined, effective and efficient system.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
***(Required Supplementary Information)***  
**Years ended June 30, 2016 and 2015**  
**(Unaudited)**

The millennial student demographic continues a gradual decrease in numbers. In an effort to increase yield rates from the high schools, recruitment efforts have focused on quality and substance of education and support services at the College. In FY16, the College Department of Marketing and Communications continues to focus on promoting specific college programs being offered including the new degree offerings and certificate programs. A shift in media outlets that appeal to this changing population included social media, Pandora Radio, movie theater advertising and an increased television and terrestrial radio presence and online advertising.

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

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

The College charged Sussex County residents \$140 per credit hour in each of the semesters reported above. As of July 1, 2016, Pike County (PA) residents were charged one and a half times the Sussex County tuition rate, as were NJ residents outside of Sussex County. Out of state residents were charged two times the tuition rate. In an effort to support military veterans, the College offers a special tuition rate to all veterans both in and out of the county. Instituting programs such as the Pennsylvania Gap Assistance Program (PGAP) will ease the burden for Pennsylvania students to attend SCCC with added financial resources. The inclusion of Blirstown residents for in-county rates was implemented.

The overall decline in enrollment in 2015-16 was partially anticipated in the FY2016 budget. It was budgeted to decline by approximately 7.7%, but the actual decline was 8.0%. The enrollment decline, combined with a reduction to the State aid projection, forced the College to implement cut backs to cover the shortfall.

***Maintaining our tradition to community service***

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

- Aids Quilt and many other art shows for public
- Annual 911 Memorial Ceremony
- Annual butterfly release for Karen Ann Quinlan Hospice
- Blood drives are held each semester
- Clothesline project to create awareness of domestic violence issues
- DASI Candlelight Vigil/Walk Run for Domestic Violence
- Career Symposium and Job Fair co-sponsored by SCCC and the New Jersey Department of Labor and Workforce Development was held on campus.
- FAFSA Workshops offered financial guidance on filling out FAFSA information.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*(Required Supplementary Information)*  
**Years ended June 30, 2016 and 2015**  
**(Unaudited)**

- Rockin' Fest for Student Vets
- Political debates, lectures and community forums
- Service learning initiative to engage students in community service
- Ongoing partnership with United Way to introduce volunteer link
- Fire Academy held at Public Safety and Training Academy for students interested in careers in public safety
- Teen Arts Festival for area middle and high school students
- Thursdays on the Green - free community concerts where each week, 400-900 attendees enjoy music on the Connor Green. A 50/50 from this event series raised approximately \$1,100 to support the Thursdays on the Green Scholarship.
- Annual Halloween Hayride sponsored by the Student Government Associated welcomed approximately 300 people to campus for a scripted, "haunted" hayride and activities for children – all at no cost.

***Focus on the Future***

Current demographic and economic conditions suggest that enrollment will continue to decline in FY 2017, by approximately 5%. The enrollment decline combined with a decrease in County operating aid and increase in operating costs has created challenging financial circumstances. The College is committed to a proactive approach in financial matters. The College continually works to ensure that Sussex County Community College operates in the most efficient manner possible while making appropriate investments in updating our business processes, infrastructure and technology for continued and future sustainability. The College remains financially stable.

**Requests for Information**

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



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

STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	June 30,	
	2016	2015
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 4,659,849	\$ 4,346,514
Cash held by bond trustee-NJEFA	1,412,397	1,869,978
Restricted cash and equivalents	129,684	119,545
Investments-certificates of deposit	2,258,505	2,249,071
Total cash and equivalents and investments	8,460,435	8,585,108
Receivables - student, net of allowance of \$1,376,967 and \$1,296,550, respectively	303,617	246,138
Due from Foundation	105,369	167,674
Other assets	342,221	51,161
Other receivables	560,647	887,031
Other restricted receivables - grant funds	461,344	328,079
Total Receivables	1,773,198	1,680,083
Total Current Assets	10,233,633	10,265,191
<b>NON-CURRENT ASSETS:</b>		
Capital assets, non depreciable assets	16,460,188	18,100,865
Capital assets, net of accumulated depreciation of \$18,368,217 and \$17,200,648, respectively	17,425,409	14,266,202
Total Non-Current Assets	33,885,597	32,367,067
	44,119,230	42,632,258
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Pension deferrals	2,257,148	631,440
Total Liabilities and Deferred Inflows	46,376,378	43,263,698
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses:		
Vendors	1,617,198	1,592,355
Compensated absences, current portion	389,175	422,642
Unearned revenue	2,093,652	2,548,790
Capital lease payable-current	15,265	14,537
Total Current Liabilities	4,115,290	4,578,324
<b>NON-CURRENT LIABILITIES:</b>		
Capital lease payable-noncurrent	108,985	124,250
Compensated absences	1,556,699	1,690,569
Net pension liability	10,098,849	7,780,654
Total Non-Current Liabilities	11,764,533	9,595,473
	15,879,823	14,173,797
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Pension deferrals	571,436	964,880
Total Liabilities and Deferred Inflows	16,451,259	15,138,677
<b>NET POSITION</b>		
NET INVESTMENT IN CAPITAL ASSETS	33,761,347	32,228,280
RESTRICTED FOR EXTERNAL PURPOSES	129,684	119,545
UNRESTRICTED (DEFICIT)	(3,965,912)	(4,222,804)
Total Net Position	\$ 29,925,119	\$ 28,125,021

*See accompanying notes to financial statements.*

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

**STATEMENTS OF FINANCIAL POSITION**

ASSETS	June 30.	
	2016	2015
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 657,703	\$ 553,859
Investments	1,049,514	1,021,192
Investments-restricted	283,606	194,923
Pledges receivable, net of allowance for doubtful accounts (\$2,000 in 2016 and \$0 in 2015)	24,509	36,475
Prepaid expenses	713	2,396
	<u>2,016,045</u>	<u>1,808,845</u>
Pledges receivable - Noncurrent, net of present value discount (\$121 in 2016 and \$541 in 2015)	11,379	21,659
	<u>11,379</u>	<u>21,659</u>
Total Assets	<u>\$ 2,027,424</u>	<u>\$ 1,830,504</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Due to Sussex County Community College	\$ 105,369	\$ 167,674
Accounts payable and accrued liabilities	13,445	8,765
Deferred sponsorships	5,463	1,750
Total Current Liabilities	<u>124,277</u>	<u>178,189</u>
<b>NET ASSETS:</b>		
Unrestricted	197,571	225,391
Temporarily restricted		
Scholarships	122,141	90,300
Endowments	295,604	240,137
Clearing Corporation gift	440,000	400,000
Other temporarily restricted donations	42,000	-
Growing endowments	47,831	66,987
	<u>947,576</u>	<u>797,424</u>
Permanently restricted - endowments	758,000	629,500
Total Net Assets	<u>1,903,147</u>	<u>1,652,315</u>
	<u>\$ 2,027,424</u>	<u>\$ 1,830,504</u>

*See accompanying notes to financial statements.*

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	Year Ended June 30,	
	2016	2015
<b>OPERATING REVENUES:</b>		
Student revenues:		
Tuition and fees	\$ 14,591,953	\$ 13,870,855
Less: Scholarship allowance	(964,043)	(804,931)
Net student revenues	13,627,910	13,065,924
Federal and local grants and contracts	7,426,212	7,838,099
State grants and contracts	911,452	1,063,051
Chargeback reimbursements	314,336	332,948
Other operating revenues	224,846	324,646
Total Operating Revenues	22,504,756	22,624,668
<b>OPERATING EXPENSES:</b>		
Instruction	8,915,078	9,301,362
Academic support	2,840,767	2,408,430
Student affairs	3,265,119	2,396,741
Institutional support	2,952,332	3,442,256
Operation and maintenance of plant	2,583,398	2,846,648
Student aid	8,038,673	8,589,842
Chargeback expenses	314,336	332,948
Depreciation	1,223,257	983,575
Total Operating Expenses	30,132,960	30,301,802
<b>OPERATING LOSS</b>	(7,628,204)	(7,677,134)
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
State appropriations	3,323,940	3,355,232
County appropriations	3,949,000	3,949,000
Investment income	18,902	15,422
Loss on disposal of assets	(4,407)	-
Non-Operating Revenues	7,287,435	7,319,654
<b>(LOSS) BEFORE OTHER REVENUES</b>	(340,769)	(357,480)
<b>OTHER REVENUES:</b>		
Capital appropriations-Chapter 12 funds	1,565,193	1,348,231
Higher Education funds	575,674	306,915
<b>INCREASE IN NET POSITION</b>	1,800,098	1,297,666
<b>NET POSITION, BEGINNING OF YEAR,</b>	28,125,021	26,827,355
<b>NET POSITION, END OF YEAR</b>	\$ 29,925,119	\$ 28,125,021

*See accompanying notes to financial statements.*

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

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES:</b>				
Contributions	\$ 40,548	\$ 241,635	\$ 110,000	\$ 392,183
Special events, net of expenses of \$35,480	89,243	-	-	89,243
Contributed services	187,344	-	-	187,344
Other income	17,519	-	-	17,519
Interest and dividends	889	-	-	889
Realized and unrealized gains on investments	-	30,485	-	30,485
Net assets released from restrictions	<u>103,468</u>	<u>(121,968)</u>	<u>18,500</u>	<u>-</u>
Total support and revenues	439,011	150,152	128,500	717,663
<b>EXPENSES:</b>				
Program services	279,487	-	-	279,487
Support services - management and general	<u>187,344</u>	<u>-</u>	<u>-</u>	<u>187,344</u>
Total expenses	466,831	-	-	466,831
<b>CHANGE IN NET ASSETS</b>	(27,820)	150,152	128,500	250,832
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>225,391</u>	<u>797,424</u>	<u>629,500</u>	<u>1,652,315</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 197,571</u>	<u>\$ 947,576</u>	<u>\$ 758,000</u>	<u>\$ 1,903,147</u>
	Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES:</b>				
Contributions	\$ 260	\$ 385,856	\$ 61,500	\$ 447,616
Special events, net of expenses of \$51,607	87,578	-	-	87,578
Contributed services	145,727	-	-	145,727
Other income	39,064	-	-	39,064
Realized and unrealized gains on investments	-	13,464	-	13,464
Net assets released from restrictions	<u>172,846</u>	<u>(177,846)</u>	<u>5,000</u>	<u>-</u>
Total support and revenues	445,475	221,474	66,500	733,449
<b>EXPENSES:</b>				
Program services	312,439	-	-	312,439
Support services - management and general	<u>145,727</u>	<u>-</u>	<u>-</u>	<u>145,727</u>
Total expenses	458,166	-	-	458,166
<b>CHANGE IN NET ASSETS</b>	(12,691)	221,474	66,500	275,283
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>238,082</u>	<u>575,950</u>	<u>563,000</u>	<u>1,377,032</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 225,391</u>	<u>\$ 797,424</u>	<u>\$ 629,500</u>	<u>\$ 1,652,315</u>

*See accompanying notes to financial statements.*

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

**STATEMENTS OF CASH FLOWS**

	Year Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Student tuition and fees	\$ 13,115,293	\$ 14,387,574
Federal and local grants and contracts received	7,292,947	7,819,051
State grants and contracts	911,452	1,063,051
Payments to suppliers	(14,326,803)	(14,447,490)
Payments for employee salaries and benefits	(14,426,352)	(14,685,184)
(Appreciation) use of restricted cash	(10,139)	(101,410)
Other receipts	636,812	147,847
Net cash flows from operating activities	(6,806,790)	(5,816,561)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Direct lending receipts	2,748,785	2,904,699
Direct lending disbursements	(2,748,785)	(2,904,699)
State appropriations	3,323,940	3,355,232
County appropriations	3,949,000	3,949,000
Net cash flows from non-capital financing activities	7,272,940	7,304,232
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Deposits held by bond trustee-NJEFA	457,581	(814,378)
County Capital appropriation	1,565,193	1,348,231
Capital lease payable	(14,537)	(11,426)
Higher Education Equipment Leasing Fund (ELF & HETI)	575,674	306,915
Purchase of capital assets	(2,746,194)	(1,740,351)
Net cash flows from capital and related financing activities	(162,283)	(911,009)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	18,902	15,422
Investments purchased	(9,434)	(406,992)
Net cash flows from investing activities	9,468	(391,570)
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	313,335	185,092
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	4,346,514	4,161,422
<b>TOTAL CASH AND EQUIVALENTS, END OF YEAR</b>	\$ 4,659,849	\$ 4,346,514

*See accompanying notes to financial statements.*

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

STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended June 30,	
	2016	2015
RECONCILIATION OF OPERATING LOSS TO		
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (7,628,204)	\$ (7,677,134)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	1,223,257	983,575
Changes in operating assets and liabilities:		
Receivables - student, net	(57,479)	47,731
Due from Foundation	62,305	(6,460)
Other assets	(291,059)	(2,511)
Other receivables	326,384	(500,776)
Restricted cash and equivalents	(10,139)	(101,410)
Other restricted receivables - grant funds	(133,265)	(19,048)
Accounts payable and accrued expenses - vendors	323,885	400,157
Accounts payable-pension	(299,042)	(342,592)
Net pension liability	2,318,195	(755,090)
Deferred inflows-pension deferrals	(393,444)	964,880
Deferred outflows-pension deferrals	(1,625,709)	97,926
Compensated absences	(167,337)	(179,728)
Unearned revenue	(455,138)	1,273,919
	<u>\$ (6,806,790)</u>	<u>\$ (5,816,561)</u>
Net cash flows from operating activities	<u>\$ (6,806,790)</u>	<u>\$ (5,816,561)</u>

*See accompanying notes to financial statements.*

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

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

- ***Restricted:***

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

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

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

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

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

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

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

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

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



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

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

Revenue from 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.

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

**NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

*Income Taxes* - The College and Foundation are exempt from Federal income taxes under Internal Revenue Code Section 115 and 501(c)(3), respectively. The Foundation believes it is no longer subject to income tax examinations for years prior to June 30, 2013.

*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* – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB No. 68"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

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

NOTES TO FINANCIAL STATEMENTS

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

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* (“GASB 71”). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning the transition provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of that Statement by employers and nonemployer contributing entities. The requirements of this Statement will eliminate the source of a potential understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government’s reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity’s beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

**GASB Not Yet Adopted** - During the fiscal year, GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB No. 75”). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the College in the 2018 fiscal year. Management has not yet determined the impact of this Statement on the financial statements.

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

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

**NOTES TO FINANCIAL STATEMENTS**

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

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

**Subsequent Events** - Management has reviewed and evaluated all events and transactions from June 30, 2016 through October 28, 2016, the date that the financial statements are available to be issued and the effects of those that provide additional pertinent information about conditions that existed at the statements of net position, have been recognized in the accompanying financial statements.

**Note 2 - Cash and Equivalents and Investments:**

**Deposits**

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

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

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

As of June 30, 2016 and 2015, cash held by trustees was \$1,412,397 and \$1,869,978, respectively. In addition, as of June 30, 2016 and 2015, the College's carrying amount of unrestricted and restricted deposits was \$4,689,533 and \$4,366,059, respectively, and the bank balance was \$5,240,497 and \$4,620,058, respectively. Of the above 2016 amounts, \$500,000 of the total deposits were insured by the FDIC as of June 30, 2016 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.

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

**NOTES TO FINANCIAL STATEMENTS**

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

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

*Investments* - The College's investment policy is to invest in certificates of deposits with maturities of less than one year. As of June 30, 2016 and 2015, certificates of deposit were \$2,258,505 and \$2,249,071, respectively, with interest rates of approximately between 0.12% and 0.45% as of June 30, 2016. The amounts are covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Government Unit Deposit Protection Act.

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

**Note 3 - Capital Assets:**

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

Capital asset activity for the years ended June 30, 2016 and 2015 is comprised of the following:

	Year Ended June 30, 2016				Ending Balance
	Beginning Balance	Acquisitions	Dispositions	Transfers	
<b>DEPRECIABLE ASSETS:</b>					
Buildings and building improvements	\$ 19,530,424	\$ -	\$ -	\$ 2,839,008	\$ 22,369,432
Land improvements	1,617,598	-	(26,670)	129,519	1,720,447
Machinery, equipment and vehicles	10,318,828	26,930	(33,425)	1,391,414	11,703,747
Total Depreciable Assets	<u>31,466,850</u>	<u>26,930</u>	<u>(60,095)</u>	<u>4,359,941</u>	<u>35,793,626</u>
<b>ACCUMULATED DEPRECIATION:</b>					
Buildings and building improvements	7,351,791	556,425	(22,263)	-	7,885,953
Land improvements	1,257,388	118,258	-	-	1,375,646
Machinery, equipment and vehicles	8,591,469	548,574	(33,425)	-	9,106,618
Total Accumulated Depreciation	<u>17,200,648</u>	<u>1,223,257</u>	<u>(55,688)</u>	<u>-</u>	<u>18,368,217</u>
<b>DEPRECIABLE ASSETS, NET</b>	<u>14,266,202</u>	<u>(1,196,327)</u>	<u>(4,407)</u>	<u>4,359,941</u>	<u>17,425,409</u>
<b>NONDEPRECIABLE ASSETS:</b>					
Land	15,944,035	-	-	-	15,944,035
Construction in progress	2,156,830	2,719,264	-	(4,359,941)	516,153
Total Nondepreciable Assets	<u>18,100,865</u>	<u>2,719,264</u>	<u>-</u>	<u>(4,359,941)</u>	<u>16,460,188</u>
	<u>\$ 32,367,067</u>	<u>\$ 1,522,937</u>	<u>\$ (4,407)</u>	<u>\$ -</u>	<u>\$ 33,885,597</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 3 - Capital Assets (continued):**

	Year Ended June 30, 2015			
	Beginning Balance	Acquisitions	Transfers	Ending Balance
<b>DEPRECIABLE ASSETS:</b>				
Buildings and building improvements	\$ 17,595,104	\$ -	\$ 1,935,320	\$ 19,530,424
Land improvements	1,338,519	-	279,079	1,617,598
Machinery, equipment and vehicles	10,201,621	44,064	73,143	10,318,828
Total Depreciable Assets	<u>29,135,244</u>	<u>44,064</u>	<u>2,287,542</u>	<u>31,466,850</u>
<b>ACCUMULATED DEPRECIATION:</b>				
Buildings and building improvements	6,855,629	496,162	-	7,351,791
Land improvements	1,145,357	112,031	-	1,257,388
Machinery, equipment and vehicles	8,216,087	375,382	-	8,591,469
Total Accumulated Depreciation	<u>16,217,073</u>	<u>983,575</u>	<u>-</u>	<u>17,200,648</u>
<b>DEPRECIABLE ASSETS, NET</b>	<u>12,918,171</u>	<u>(939,511)</u>	<u>2,287,542</u>	<u>14,266,202</u>
<b>NONDEPRECIABLE ASSETS:</b>				
Land	15,944,035	-	-	15,944,035
Construction in progress	2,748,085	1,696,287	(2,287,542)	2,156,830
Total Nondepreciable Assets	<u>18,692,120</u>	<u>1,696,287</u>	<u>(2,287,542)</u>	<u>18,100,865</u>
	<u>\$ 31,610,291</u>	<u>\$ 756,776</u>	<u>\$ -</u>	<u>\$ 32,367,067</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$1,223,257 and \$983,575, respectively. There were no significant commitments outstanding on projects as of June 30, 2016, however projects were identified and funds were board designated for deferred capital maintenance in the amount of \$1,500,000 as of June 30, 2016.

Chapter 12 Capital Projects Funds available to the College that have been approved by the State and County, and are bonded, consist of four bond ordinances totaling \$13,453,000. As of June 30, 2016, \$6,230,159 had been spent with \$7,222,841 remaining to be spent for completion of the approved Capital Projects. As of June 30, 2015, \$4,664,966 had been spent with \$5,788,034 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**

**Note 4 - Non-Current Liabilities:**

*Summary of Changes in Non-Current Liabilities* - The following tables summarize the changes in non-current liabilities, other than pensions disclosed in Footnote 5, during the years ended June 30, 2016 and 2015:

Year Ended June 30, 2016	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Compensated absences	\$ 2,113,211	\$ 668,620	\$ 835,957	\$ 1,945,874	\$ 389,175	\$ 1,556,699
Capital lease payable	138,787	-	14,537	124,250	15,265	108,985
Net pension liability	7,780,654	2,318,195.00	-	10,098,849	-	10,098,849
	<u>\$ 10,032,652</u>	<u>\$ 2,986,815</u>	<u>\$ 850,494</u>	<u>\$ 12,168,973</u>	<u>\$ 404,440</u>	<u>\$ 11,764,533</u>

  

Year Ended June 30, 2015	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Compensated absences	\$ 2,292,939	\$ 777,384	\$ 957,112	\$ 2,113,211	\$ 422,642	\$ 1,690,569
Capital lease payable	150,213	-	11,426	138,787	14,537	124,250
Net pension liability	8,535,744	-	755,090	7,780,654	-	7,780,654
	<u>\$ 2,443,152</u>	<u>\$ 777,384</u>	<u>\$ 968,538</u>	<u>\$ 2,251,998</u>	<u>\$ 437,179</u>	<u>\$ 1,814,819</u>

The College has recorded a liability for compensated absences of \$1,945,874 and \$2,113,211 as of June 30, 2016 and 2015, respectively. The liability is calculated based upon employees' accrued vacation and sick leave as of the statements of net position date. Vacation and sick leave provisions are documented in the employees' collective bargaining agreements.

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

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

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

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

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

The College has capitalized capital purchases of \$651,693 and \$395,328 through June 30, 2016 and 2015, respectively. The College has paid \$14,537 and \$11,426 in principal payments in fiscal years ended June 30, 2016 and 2015, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 4 - Non-Current Liabilities (continued):**

As of June 30, 2016, the capital lease payable principal balance for the Series 2014 bonds is \$124,250. The agreement is for a ten year term and will be fully satisfied on May 1, 2023. The annual rate of interest chargeable to the College is 5%. Fiscal year principal and interest payments are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,265	\$ 6,212	\$ 21,477
2018	16,029	5,449	21,478
2019	16,830	4,648	21,478
2020	17,667	3,807	21,474
2021	18,540	1,461	20,001
2022-2023	39,919	3,018	42,937
	<u>\$ 124,250</u>	<u>\$ 24,595</u>	<u>\$ 148,845</u>

**Note 5 - Retirement Plans:**

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

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

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

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

**PERS Funding Policy** - PERS members are required to contribute 6.64% as of July 2012 of their annual covered salary (increased to 6.78%, 6.92%, 7.06%, 7.20%, 7.34% and 7.48% each July from 2013 through 2018). The College is required to contribute at an actuarially determined rate. The rate for FY15/16 was 7.06% through June 2016. The College's actuarially determined contributions to PERS for the years ended June 30, 2016, 2015, and 2014 were \$386,774, \$342,592, and \$336,517, 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.



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

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Retirement Plans (continued):**

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

*Public Employee's Retirement System (PERS) - 2016*

At June 30, 2016, the College reported a liability of \$10,098,849 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2014, which was rolled forward to June 30, 2015. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating colleges, actuarially determined. At June 30, 2015, the College's proportion was 0.0449877506 percent, which was an increase of 0.003404976 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2016, the College recognized full accrual pension expense of \$685,817 in the government-wide financial statements. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 1,084,536	
Net difference between projected and actual earnings on pension plan investments	240,923	\$ 162,370
Changes in proportion and differences between College contributions and proportionate share of contributions	544,915	409,066
College contributions subsequent to the measurement date	386,774	-
	\$ 2,257,148	\$ 571,436

\$386,774 is reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2017	\$ (189,828)
2018	(189,830)
2019	(189,831)
2020	(495,347)
2021	(234,102)
	\$ (1,298,938)

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Retirement Plans (continued):**

*Actuarial Assumptions*

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

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

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

*Mortality Rates*

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

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

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

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Retirement Plans (continued):**

*Discount rate*

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the College's proportionate share of the net pension liability as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	<b>At 1% Decrease (3.90%)</b>	<b>At Current Discount Rate (4.90%)</b>	<b>At 1% Increase (5.90%)</b>
College's proportionate share of the net pension liability	\$ 12,551,634	\$ 10,098,849	\$ 8,042,452

*Pension Plan Fiduciary Net Position*

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

*Additional Information*

Collective balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	\$ 3,578,755,666
Collective deferred inflows of resources	\$ 993,410,455
Collective net pension liability - Local Group	\$ 22,447,996,119
College's Proportion	0.0449877506%

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Retirement Plans (continued):**

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

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) is 5.72 years, and 6.44 years for 2015 and 2014, respectively.

Public Employee's Retirement System (PERS) - 2015

At June 30, 2015, the College reported a liability of \$7,780,654 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2013, which was rolled forward to June 30, 2014. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating colleges, actuarially determined. At June 30, 2014, the College's proportion was 0.0415572530 percent, which was a decrease of 0.0031044752 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized full accrual pension expense of \$307,716 in the government-wide financial statements. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 244,666	
Net difference between projected and actual earnings on pension plan investments	-	\$ 463,685
Changes in proportion and differences between College contributions and proportionate share of contributions	-	501,195
College contributions subsequent to the measurement date	386,774	-
	<b>\$ 631,440</b>	<b>\$ 964,880</b>

\$386,774 is reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2016	\$ (148,771)
2017	(148,771)
2018	(148,771)
2019	(148,772)
2020	(32,850)
Thereafter	(92,279)
	<b>\$ (720,214)</b>

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Retirement Plans (continued):**

*Actuarial Assumptions*

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.01%
Salary increases	
2012-2021	2.15 - 4.40%
	based on age
Thereafter	3.15 - 5.40%
	based on age
Investment rate of return	7.90%

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

*Mortality Rates*

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	100.00%	

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Retirement Plans (continued):**

*Discount rate*

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the College's proportionate share of the net pension liability as of June 30, 2014 calculated using the discount rate as disclosed above as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	<b>At 1% Decrease (4.39%)</b>	<b>At Current Discount Rate (5.39%)</b>	<b>At 1% Increase (6.39%)</b>
College's proportionate share of the net pension liability	\$ 9,788,328	\$ 7,780,654	\$ 6,094,719

*Pension Plan Fiduciary Net Position*

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

*Additional Information*

Collective balances at June 30, 2014 are as follows:

Collective deferred outflows of resources	\$	952,194,675
Collective deferred inflows of resources	\$	1,479,224,662
Collective net pension liability - Local Group	\$	18,722,735,003
College's Proportion		0.0415572530%

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Retirement Plans (continued):**

Collective pension expense for the Local Group for the measurement period ended June 30, 2014 is \$968,532,408.

**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, 2016, ABP investment carriers received approximately 52% employer and 48% employee (includes additional discretionary amounts) contributions totaling \$1,520,414. During the year ended June 30, 2015, ABP investment carriers received approximately 49% employer and 51% employee (includes additional discretionary amounts) contributions totaling \$1,612,779. The contributions made by the Division on behalf of the College for the year ended June 30, 2016 amounted to \$252,016 as compared to \$313,921 for fiscal year 2015.

**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 \$18,967 and \$11,380 for the fiscal year ended June 30, 2016 and \$19,328 and \$11,396 for the fiscal year ended June 30, 2015.

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

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Public Employees' Retirement System (PERS) to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Retirement Plans (continued):**

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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, Chapter 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 C.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

**Note 6 - Risk Management:**

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

**Note 7 - New Jersey Unemployment Compensation Insurance:**

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

**Note 8 – Commitments and Contingencies:**

The College receives support from Federal and State of New Jersey grant programs, primarily student financial assistance. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2016, the College estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the College's financial statements.

The College is involved in several claims and lawsuits incidental to its operations. There is one significant matter that is being defended by the College's comprehensive liability insurance fund and there is excess coverage up to \$10,000,000. The matter is an action for substantial bodily injuries sustained by the employee of one of the College's outside contractors requesting damages in the amount of \$100,000,000. While the attorney is not able to evaluate the likelihood of an unfavorable outcome or the amount of the potential loss, it is presently believed by legal counsel that the College's insurance coverage is sufficient to address the risk presented by the claim. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the College and the College's insurance coverage is sufficient to address the risk presented by the claims.

The College, along with other colleges and universities, was awarded multiple grants under NJEFA's Higher Education Technology Infrastructure Fund (\$365,400) and Higher Education Facilities Trust Fund



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

**NOTES TO FINANCIAL STATEMENTS**

**Note 8 – Commitments and Contingencies (continued):**

(\$1,276,000). The College did not incur any debt with respect to the new grant agreements, however, the College will be required to provide matching funds equal to the grant amount for Higher Education Technology Infrastructure Fund. Sussex County is providing the funds to meet its local matching obligation.

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

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

During the years ended June 30, 2016 and 2015, the Foundation did not make any distributions to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administrative office at One College Hill Road, Newton, New Jersey 07860.

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

**Note 10 - Components of Net Position:**

At June 30, 2016 and 2015, the College’s components of net position consisted of the following:

	Net Investment in Capital Assets	Restricted	Unrestricted	Total FY 2016	Total FY 2015
NET INVESTMENT IN CAPITAL ASSETS	\$ 33,761,347	\$ -	\$ -	\$ 33,761,347	\$ 32,228,280
RESTRICTED FOR:					
Student activity groups	-	29,684	-	29,684	19,545
NJ Community College Consortium for Workforce & Economic Development		100,000		100,000	100,000
BOARD-DESIGNATED FOR:					
Deferred capital maintenance	-	-	1,077,734	1,077,734	1,300,000
Enrollment growth/student success	-	-	550,000	550,000	550,000
Information technology	-	-	1,150,307	1,150,307	1,021,784
EFFECT OF GASB 68 ADJUSTMENTS	-	-	(8,799,911)	(8,799,911)	(8,500,868)
UNDESIGNATED	-	-	2,055,958	2,055,958	1,406,281
Total per Statements of Net Position	<u>\$ 33,761,347</u>	<u>\$ 129,684</u>	<u>\$ (3,965,912)</u>	<u>\$ 29,925,119</u>	<u>\$ 28,125,022</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 10 - Components of Net Position (continued):**

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

**Note 11 - Middle States Commission on Higher Education:**

Sussex County Community College is fully accredited by the Middle States Commission on Higher Education (MSCHE), 3624 Market Street, Philadelphia, PA 19104. The College was first accredited in 1993 and subsequently reaccredited in 1998 and 2008. Regular accreditation visits by a team of MSCHE visitors are scheduled to take place every ten years; and five years after every regular visit, a status report, referred to as Periodic Review Report (PRR) is due to the Commission in order to document the institution's progress in certain areas as recommended by each visiting team assigned by the accrediting agency. Sussex County Community College last submitted a Periodic Review Report on May 31, 2013.

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

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

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

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

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

Sussex County Community College  
 Schedule of the College's Proportionate Share of the Net Pension Liability  
 Public Employee's Retirement System

Last Ten Fiscal Years\*

	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
College's proportionate share of the net pension liability (asset) - Local Group	0.044087506%	0.041572530%	0.446617220%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
College's proportionate share of the net pension liability (asset)	\$ 10,099,849	\$ 7,780,654	\$ 8,535,744	n/a	n/a	n/a	n/a	n/a	n/a	n/a
College's covered-employer payroll	\$ 3,067,727	\$ 3,276,196	\$ 3,137,160	\$ 3,205,344	\$ 3,984,003	\$ 3,993,349	\$ 4,065,037	\$ 3,438,604	\$ 3,112,663	\$ 3,112,663
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employer payroll	329.20%	237.49%	272.09%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Plus (deduct) net pension as a percentage of the total pension liability - Local Group	47.90%	52.08%	48.72%	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

n/a - Not available

Notes to Required Supplementary Information

Benefit Changes

There were none

Changes of Assumptions

The discount rate changed from 5.37% as of June 30, 2014 to 4.90% as of June 30, 2015.

Sevier County Community College  
 Schedule of College Contributions  
 Public Employees' Retirement System

Last Ten Fiscal Years\*

	6/30/2016	6/30/2017	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Contractually required contribution	\$ 386,774.00	\$ 386,774.00	\$ 342,592.00	\$ 316,517.00	\$ 419,003.00	\$ 431,903.00	\$ 424,190.00	\$ 294,244.00	\$ 219,746.00	\$ 170,765.00
Contributions in relation to the contractually required contribution	(386,774.00)	(386,774.00)	(342,592.00)	(316,517.00)	(419,003.00)	(431,903.00)	(424,190.00)	(294,244.00)	(219,746.00)	(170,765.00)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered-employee payroll	\$ 2,658,659	\$ 2,662,727	\$ 3,276,196	\$ 3,137,160	\$ 3,269,344	\$ 3,984,003	\$ 3,992,349	\$ 4,065,037	\$ 3,438,404	\$ 3,112,661
Contributions as a percentage of covered-employee payroll	14.55%	12.61%	10.46%	10.73%	12.82%	10.84%	10.62%	7.22%	6.39%	5.49%

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.50% as of June 30, 2015.

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

**Independent Auditors' Report**

The Board of Trustees  
Sussex County Community College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Sussex County Community College (the "College"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 28, 2016. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Livingston, New Jersey  
October 28, 2016

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

**Independent Auditors' Report**

The Board of Trustees  
Sussex County Community College

**Report on Compliance for Each Major Federal and State Program**

We have audited Sussex County Community College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the year ended June 30, 2016. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

We believe that our audit provides a reasonable basis for our 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, 2016.

### **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 Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

### **Purpose of the Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purposes.

WISS & COMPANY, LLP

Livingston, New Jersey  
October 28, 2016



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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA/ Grant Number	FAIN Number	FY 2016 Expenditures
Student Financial Assistance Cluster:			
U.S. Department of Education:			
Federal Pell Grant Program (PELL)	84.063		\$ 3,244,850
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007		58,112
Federal Direct Loans - Subsidized	84.268		1,161,682
Federal Direct Loans - Non subsidized	84.268		1,587,103
Federal Work-Study Program (FWS)	84.033		39,980
Total Student Financial Assistance Cluster			<u>6,091,727</u>
U.S. Department of Education Passed Through the			
NJ Department of Education:			
Carl D. Perkins Vocational and Applied Technology	84.048	S048A150030	122,594
Adult Basic Education	84.002		137,360
College Readiness	84.378A	P378A140006	7,868
Total U.S. Department of Education Passed Through the NJ Department of Education			<u>267,822</u>
U.S. Department of Health and Human Services			
Passed Through the NJ Department of Education:			
Health Professions Opportunities Grant (HPOG)	93.093	90FX0001	<u>414,264</u>
U.S. Department of Transportation			
Passed Through the NJ Department of Education:			
National Highway Traffic Safety	20.614	AL-16-45-06-03	<u>11,800</u>
U.S. Department of Labor, Employment and Training Administration			
Trade Adjustment Assistance Community College & Career Training Grants Program			
Passed through Bergen Community College - NJ PREP	17.282	TC26591460A34	<u>341,458</u>
Total Expenditures of Federal Awards			<u>\$ 7,127,071</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, 2016

State of New Jersey Grantor/Program or Cluster Title	State of New Jersey Account/ Grant Number	FY 2016 Award Amount	Grant Period	FY 2016 Cash Receipts	FY 2016 Expenditures
Student Financial Assistance Cluster:					
New Jersey Department of Treasury					
Tuition Aid Grant - 2015-2016 (TAG)	100-074-2405-007	\$ 858,738	7/1/15-6/30/16	\$ 653,013	\$ 653,013
Student NJ Class Loan (NJCL)	NJCL	6,000	7/1/15-6/30/16	5,820	5,820
New Jersey STARS - 2015-2016	100-074-2405-313	213,861	7/1/15-6/30/16	209,306	209,306
		153,135	7/1/14-6/30/15	245	
Total Student Financial Assistance Cluster				<u>868,384</u>	<u>868,139</u>
Other State of New Jersey Programs:					
New Jersey Department of Treasury					
Operational Costs - County Colleges	100-074-2400-001	3,323,940	7/1/15-6/30/16	3,323,940	3,323,940
EMT - Emergency Medical Services	100-046-4220-316	43,313	7/1/15-6/30/16		43,313
EMT - Emergency Medical Services	100-046-4220-316	30,893	7/1/14-6/30/15	9,000	
Alternate Benefit Program	100-082-2155-017	252,016	7/1/15-6/30/16	188,957	252,016
Alternate Benefit Program	100-082-2155-017	313,921	7/1/14-6/30/15	84,752	
Total other State of New Jersey programs				<u>3,606,649</u>	<u>3,619,269</u>
Total Expenditures of State Financial Assistance				<u>\$ 4,475,033</u>	<u>\$ 4,487,408</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 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the purposes of these schedules, Federal Awards and State Financial Assistance include any assistance provided by a Federal and State agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations and other non-cash assistance. Because these schedules present only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position, changes in net position and other changes of the College in conformity with generally accepted accounting principles.

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

Expenditures for direct costs are recognized as incurred using the accrual method of accounting contained in the U.S. Office of Management and Budget (OMB) 2 CFR Part 220, Cost Principles for Educational Institutions. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**2. Loan Programs**

Sussex County Community College is responsible only for the performance of certain administrative duties with respect to the Loan Programs. It is not practical to determine the balance of loans outstanding to students of Sussex County Community College under the programs as of June 30, 2016 and 2015. The College processed \$2,748,785 under Federal Direct Loans and \$5,820 under Student NJ Class Loans, respectively, during the fiscal year ended June 30, 2016.

**3. Alternate Benefit Program**

During the year ended June 30, 2016, the State of New Jersey, Department of Treasury made payments on behalf of Sussex County Community College to the Alternate Benefit Program of \$252,016. 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, 2016. The June 30, 2016 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:

- Are any material weaknesses identified?      \_\_\_ Yes    X No
- Are any significant deficiencies identified?      \_\_\_ Yes    X None reported

Is any noncompliance material to financial statements noted?      \_\_\_ Yes    X No

*Federal Awards and State Financial Assistance*

Internal control over major federal and state programs:

- Are any material weaknesses identified?      \_\_\_ Yes    X No
- Are any significant deficiencies identified      \_\_\_ Yes    X None reported

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

Unmodified

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

\_\_\_ Yes    X No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Identification of major programs:

<u>CFDA Number/State Account Number</u>	<u>Name of Federal and State Program or Cluster</u>
Federal:	
84.063/84.007/84.033/84.268	U.S. Dept. of Education-Student Financial Assistance Cluster and Student Loan Program
State:	
100-074-2400-001	Operational Costs - County Colleges
100-074-2405-007/NJCL/100-074-2405-313	N.J. Dept. of Treasury-Student Financial Aid Assistance Cluster

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

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

Auditee qualified as low-risk auditee?                       X  Yes     \_\_\_ No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**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**

Not Applicable – no prior year audit findings.