

**MERCER COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of the County of Mercer, State of New Jersey)**

**Basic Financial Statements, Management's Discussion and  
Analysis, Required Supplementary Information and Schedules of  
Expenditures of Federal Awards and State Financial Assistance**

**June 30, 2018 and 2017**  
**(With Independent Auditor's Reports Thereon)**

**Mercer County Community College  
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# INTRODUCTORY SECTION

**Mercer County Community College  
Members of the Board of Trustees  
As of June 30, 2018**

<b><u>NAME</u></b>	<b><u>TERM EXPIRES</u></b>
Reverend William E. Coleman, Jr.	September 2019
Kevin Drennan (Vice-Chair)	March 2020
David Fried	November 2021
Carol Golden (Chair)	November 2018
Yasmin Hernandez-Manno	Ex-officio by position
Pamela Hersh	November 2014 (expired)
Anthony Inverso	November 2021
Walt McDonald (Treasurer)	August 2020
Mark Matzen	November 2014 (expired)
Dwaine Williamson	February 2021
Jianping Wang, Ed.D., President (Secretary)	Ex-officio by position
Carly Layton (Alumni Trustee)	June 2019
Perry Lattiboudere (College Counsel)	

FINANCIAL SECTION

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Mercer County Community College  
West Windsor, New Jersey 08550

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of **Mercer County Community College** (the "College"), a component unit of the County of Mercer, State of New Jersey, and its discretely presented component unit (Mercer County Community College Foundation), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as of and for the fiscal years ended June 30, 2018 and 2017. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit 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. The financial statements of the College's discretely presented component unit were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinion.

## **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of **Mercer County Community College** and the College's discretely presented component unit, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Adoption of New Accounting Principles*

As discussed in note 1 to the financial statements, during the fiscal year ended June 30, 2018, the College adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The adoption of this new accounting principle required the College to recognize revenues and expenses, in its financial statements, for the State's proportionate share of the postemployment expense associated with the College. The related disclosures for the implementation of this new accounting pronouncement are included in note H in the notes to financial statements. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Financial Statements for the Fiscal Year Ended June 30, 2017*

The financial statements of the College as of June 30, 2017, were audited by other auditors, whose report dated December 22, 2017, expressed an unmodified opinion on those financial statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the College's proportionate share of the net pension liability, schedule of the College's pension contributions, and schedule of changes in the College's total OPEB liability and related ratios, as listed 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2019, on our consideration of ***Mercer County Community College's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ***Mercer County Community College's*** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
April 11, 2019



**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 AUDITOR'S REPORT**

Board of Trustees  
Mercer County Community College  
West Windsor, New Jersey 08550

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, of **Mercer County Community College** (the "College"), a component unit of the County of Mercer, State of New Jersey, and its discretely presented component unit (Mercer County Community College Foundation), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 11, 2019. That report indicated that the financial statements of the College as of June 30, 2017, were audited by another auditor whose report dated December 22, 2017 expressed an unmodified opinion under accounting principles generally accepted in the United States of America. Our report on the financial statements included an emphasis of matter paragraph describing the adoption of a new accounting principle. In addition, our report also includes a reference to other auditors who audited the financial statements of the College's discretely presented component unit (Mercer County Community College Foundation), as described in our report on the College's financial statements. The financial statements of the College's discretely presented component unit (Mercer County Community College Foundation) were audited in accordance with auditing standards generally accepted in the United States of America, but 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 **Mercer County Community 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 **Mercer County Community 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs*, as item *Finding No. 2018-004* that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether ***Mercer County Community 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item *Finding No. 2018-004*.

### **The College's Response to the Finding**

The College's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
April 11, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

## MERCER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2018 and 2017

(Unaudited)

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The discussion and analysis section of Mercer County Community College's financial statements presents management's analysis of the College's financial performance during the fiscal years ended June 30, 2018, 2017, and 2016. As this discussion and analysis focuses on current activities, resulting changes and current known facts, it must be read in conjunction with the College's basic financial statements and the footnotes. Visit [www.mccc.edu](http://www.mccc.edu) for the College's contact information.

### Using this Annual Report

This report consists of three basic financial statements and focuses on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Position presents the financial position of the College, which combines and consolidates current financial resources with capital assets. The Statement of Revenues, Expenses and Changes in Net Position focuses on both the gross costs and the net costs of College activities which are supported mainly by tuition, state and local appropriations, and other revenues. The Statement of Cash Flows shows the sources and uses of the College's cash from operations, noncapital financing, capital and related financing, and investment activities. This approach is intended to summarize and simplify the user's analysis of the cost to provide various College services to students and the public.

In accordance with GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, these statements also include the most recent audited financial statements of Mercer County Community College Foundation, which per the above noted GASB Statements, is considered to be a discretely presented component unit of the College. The analysis below will focus on the College only.

### Enrollment

The College enrollment is comprised of both credit and non-credit full time equated students. Only credit classes are considered eligible for support under the State of New Jersey funding formula. In light of the continued challenges with enrollment due to the demographic trends within Mercer County and surrounding New Jersey counties, the College experienced a slight decrease in credit hour enrollment in fiscal year 2018. The college is budgeting a slight decline in fiscal year 2019, based on results of the Hanover study from several years ago, which has proven reliable.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>2018-2017</u>	<u>% Change</u> <u>2018-2017</u>
Credit Hours	<u>145,727</u>	<u>148,600</u>	<u>156,774</u>	<u>(2,873)</u>	<u>-1.93%</u>

## MERCER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2018 and 2017

(Unaudited)

### Impact of GASB 68, GASB 71 and GASB 75 Implementation

GASB Statement No.68 – *Accounting and Financial Reporting for Pensions*, GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 75 - *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions* have all been implemented. These statements deal with benefits provided to employees of state and local governmental employers. GASB 68 and GASB 75 require that the College recognize its share of the net pension liability and the net OPEB liability. The notes to the financial statements will provide thorough discussion of the implementation of these GASB statements and it's impact on unrestricted net position.

### Financial Highlights

This schedule is prepared from the College's statement of net position that is presented on an accrual basis of accounting where assets are capitalized and depreciated.

### Condensed Schedule of Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Change</u> <u>2018-2017</u>	<u>Change</u> <u>2017-2016</u>
Current Assets	\$ 15,378,352	\$ 14,886,797	\$ 14,526,873	\$ 491,555	\$ 359,924
Capital Assets, net of Depreciation	<u>74,733,285</u>	<u>76,201,683</u>	<u>67,630,135</u>	<u>(1,468,398)</u>	<u>8,571,548</u>
Total Assets	<u>90,111,637</u>	<u>91,088,480</u>	<u>82,157,008</u>	<u>(976,843)</u>	<u>8,931,472</u>
Deferred Outflows of Resources	<u>9,788,715</u>	<u>14,182,875</u>	<u>6,618,732</u>	<u>(4,394,160)</u>	<u>7,564,143</u>
Current Liabilities	9,343,001	9,445,579	9,345,770	(102,578)	99,809
Non-Current Liabilities	<u>37,517,707</u>	<u>50,023,189</u>	<u>41,095,689</u>	<u>(12,505,482)</u>	<u>8,927,500</u>
Total Liabilities	<u>46,860,708</u>	<u>59,468,768</u>	<u>50,441,459</u>	<u>(12,608,060)</u>	<u>9,027,309</u>
Deferred Inflows of Resources	<u>11,329,237</u>	<u>3,313,857</u>	<u>2,313,609</u>	<u>8,015,380</u>	<u>1,000,248</u>
Net Position					
Net Investment in Capital Assets	74,733,285	76,201,683	67,630,135	(1,468,398)	8,571,548
Restricted	495,655	514,510	703,367	(18,855)	(188,857)
Unrestricted	<u>(33,518,533)</u>	<u>(34,227,463)</u>	<u>(32,312,830)</u>	<u>708,930</u>	<u>(1,914,633)</u>
Total Net Position	<u>\$ 41,710,407</u>	<u>\$ 42,488,730</u>	<u>\$ 36,020,672</u>	<u>\$ (778,323)</u>	<u>\$ 6,468,058</u>

Current assets increased from 2017 to 2018 by \$491,555, due to an increase in account receivable offset by decreases in cash, cash equivalents and investments. Current assets increased by \$359,924 from 2016 to 2017, due to increases in cash from Chapter 12 monies collected for completed projects.

**MERCER COUNTY COMMUNITY COLLEGE**  
Management's Discussion and Analysis  
For the Fiscal Years Ended June 30, 2018 and 2017  
(Unaudited)

**Capital Assets**

Capital activity for the fiscal years ended June 30, 2018, 2017 and 2016 is as follows:

	<u>Balance</u>				<u>Balance</u>	<u>Balance</u>
	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2018</u>	<u>June 30, 2016</u>
Land	\$ 1,599,769	\$ -	\$ -	\$ -	\$ 1,599,769	\$ 1,599,769
Construction in Progress	3,054,856	1,021,737	-	(3,023,153)	1,053,440	8,080,175
Land Improvements	3,667,952	13,500	-	-	3,681,452	3,623,462
Buildings and Improvements	97,028,346	691,652	-	1,639,639	99,359,637	80,524,352
Equipment	9,427,817	754,092	-	1,383,514	11,565,423	8,953,010
<b>Total</b>	<b>114,778,740</b>	<b>2,480,981</b>	<b>-</b>	<b>-</b>	<b>117,259,721</b>	<b>102,780,768</b>
Less Accum Depr	<u>(38,577,057)</u>	<u>(3,949,379)</u>	<u>-</u>	<u>-</u>	<u>(42,526,436)</u>	<u>(35,150,633)</u>
<b>Capital Assets, net</b>	<b><u>\$ 76,201,683</u></b>	<b><u>\$ (1,468,398)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 74,733,285</u></b>	<b><u>\$ 67,630,135</u></b>

Total capital assets have increased over the previous year primarily due to both Chapter 12 funded and GO Bond funded projects as follows:

- Major renovations on the West Windsor campus include work at the Engineering buildings.
- Additional renovations at the Physical Education building
- New Flooring in the CM Building
- New Carpeting in the 2<sup>nd</sup> Floor Student area at our JKC campus
- Two (2) offices in the MS building were converted a Student Collaboratorium Center
- Upgraded two (2) classrooms in MS building to Smart Classrooms
- Renovated ten classrooms
- Renovated six (6) restrooms and converted four (4) others to gender neutral

Capital Assets, net has decreased over the previous year as a result of current year depreciation expense.

**Outstanding Debt**

The College does not have any outstanding debt as of June 30, 2018, 2017 or 2016.

**MERCER COUNTY COMMUNITY COLLEGE**

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2018 and 2017

(Unaudited)

**Summary of Revenues, Expenses and Changes in Net Position**

The College received its operating revenue from three primary sources; tuition and fees, grants and auxiliary enterprises.

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

	<u>2018</u>	<u>2017 *</u>	<u>2016 *</u>	<u>Change 2018-2017</u>	<u>Change 2017-2016</u>
Operating Revenues:					
Student tuition and fees, net	\$ 24,172,153	\$ 20,994,994	\$ 20,526,865	\$ 3,177,159	\$ 468,129
Federal, state and local grants	5,127,948	5,202,253	4,506,588	(74,305)	695,665
Other	3,903,303	3,749,125	2,675,963	154,178	1,073,162
Auxiliary enterprises	1,929,426	1,928,591	2,721,990	835	(793,399)
Total operating revenues	<u>35,132,830</u>	<u>31,874,963</u>	<u>30,431,406</u>	<u>3,257,867</u>	<u>1,443,557</u>
Operating Expenses:					
Educational and general:					
Instruction	31,702,582	30,756,356	24,159,220	946,226	6,597,136
Public service	3,744,181	3,918,705	3,666,368	(174,524)	252,337
Academic support	3,832,383	4,105,976	3,537,811	(273,593)	568,165
Student services	5,508,835	5,346,770	4,485,740	162,065	861,030
Institutional support	21,895,380	26,003,888	19,894,259	(4,108,508)	6,109,629
Operations and maintenance of plant	7,243,016	6,307,341	5,960,355	935,675	346,986
Scholarship and other student aid	3,587,042	2,242,720	3,191,027	1,344,322	(948,307)
Depreciation	3,949,379	3,426,424	2,775,921	522,955	650,503
Auxiliary enterprises	446,225	497,504	571,278	(51,279)	(73,774)
Total operating expenses	<u>81,909,023</u>	<u>82,605,685</u>	<u>68,241,979</u>	<u>(696,662)</u>	<u>14,363,706</u>
Operating loss	(46,776,193)	(50,730,722)	(37,810,573)	3,954,529	(12,920,149)
Non-operating revenues, net	44,149,143	45,290,216	35,446,794	(1,141,073)	9,843,422
Capital grants (includes ABP reim)	1,848,727	11,908,564	9,556,482	(10,059,837)	2,352,082
Increase in net position	(778,323)	6,468,058	7,192,703	(7,246,381)	(724,645)
Net position-beginning of year	<u>42,488,730</u>	<u>36,020,672</u>	<u>28,827,969</u>	<u>6,468,058</u>	<u>7,192,703</u>
Net position-end of year	<u>\$ 41,710,407</u>	<u>\$ 42,488,730</u>	<u>\$ 36,020,672</u>	<u>\$ (778,323)</u>	<u>\$ 6,468,058</u>

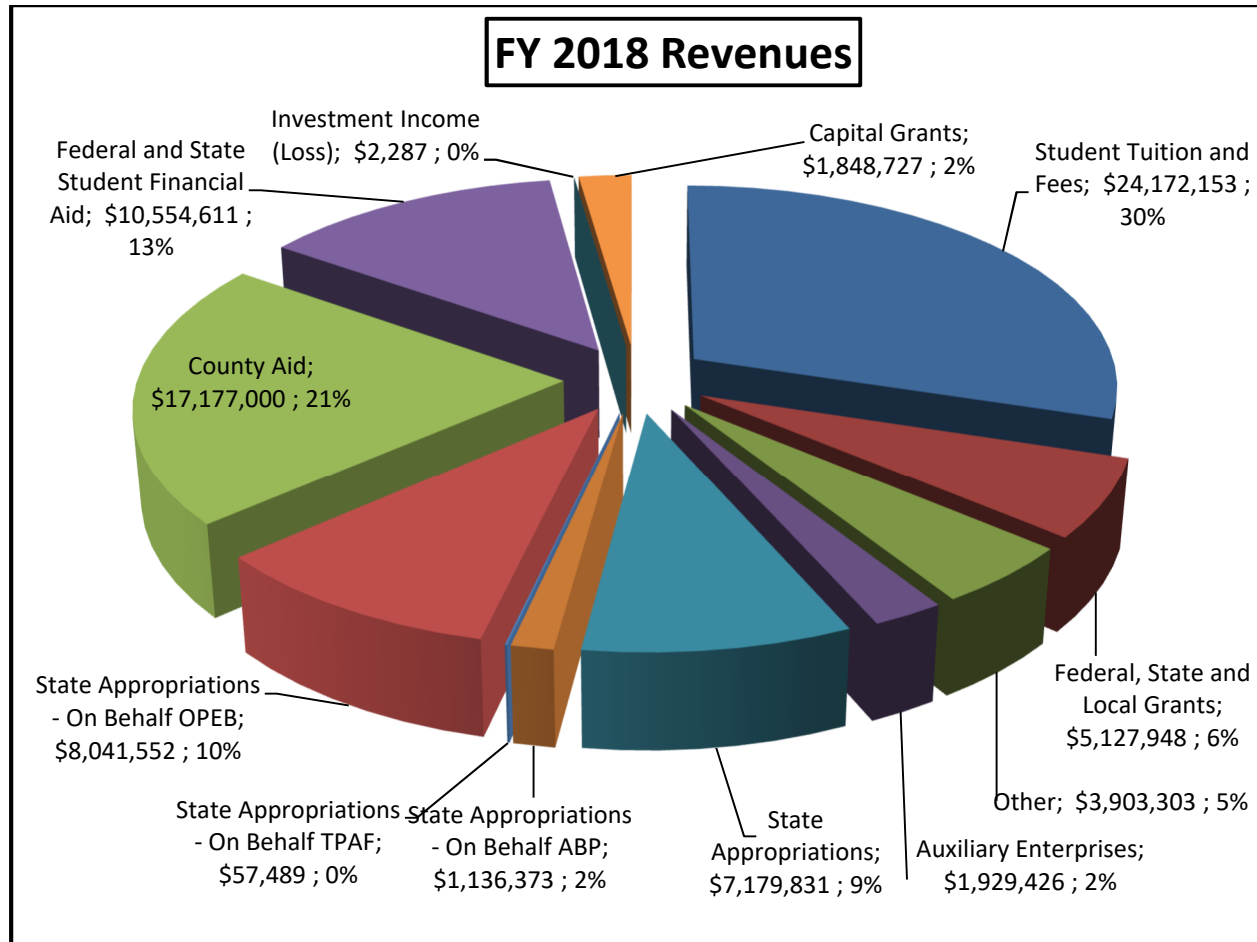
\*Certain account balances have been reclassified to conform with current year presentation.

**MERCER COUNTY COMMUNITY COLLEGE**

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2018 and 2017

(Unaudited)



Operating revenues increased by over \$3.2 million in FY2018 compared to FY2017. The primary driver for this increase was the 7.8% increase in tuition and mandatory fees along with the continued growth of the College's aviation program. The tuition and fee increase accounted for over \$1.8 million of this change and the flight fees for the aviation program comprised the majority of the rest of the fees.

As indicated on page 11 of this audit report, the college experienced a decline of 1.93% in credit hour tuition. This decline in enrollment was offset by the tuition increase along with the mix of non-Mercer County students, who pay higher tuition rates depending on whether they reside in New Jersey or not.

The College continues to explore articulation agreements with four-year colleges and universities along with exploring additional university partners to host classes on our campuses, joining the existing four universities. Also, the College's summer camps and auxiliary enterprises continue to provide a stable source of revenue to support the overall mission of the school.

Chapter 12 financing in the form of capital grants resulted in revenue from the County totaling \$1,848,727 and \$11,908,564 in fiscal year 2018 and 2017, respectively, due to the renovation projects on both the West Windsor and Trenton Campuses mentioned previously.

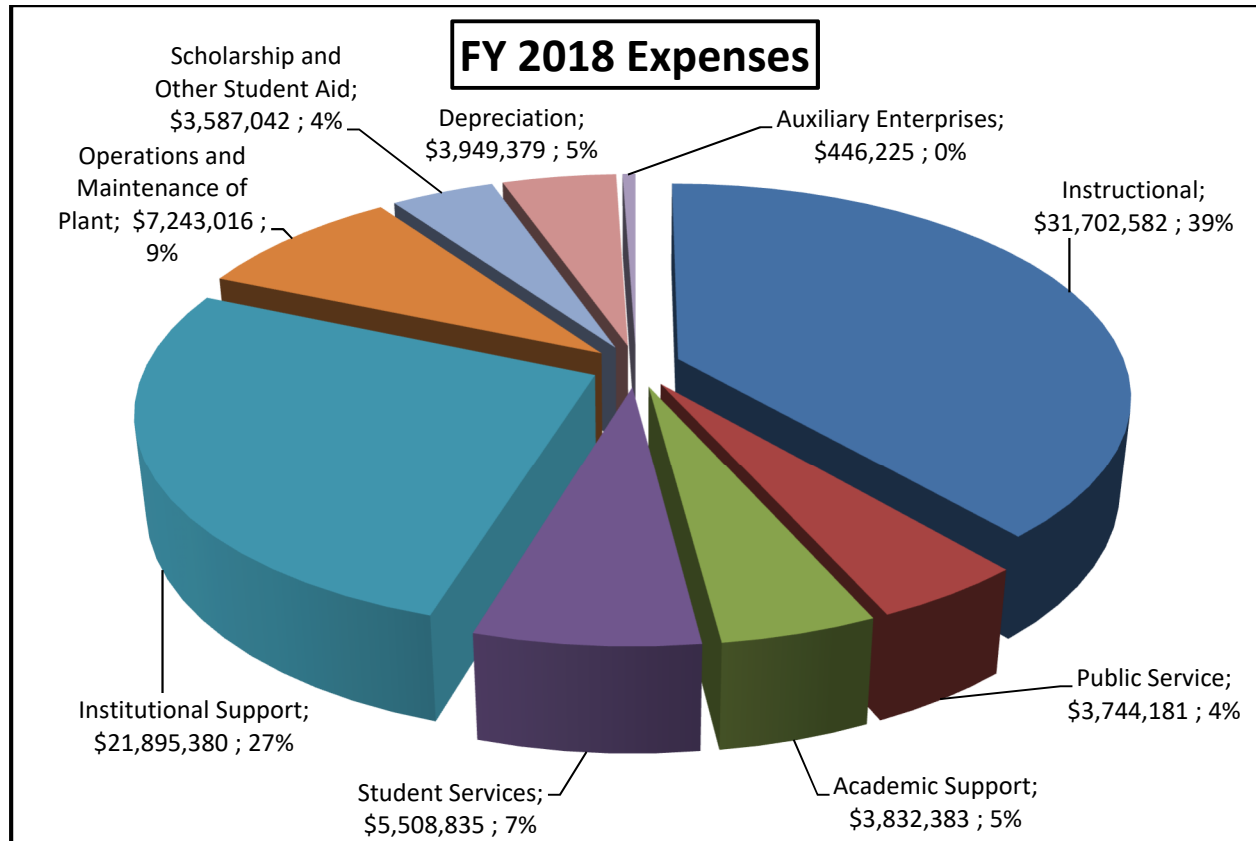


**MERCER COUNTY COMMUNITY COLLEGE**

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2018 and 2017

(Unaudited)



Operating expenses decreased approximately \$700,000 due to several reasons. Despite the overall decrease in operating expenditures there was an increase of almost \$1 million in instruction, this is due to the growth in the College's aviation program. Third-party flight fees, collected by the College on the revenue side, are paid entirely to the flight school providing the outsourced instruction.

Institutional support decreased significantly from prior year more so because of what transpired in FY17. An increase in bad debt expense in FY17, higher than expected health insurance costs and benefits overall (5%) along with the settlement of several collective bargaining units took place in FY17. These CBA settlements resulted in retroactive pay and benefits covering multiple years being paid at once.

Scholarships and financial aid has increased in FY2018 compared to FY2017 as the College continues to attract and support students with some financial need. In addition, the College has an increased emphasis on philanthropy by raising scholarship funds through the MCCC Foundation and awarding these funds through a qualified, application based process.

Operations of facilities and plant increased 14.8% or over \$900,000 due to increased winter storm costs, an increase in utilities and specific repair and replacement projects across both campuses.

## **MERCER COUNTY COMMUNITY COLLEGE**

Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2018 and 2017

(Unaudited)

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### **Economic and Other Factors that will Affect the Future**

There are the following significant events that will impact the College's future financial statements.

- The College, like many New Jersey community colleges has experienced enrollment declines in recent years. Mercer County Community College specifically has seen enrollment decline since 2010, which is consistent with a study the college commissioned with an independent outside firm known as the Hanover Group, approximately ten years ago. In 2016 there was a slight increase in credit hour enrollment of .32% over 2015 levels, but to date this has been the exception thus far. The college has budgeted for credit hour enrollment to stabilize and begin a slight increase beginning in FY20.
- All five of the college's collective bargaining units have contracts in effect through June 30, 2018. Four of the five units will begin negotiations for a new collective bargaining agreement for FY2019 and beyond during FY2019.
- The decrease in credit hour enrollment will be partially offset by some of the following initiatives:
  - The college has increased credit hour tuition rates and the two mandatory fees for FY19 by a combined \$12.75 per credit hour. The increase in the technology fee, which is responsible for \$4.50 of the increase, is needed to fund the PC refresh program across campus. This program will replace most computers on campus. This tuition increase is larger than prior years but necessary to keep pace with increases in salaries and benefits and other operating costs.
  - The Title III grant, which spans 5 years, was in full operation and there is budget relief in this grant for certain operating expenses. The grant is to focus on student enrollment and retention
  - The impact of several retirements through a volunteer retirement initiative in FY17 will be recognized in FY19 and beyond.
  - Mercer continues to partner with 4-year colleges and universities making it easier for our students to transfer to these bachelor degree granting institutions and assisting with our own enrollment
  - The increased emphasis on enrollment and retention by Mercer, aligning ourselves with the completion agenda in Washington. The college is placing specific attention and added resources to our James Kearney Campus in Trenton, NJ.
  - The college continues to seek alternative revenue options with our own auxiliary operations and in particular our non-credit certificate programs and summer camps
  - The college takes a strategic approach with filling vacant positions and does so in a very systematic fashion, making certain that the necessary resources are available to fund all position requests, new and replacement
  - The college continues to monitor any potential changes to the state health care law which could impact the offerings the college makes to its employees

### **Requests for Information**

Requests for information concerning any facts provided in this report can be addressed to:

Mercer County Community College  
1200 Old Trenton Road  
West Windsor, NJ 08550

## BASIC FINANCIAL STATEMENTS

**MERCER COUNTY COMMUNITY COLLEGE**  
 Statements of Net Position  
 As of June 30, 2018 and 2017

	<u>2018</u>		<u>2017</u>	
	<u>College</u>	<u>Component Unit MCCC Foundation</u>	<u>College</u>	<u>Component Unit MCCC Foundation</u>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 4,015,462	\$ 513,912	\$ 6,363,073	\$ 514,695
Investments	673,364	11,259,761	1,684,317	10,336,340
Accounts Receivable, net	7,650,424		3,877,378	
Pledges Receivable, net of discount		113,428		196,187
Inventories	9,432		9,611	
Prepaid Expenses	1,062,196	10,543	829,666	
Capital Appropriation Receivables	1,967,474		2,122,752	
Total Current Assets	<u>15,378,352</u>	<u>11,897,644</u>	<u>14,886,797</u>	<u>11,047,222</u>
Non-Current Assets:				
Capital Assets, net	<u>74,733,285</u>		<u>76,201,683</u>	
Total Assets	<u>90,111,637</u>	<u>11,897,644</u>	<u>91,088,480</u>	<u>11,047,222</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Related to Pensions	<u>9,788,715</u>		<u>14,182,875</u>	
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable				
Related to Pensions	1,468,532		1,428,307	
Other	2,244,982	86,979	2,198,823	110,791
Accrued Expenses	583,633		871,684	
Unearned Revenue:				
Student Tuition and Fees	5,045,854		4,946,765	
Total Current Liabilities	<u>9,343,001</u>	<u>86,979</u>	<u>9,445,579</u>	<u>110,791</u>
Non-Current Liabilities:				
Accrued Compensated Absences	1,627,219		1,687,446	
Net Pension Liability	<u>35,890,488</u>		<u>48,335,743</u>	
Total Non-Current Liabilities	<u>37,517,707</u>	<u>-</u>	<u>50,023,189</u>	<u>-</u>
Total Liabilities	<u>46,860,708</u>	<u>86,979</u>	<u>59,468,768</u>	<u>110,791</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Related to Pensions	<u>11,329,237</u>		<u>3,313,857</u>	
<b>NET POSITION</b>				
Net Investment in Capital Assets	74,733,285		76,201,683	
Restricted for:				
Nonexpendable:				
Scholarships	181,878	2,863,324	182,878	2,596,198
Expendable:				
Scholarships and Grants Programs	313,777	4,860,038	331,632	4,347,099
Capital Improvements		460,630		662,432
Unrestricted (Deficit)	<u>(33,518,533)</u>	<u>3,029,624</u>	<u>(34,227,463)</u>	<u>2,744,633</u>
Total Net Position	<u>\$ 41,710,407</u>	<u>\$ 11,810,665</u>	<u>\$ 42,488,730</u>	<u>\$ 10,936,431</u>

The Accompanying Notes to Financial Statements are an integral part of this statement.

**MERCER COUNTY COMMUNITY COLLEGE**  
 Statements of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Years Ended June 30, 2018 and 2017

	<u>2018</u>		<u>2017</u>	
	<u>College</u>	<u>Component Unit MCCC Foundation</u>	<u>College</u>	<u>Component Unit MCCC Foundation</u>
<b>REVENUES</b>				
Operating Revenues:				
Student Tuition and Fees, net	\$ 24,172,153		\$ 20,994,994	
Federal, State and Local Grants	5,127,948		5,202,253	
Gifts and Contributions		\$ 685,101		\$ 1,660,897
Other	3,903,303	206,351	3,749,125	153,066
Auxiliary Enterprises	1,929,426		1,928,591	
Total Operating Revenue	<u>35,132,830</u>	<u>891,452</u>	<u>31,874,963</u>	<u>1,813,963</u>
<b>EXPENSES</b>				
Operating Expenses:				
Educational and General:				
Instructional	31,702,582		30,756,356	
Public Service	3,744,181		3,918,705	
Academic Support	3,832,383		4,105,976	
Student Services	5,508,835		5,346,770	
Institutional Support	21,895,380		26,003,888	
Operations and Maintenance of Plant	7,243,016		6,307,341	
Scholarships and Other Student Aid	3,587,042	485,300	2,242,720	501,783
Depreciation	3,949,379		3,426,424	
Other Expenditures		344,244		337,581
Auxiliary Enterprises	446,225		497,504	
Total Operating Expenses	<u>81,909,023</u>	<u>829,544</u>	<u>82,605,684</u>	<u>839,364</u>
Operating Income (Loss)	<u>(46,776,193)</u>	<u>61,908</u>	<u>(50,730,722)</u>	<u>974,599</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State Appropriations:				
State Aid	7,179,831		7,201,087	
On-Behalf Fringe Benefits:				
Alternate Benefit Program	1,136,373		1,215,309	
Teachers' Pension and Annuity Fund	57,489		72,363	
Other Post Employment Benefits	8,041,552		9,311,018	
County Operating Appropriations:				
County Aid	17,177,000		17,139,186	
Federal and State Student Financial Aid	10,554,611		10,374,584	
Investment Income (Loss)	2,287	812,326	(23,331)	961,144
Net Non-Operating Revenues	<u>44,149,143</u>	<u>812,326</u>	<u>45,290,216</u>	<u>961,144</u>
Income (Loss) Before Capital Grants and Contributions	(2,627,050)	874,234	(5,440,506)	1,935,743
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>1,848,727</u>		<u>11,908,564</u>	
Increase (Decrease) in Net Position	(778,323)	874,234	6,468,058	1,935,743
Net Position - Beginning of Year	42,488,730	10,936,431	36,020,672	9,000,688
Net Position - End of Year	<u>\$ 41,710,407</u>	<u>\$ 11,810,665</u>	<u>\$ 42,488,730</u>	<u>\$ 10,936,431</u>

The Accompanying Notes to Financial Statements are an integral part of this statement.

**MERCER COUNTY COMMUNITY COLLEGE**  
 Statements of Cash Flows  
 For the Fiscal Years Ended June 30, 2018 and 2017

	<b>2018</b>	<b>2017</b>
	<b>College</b>	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tuition and Fees	\$ 24,172,153	\$ 22,383,761
Receipts from Grants and Contracts	5,127,948	5,202,253
Other Receipts	5,832,729	5,677,716
Payments to Employees and Fringe Benefits	(46,261,043)	(43,087,297)
Payments to Vendors and Suppliers	(22,326,223)	(18,536,715)
Payments for Scholarships and Student Aid	(2,367,065)	(2,242,720)
Net Cash Used in Operating Activities	<u>(35,821,501)</u>	<u>(30,603,002)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	7,179,831	7,201,087
County Appropriations	17,177,000	17,139,186
Receipts from Grants and Contracts	10,554,611	10,374,584
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>34,911,442</u>	<u>34,714,857</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets, net	(2,297,283)	(14,387,512)
Capital Grants	1,835,303	14,871,674
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(461,980)</u>	<u>484,162</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of and Proceeds from Sales and Maturities of Investments	(977,667)	(163,723)
Interest and Dividends on Investments	2,094	41,774
Net Cash Used in Investing Activities	<u>(975,573)</u>	<u>(121,949)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,347,612)	4,474,068
Cash and Cash Equivalents - Beginning of Year	6,363,073	1,889,005
Cash and Cash Equivalents - End of Year	<u>\$ 4,015,462</u>	<u>\$ 6,363,073</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	\$ (46,776,193)	\$ (50,730,722)
Adjustment to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	3,949,379	3,426,424
Bad Debt Expense	1,851,163	1,470,848
Pension Expense	1,440,417	3,817,847
State Appropriations - On-Behalf Fringe Benefits:		
Alternate Benefit Program	1,136,373	1,215,309
Teachers' Pension and Annuity Fund	57,489	72,363
Other Post Employment Benefits	8,041,552	9,311,018
Changes in Assets and Liabilities:		
Receivables, net	(3,617,768)	105,573
Inventories	179	13,471
Prepaid Items	(232,530)	(340,239)
Accounts Payable and Accrued Expenses	(241,892)	2,677,001
Compensated Absences	(60,227)	(25,935)
Unearned Revenue	99,089	(187,653)
Deferred Outflows of Resources - Related to Pensions:		
Contributions Made After the Measurement Date	(1,468,532)	(1,428,307)
Net Cash Used in Operating Activities	<u>\$ (35,821,501)</u>	<u>\$ (30,603,002)</u>

The Accompanying Notes to Financial Statements are an integral part of this statement.

**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Financial Reporting Entity**

Mercer County Community College (the "College") is a comprehensive, coeducational, community college, founded in 1966. Mercer County Community College is an instrumentality of the State of New Jersey, established to function as a two-year community college. The College is an accredited member of the Middle States Association of Colleges and Schools. The College operates one main campus in West Windsor, New Jersey. In addition, the College operates a campus in the City of Trenton.

The College is a collegiate institution that is dedicated to the intellectual development of students and instilling in them the skills, habits and inclinations with which they will continue to educate themselves. The College is also a community institution that is entrusted with the responsibility of preparing a well-educated and informed citizenry able to undertake the responsibilities of good citizenship. Additionally, the College is a community forum and a source of programs and services that addresses the current and emerging human resource needs of area employers, meets the continuing education needs of a variety of community residents, and enriches the cultural and artistic life of the Mercer County community.

Mercer County Community College is a component unit of the County of Mercer as described in Governmental Accounting Standards Board (GASB) Statement No. 61 – *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and 34*. The financial statements of the College would be either blended or discreetly presented as part of the County's financial statements if the County prepared its financial statements in accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The County of Mercer currently follows a basis of accounting and reporting model that is prescribed by the Department of Community Affairs, Division of Local Government Services, State of New Jersey. Therefore, the financial statements of the College are not presented with the County of Mercer's.

**Component Unit**

In evaluating how to define the College for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the College was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, would in-substance be part of the College's operations, however, each discreetly presented component unit would be reported in a separate column in the College's financial statements to emphasize that it is legally separate from the College.

The basic-but not the only-criterion for including a potential component unit within the College is the College's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the College and / or its students.

**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Component Unit (Cont'd)**

A third criterion used to evaluate potential component units for inclusion or exclusion from the College is the existence of special financing relationships, regardless of whether the College is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the College could warrant its inclusion within the College's financial statements.

Based upon the application of these criteria, the College has determined that Mercer County Community College Foundation (the "Foundation") meets the requirement for discrete presentation in the financial statements of the College. In accordance with GASB Statement 34 and 35, certain presentation adjustments to the financial statements of the Foundation were required to conform to the classification and display requirements in the aforementioned GASB Statements, as applicable to the College.

Mercer County Community College Foundation is a New Jersey non-profit corporation. It is operated exclusively for the purpose of assisting the board of trustees of the College in holding, investing and administering property and making expenditures to or for the benefit of the College, its students and its faculty. The Foundation solicits public and private contributions to carry out its objectives. The Foundation is governed by a board of directors, which includes representation by the College president and several College board members. In addition, College employees and facilities are used to support some activities of the Foundation.

During the fiscal years June 30, 2018 and 2017, the Foundation distributed \$485,300 and \$501,783, respectively, to the College for scholarships and other support.

A separate report of audit for the Foundation for the fiscal year ended June 30, 2018 can be obtained at the Foundation's offices at the following address during normal business hours:

Mercer County Community College Foundation  
1200 Old Trenton Road  
West Windsor, New Jersey 08550

**Basis of Presentation**

The accompanying financial statements include all activities that are directly controlled by the College. In addition, the financial statements include the financial position and activities of the College's discretely presented component unit, the Foundation. The financial statements are presented in accordance with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities. The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

**Basis of Accounting and Measurement Focus**

For financial reporting purposes, the College considered a special-purpose government engaged in only business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash, Cash Equivalents and Investments**

For the purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

The College accounts for its investments at fair value in the statements of net position. All interest, dividends and realized and unrealized gains and losses are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The College has a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act.

**Accounts Receivable / Allowance for Doubtful Accounts**

Accounts receivable consists of tuition and fees charged to students and various other receivables. Accounts receivable are recorded net of estimated uncollectible amounts. During the year ended June 30, 2018, the College amended the policy adopted during the prior year. In addition to the College reserving 100% of all student tuition receivables over two years old and 75% of tuition receivables over one year old, the newly adopted policy adds reserving 39% of the current year student tuition receivables. During the year ended June 30, 2017, the College adopted the policy of reserving 100% of all student tuition receivables over two years old and 75% of tuition receivables over one year old. In the previous year, the College's policy was to reserve between 17%-22% of student credit receivables as uncollectible.

**Inventories**

Inventories, consisting of goods and supplies at the College conference center, are determined on a first-in, first-out method and are stated at the lower of cost or market.

**Prepaid Expenses**

Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30.

**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 certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets include land, buildings, improvements and equipment. Capital assets are defined by the College as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	<u>Useful Lives</u>
Land Improvements	20
Buildings and Building Improvements	20-45
Equipment and Furnishing	5-20

**Tuition**

Each year the Board of Trustees sets tuition rates based on a per credit rate. Rates vary based upon residence within Gloucester County, out of county and out of state. Tuition revenue is earned in the fiscal year in which the classes are taken.

**State Aid**

The New Jersey Department of Treasury, Office of Management and Budget (OMB) allocates the annual appropriation for community college operating aid according to credit hour enrollments as prescribed by N.J.S.A.18A:64A-22. Aid is based upon audited enrollments, which are made up of credit course categories.

**County Aid**

N.J.S.A. 18A:64A-22 States that each county which operates a county college shall continue to provide moneys for the support of the college in an amount no less than those moneys provided in the year in which this act is enacted or 25% of the operational expense in the base State fiscal year, whichever is greater.

**Unearned Revenue**

Unearned revenue represents tuition revenue that has been billed and collected before June 30 for classes that are scheduled to begin the next fiscal year. It also includes cash, which has been received for grants, but not yet earned.

**Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the College and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the College and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Scholarship Discounts and Allowances**

Student tuition and fees revenue, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses and changes in net position. Scholarship discounts and allowance are the difference between the stated charge for goods and services provided by the College and the amount paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. The amount of scholarship discount and allowances for the fiscal years ended June 30, 2018 and 2017 was \$7,202,742 and \$8,375,340 respectively, which is netted against student tuition and fees.

**Financial Dependency**

Among the College's largest revenue sources include appropriations from the State of New Jersey and County of Mercer, including contributions made by the State on behalf of the College for the Alternate Benefit Program. The College is economically dependent on these appropriations to carry out its operations.

**State of New Jersey On-Behalf Payments for Fringe Benefits**

The State of New Jersey, through separate appropriations, pays certain fringe benefits on-behalf of College employees. These benefits include Alternate Benefit Program pension contributions, TPAF employee FICA taxes, and certain retiree health benefits. These amounts are included in both the State of New Jersey appropriations revenues and operating expenses in the accompanying financial statements.

**Classification of Revenues**

The College has classified its revenues as either operating or non-operating revenues in accordance with GASB Statement No. 33 – *Accounting and Financial Reporting for Non-exchange Transactions*.

**Operating Revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local government grants and contracts as well as federal appropriations.

**Non-Operating Revenues** - Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9 – Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting and GASB Statement No. 35, such as state appropriations, county appropriations, certain federal and state student financial aid, investment income, and amounts paid by the State of New Jersey on behalf of the College for the employer contribution to the Alternate Benefit Program (ABP), TPAF and certain retiree health benefits.

**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition - License Agreements**

During the fiscal year ended June 30, 2006, the College entered into two licensing agreements with Clearwire Spectrum Holdings, LLC for a term of ten years with the option to renew for an additional ten years. In November 2016, the College entered into a five-year lease with an option to renew for an additional five-years at substantially similar terms. Revenue from these agreements is recognized over the life of the license for usage and equipment, in the Statement of Revenue, Expenses, and Changes in Net Position under Operating revenues – Auxiliary Enterprises.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and the Teachers' Pension and Annuity Fund ("TPAF"), and additions to/deductions from the PERS and TPAF fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows and Deferred Inflows of Resources**

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The College is required to report the following as deferred outflows of resources and deferred inflows of resources: defined benefit pension plans and postemployment benefit plans.

**Income Taxes**

The College is a political subdivision of the State of New Jersey and is excluded from Federal income taxes under Section 115 (1) of the Internal Revenue Code, as amended.

**Net Position**

The College's net position is classified as follows:

**Net Investment in Capital Assets**

This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets.

**Restricted Net Position - Non-Expendable**

Restricted non-expendable is comprised of donor-restricted endowment funds. Endowments are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity.

**Restricted Net Position – Expendable**

Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with the restrictions imposed by external third parties.

**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position (Continued)**

**Unrestricted Net Position** - Unrestricted net position represent resources derived from student tuition and fees, state and county appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for the transactions related to the educational and general operations of the College, and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College's policy is to first utilize available restricted expendable, and then unrestricted, resources in the conduct of its operations.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Impact of Recently Issued Accounting Principles**

**Recently Issued and Adopted Accounting Pronouncements**

The College implemented the following GASB Statements for the fiscal year ended June 30, 2018:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 governmental employers about financial support for OPEB that is provided by other entities. The adoption of this Statement required the College to recognize a revenue and expense on the Statement of Revenues, Expenses, and Changes in Net Position for the State's proportionate share of the postemployment expense associated with the College. In addition, the College was required to include additional note disclosures (see note H) and required supplementary information related to postemployment benefits.

Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this Statement had no impact on the basic financial statements of the College.

**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact of Recently Issued Accounting Principles (Continued)**

**Recently Issued Accounting Pronouncements**

The GASB has issued the following Statements that will become effective for the College for fiscal years ending after June 30, 2018:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement will become effective for the College in the fiscal year ending June 30, 2021. Management is currently evaluating whether or not this Statement will have an impact on the basic financial statements of the College.

**B. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. Although, the College does not have a formal written policy regarding custodial credit risk, N.J.S.A 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the College in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the College relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule below.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**B. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk (Continued)**

As of June 30, 2018 and 2017, the College's bank balances were insured, collateralized and uninsured as follows:

	2018	
	<u>Book</u>	<u>Bank</u>
Insured	\$ 720,014	\$ 721,297
Collateralized under GUDPA	3,292,305	4,270,909
Uninsured and Uncollateralized	3,143	-
	<u>\$ 4,015,462</u>	<u>\$ 4,992,206</u>
Cash and Cash Equivalents	<u>\$ 4,015,462</u>	<u>\$ 4,992,206</u>
	2017	
	<u>Book</u>	<u>Bank</u>
Insured	\$ 327,952	\$ 328,101
Collateralized under GUDPA	6,030,168	7,220,010
Uninsured and Uncollateralized	4,953	4,953
	<u>\$ 6,363,073</u>	<u>\$ 7,553,064</u>
Cash and Cash Equivalents	<u>\$ 6,363,073</u>	<u>\$ 7,553,064</u>

**Investments**

*Custodial Credit Risk Related to Investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. All of the College's investments are held in the name of the College.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College does not have a formal written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**B. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

*Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. does not limit the investment types that County Colleges may purchase and the College has no investment policy that would limit its investment choices.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a college's investment in a single issuer. The College does not place a limit on the amount that may be invested in any one issuer. The College's investments are in United States Treasury Obligations.

As of June 30, 2018 and 2017, the College had the following investments and maturities:

<u>Investment</u>	<u>Moody's Credit Rating</u>	<u>Fair Value</u>	
		<u>2018</u>	<u>2017</u>
United States Treasury Obligations	AAA	<u>\$ 673,364</u>	<u>\$ 1,684,317</u>

*Fair Value Investments*

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The U.S. Treasury securities in the table above are valued using quoted market prices (Level 1 inputs).

**C. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Student Accounts Receivable	\$ 6,846,924	\$ 5,123,626
Feder, State and Local Grants Receivable	3,051,068	1,969,119
Other Accounts Receivable	3,045,333	766,950
	<u>12,943,325</u>	<u>7,859,695</u>
Less: Allowance for Doubtful Accounts	<u>5,292,901</u>	<u>3,982,317</u>
Net Accounts Receivable	<u>\$ 7,650,424</u>	<u>\$ 3,877,378</u>



**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**D. CAPITAL ASSETS**

A summary of changes in the various capital asset categories for the year ending June 30, 2018 and 2017 is presented as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 1,599,769	\$ -	\$ -	\$ -	\$ 1,599,769
Construction in Progress	3,054,856	1,021,737		(3,023,153)	1,053,440
<b>Total Non-Depreciable Capital Assets</b>	<b>4,654,625</b>	<b>1,021,737</b>	<b>-</b>	<b>(3,023,153)</b>	<b>2,653,209</b>
<b>Depreciable Capital Assets:</b>					
Land Improvements	3,667,952	13,500			3,681,452
Buildings and Improvements	97,028,346	691,652		1,639,639	99,359,637
Furniture, Machinery and Equipment	9,427,817	754,092		1,383,514	11,565,423
<b>Total Depreciable Capital Assets</b>	<b>110,124,115</b>	<b>1,459,244</b>	<b>-</b>	<b>3,023,153</b>	<b>114,606,512</b>
<b>Less Accumulated Depreciation For:</b>					
Land Improvements	(3,205,572)	(674,023)			(3,879,595)
Buildings and Improvements	(28,909,860)	(2,522,922)			(31,432,782)
Furniture, Machinery and Equipment	(6,461,625)	(752,434)			(7,214,059)
<b>Total Accumulated Depreciation</b>	<b>(38,577,057)</b>	<b>(3,949,379)</b>	<b>-</b>	<b>-</b>	<b>(42,526,436)</b>
<b>Depreciable Capital Assets</b>	<b>71,547,058</b>	<b>(2,490,135)</b>	<b>-</b>	<b>3,023,153</b>	<b>72,080,076</b>
<b>Total Capital Assets, Net</b>	<b>\$ 76,201,683</b>	<b>\$ (1,468,398)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 74,733,285</b>
	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 1,599,769	\$ -	\$ -	\$ -	\$ 1,599,769
Construction in Progress	8,080,175	2,341,953		(7,367,272)	3,054,856
<b>Total Non-Depreciable Capital Assets</b>	<b>9,679,944</b>	<b>2,341,953</b>	<b>-</b>	<b>(7,367,272)</b>	<b>4,654,625</b>
<b>Depreciable Capital Assets:</b>					
Land Improvements	3,623,462	44,490			3,667,952
Buildings and Improvements	80,524,352	9,136,722		7,367,272	97,028,346
Furniture, Machinery and Equipment	8,953,010	474,807			9,427,817
<b>Total Depreciable Capital Assets</b>	<b>93,100,824</b>	<b>9,656,019</b>	<b>-</b>	<b>7,367,272</b>	<b>110,124,115</b>
<b>Less Accumulated Depreciation For:</b>					
Land Improvements	(1,890,648)	(1,314,924)			(3,205,572)
Buildings and Improvements	(27,461,761)	(1,448,099)			(28,909,860)
Furniture, Machinery and Equipment	(5,798,224)	(663,401)			(6,461,625)
<b>Total Accumulated Depreciation</b>	<b>(35,150,633)</b>	<b>(3,426,424)</b>	<b>-</b>	<b>-</b>	<b>(38,577,057)</b>
<b>Depreciable Capital Assets</b>	<b>57,950,191</b>	<b>6,229,595</b>	<b>-</b>	<b>7,367,272</b>	<b>71,547,058</b>
<b>Total Capital Assets, Net</b>	<b>\$ 67,630,135</b>	<b>\$ 8,571,548</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 76,201,683</b>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$3,949,379 and \$3,426,424, respectively. The amounts in the transfer column represent projects being completed and reclassified from construction in progress.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**E. LONG-TERM LIABILITIES**

During the fiscal years ended June 30, 2018 and 2017, the following changes occurred in long-term obligations.

	June 30, 2018				
	Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018	Due Within One Year
Compensated Absences	\$ 1,687,446	\$ -	\$ (60,227)	\$ 1,627,219	\$ -
Net Pension Liability	48,335,743	13,066,857	(25,512,112)	35,890,488	-
	<u>\$ 50,023,189</u>	<u>\$ 13,066,857</u>	<u>\$ (25,572,339)</u>	<u>\$ 37,517,707</u>	<u>\$ -</u>

	June 30, 2017				
	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017	Due Within One Year
Compensated Absences	\$ 1,713,381	\$ -	\$ (25,935)	\$ 1,687,446	\$ -
Net Pension Liability	39,382,308	18,886,024	(9,932,589)	48,335,743	-
	<u>\$ 41,095,689</u>	<u>\$ 18,886,024</u>	<u>\$ (9,958,524)</u>	<u>\$ 50,023,189</u>	<u>\$ -</u>

**Accrued Compensated Absences**

Accrued vacation represents the College's liability for the cost of unused employee vacation time payable in the event of employee termination. College employees are granted vacation time in varying amounts under the College's personnel policies and labor negotiated contracts. Regular sick leave benefits provide for ordinary sick pay and begin vesting after a predetermined number of years of service, with a maximum payout of \$15,000. As of June 30, 2018 and 2017, the liabilities for accrued compensated absences are included in accrued expenses and consist of the following:

	Balance June 30, 2018	Balance June 30, 2017
Vacation	\$ 1,337,542	\$ 1,348,866
Sick	289,677	338,580
Total	<u>\$ 1,627,219</u>	<u>\$ 1,687,446</u>

**Net Pension Liability**

For details on the net pension liability, refer to Note G.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**F. COMPONENTS OF UNRESTRICTED NET POSITION**

The following is a summary of the designations of unrestricted net position at June 30<sup>th</sup>:

	<u>2018</u>	<u>2017</u>
Designated for:		
Unemployment	\$ 500,000	\$ 500,000
Technology	100,000	100,000
Educational Broadcast Service	150,000	150,000
Insurance	100,000	100,000
WWFM Radio	150,000	150,000
Operating Revenue	3,381,009	2,667,569
Capital Projects	<u>1,000,000</u>	<u>1,000,000</u>
Undesignated Before GASB 68 and 71 Pension Related Items	5,381,009	4,667,569
Effect of GASB 68 Pension Related Items	<u>(38,899,542)</u>	<u>(38,895,032)</u>
Total Components of Net Position	<u>\$ (33,518,533)</u>	<u>\$ (34,227,463)</u>

**G. PENSION PLANS**

The College participates in several retirement plans, administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"), covering its employees – the Public Employees' Retirement System ("PERS"), the Teachers' Pension and Annuity Fund ("TPAF"), the New Jersey Alternate Benefit Program ("ABP") and the Defined Contribution Retirement Program ("DCRP"). PERS and TPAF are defined benefit pension plans while ABP and DCRP are defined contribution pension plans. Generally, all employees, except certain part-time employees, participate in one of these plans.

The State issues publicly available Comprehensive Annual Financial Reports (CAFR) of the State of New Jersey Division of Pensions and Benefits, which includes financial statements, required supplementary information and detailed information about the PERS's and TPAF's plan's fiduciary net position. These CAFRs can be obtained by writing to or visiting the website below.

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<http://www.nj.gov/treasury/pensions/gasb-notices.shtml>

## G. PENSION PLANS (CONT'D)

### General Information about the Pension Plans

#### Plan Descriptions

**Public Employees' Retirement System** - The PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the College, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

**Teachers' Pension and Annuity Fund** - The TPAF is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. The State of New Jersey (the "State") is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

**Alternate Benefit Program** - The ABP is a tax-sheltered, defined contribution retirement program for certain higher education faculty, instructors and administrators which was established pursuant to P.L. 1969, c. 242 (N.J.S.A. 52:18A-107 et seq., specifically, 18A:66-192). The ABP is an agency fund overseen by the State of New Jersey Division of Pensions and Benefits.

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**G. PENSION PLANS (CONT'D)**

**General Information about the Pension Plans (Cont'd)**

**Vesting and Benefit Provisions**

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

**Tier    Definition**

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Teachers' Pension and Annuity Fund** - The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The membership tiers for TPAF are the same as previously noted for PERS.

## G. PENSION PLANS (CONT'D)

### General Information about the Pension Plans (Cont'd)

#### **Vesting and Benefit Provisions (Cont'd)**

**Teachers' Pension and Annuity Fund (Cont'd)** - Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 before age 65 with 30 years or more of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier.

Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Alternate Benefit Program** - ABP provides retirement benefits, life insurance and disability coverage to qualified members. 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.

**Defined Contribution Retirement Program** - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

#### **Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rates were 7.34% and 7.20% in State fiscal years 2018 and 2017, respectively. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10%. Employer contribution amounts are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

**G. PENSION PLANS (CONT'D)**

**General Information about the Pension Plans (Cont'd)**

**Contributions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - The College's contractually required contribution rates were 14.69% and 13.77% of the College's covered payroll for the fiscal years ended June 30, 2018 and 2017, respectively. These amounts were actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2017, the College's contractually required contribution to the pension plan for the fiscal year ended June 30, 2018 was \$1,428,307, and was paid by April 1, 2018. College employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$741,487.

Based on the most recent PERS measurement date of June 30, 2016, the College's contractually required contribution to the pension plan for the fiscal year ended June 30, 2017 was \$1,449,863, and was paid by April 1, 2017. College employee contributions to the pension plan during the fiscal year ended June 30, 2017 were \$752,528.

**Teachers' Pension and Annuity Fund** - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% and 7.02% in State fiscal years 2018 and 2017, respectively. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's contribution is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the College and all other related non-contributing employers. No normal or accrued liability contribution by the College has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The College's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.00% of the College's covered payroll, of which 0.00% of payroll was required from the College and 100.00% of payroll was required from the State of New Jersey. The College's contractually required contribution rate for the fiscal year ended June 30, 2017 was 56.83% of the College's covered payroll, of which 0.00% of payroll was required from the College and 100.00% of payroll was required from the State of New Jersey. The College was not required to make any contributions to the pension plan during the fiscal years ended June 30, 2018 and 2017 because of the 100.00% special funding situation with the State of New Jersey.

**G. PENSION PLANS (CONT'D)**

**General Information about the Pension Plans (Cont'd)**

**Contributions (Cont'd)**

**Teachers' Pension and Annuity Fund** – Based on the most recent TPAF measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the College, to the pension plan for the fiscal year ended June 30, 2018 was \$13,821, and was paid by April 1, 2018. College employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$0.

Based on the most recent TPAF measurement date of June 30, 2016, the State's contractually required contribution, on-behalf of the College, to the pension plan for the fiscal year ended June 30, 2017 was \$9,750, and was paid by April 1, 2017. College employee contributions to the pension plan during the fiscal year ended June 30, 2018 were \$0.

**Alternate Benefit Program** - The contributions requirements of plan members are determined by State statute. In accordance with N.J.S.A. 18A:66-173, required contributions, calculated on the employee's base pay, are 5% for plan members, and 8% for employers. Plan members may make additional voluntary contributions subject to section 403(b) of the internal revenue code.

Under N.J.S.A 18A:66-174, most employer contributions are made by the State of New Jersey on-behalf of the College. The College is responsible for the employer contributions for non-academic employees.

Plan members direct the investment of contributions to insurance companies and mutual fund companies selected by the New Jersey Division of Pensions' Pension Provider Selector Board. These companies administer plan funds based on alternate benefit contracts with the New Jersey Division of Pensions.

Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. The plan carriers are as follows:

Teachers' Insurance and Annuity Association ("TIAA/CREF")  
ING Life Insurance and Annuity Company  
Equitable Life  
The Variable Annuity Life Insurance Company ("VALIC")  
The Hartford Group  
MetLife  
Prudential

During the fiscal year end June 30, 2018, the College's share of the employer contributions for participants not eligible for State reimbursement was \$100,356, employee contributions to the plan were \$778,637, and the State of New Jersey made on-behalf payments for the College contributions of \$1,136,373.

During the fiscal year end June 30, 2017, the College's share of the employer contributions for participants not eligible for State reimbursement was \$106,107, employee contributions to the plan were \$765,089, and the State of New Jersey made on-behalf payments for the College contributions of \$1,215,309.



**G. PENSION PLANS (CONT'D)**

**General Information about the Pension Plans (Cont'd)**

**Contributions (Cont'd)**

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the College contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2018, employee contributions totaled \$84,275, and the College recognized pension expense of \$45,942. There were no forfeitures during this fiscal year. For the fiscal year ended June 30, 2017, employee contributions totaled \$89,872, and the College recognized pension expense of \$49,046. There were no forfeitures during this fiscal year.

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

**Public Employees' Retirement System** - The College reported a liability of \$35,890,488 and \$48,335,743 for its proportionate share of the net pension liability for the fiscal years ended June 30, 2018 and 2017, respectively.

The net pension liability reported at June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2017 measurement date, the College's proportion was .1541793483%, which was a decrease of .0090226227% from its proportion measured as of June 30, 2016.

The net pension liability reported at June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2016 measurement date, the College's proportion was .1632019710%, which was a decrease of .0122359962% from its proportion measured as of June 30, 2015.

The College recognized \$1,440,417 and \$3,817,847 in its financial statements for pension expense for PERS, for the fiscal years ended June 30, 2018 and 2017, respectively. These amounts were based on the plans June 30, 2017 and 2016 measurement dates, respectively.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**G. PENSION PLANS (CONT'D)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Measurement Date</u> <u>June 30, 2017</u>		<u>Measurement Date</u> <u>June 30, 2016</u>	
	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Differences between Expected and Actual Experience	\$ 845,097.00	\$ -	\$ 898,898.00	\$ -
Changes of Assumptions	7,230,696.00	7,204,187.00	10,012,584.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	244,390.00	-	1,843,086.00	-
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions	-	4,125,050.00	-	3,313,857.00
College Contributions Subsequent to the Measurement Date	1,468,532.00	-	1,428,307.00	-
	<u>\$ 9,788,715.00</u>	<u>\$11,329,237.00</u>	<u>\$14,182,875.00</u>	<u>\$ 3,313,857.00</u>

\$1,468,532 and \$1,428,307 included in deferred outflows of resources, for the June 30, 2017 and 2016 measurement dates, respectively, will be included as a reduction of the net pension liability in fiscal year ending June 30, 2019 and 2018, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>PERS</u>
2019	\$ (311,016.00)
2020	119,057.00
2021	(260,683.00)
2022	(1,635,189.00)
2023	<u>(921,223.00)</u>
	<u>\$ (3,009,054.00)</u>

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**G. PENSION PLANS (CONT'D)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	<b>PERS</b>	
	<b><u>Deferred</u></b> <b><u>Outflows of</u></b> <b><u>Resources</u></b>	<b><u>Deferred</u></b> <b><u>Inflows of</u></b> <b><u>Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
Changes in Proportion and Differences between College Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**G. PENSION PLANS (CONT'D)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Teachers' Pension and Annuity Fund** - At June 30, 2018 and 2017, the College was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey. The State's proportionate share of net pension liability, attributable to the College for June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
College's Proportionate Share of Net Pension Liability	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the College	<u>829,861.00</u>	<u>963,087.00</u>
	<u>\$ 829,861.00</u>	<u>\$ 963,087.00</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. For the June 30, 2017 measurement date, 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 employers and the State of New Jersey, actuarially determined. At June 30, 2017, the College proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2017 measurement date, the State's proportionate share of the TPAF net pension liability associated with the College was .0012308167%, which was an increase of .0000065495% from its proportion measured as of June 30, 2016. For the June 30, 2016 measurement date, the State's proportionate share of the TPAF net pension liability associated with the College was .0012242672%, which was an increase of .0011536702% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2018, the College recognized \$57,489 in pension expense and revenue, in its financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2017 measurement date.

For the fiscal year ended June 30, 2017, the College recognized \$72,363 in pension expense and revenue, in its financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2016 measurement date.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**G. PENSION PLANS (CONT'D)**

**Actuarial Assumptions**

The net pension liability at June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017.

The net pension liability at June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016.

These actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation	2.25%	2.25%
Salary Increases:		
2012-2021	Varies Based on Experience	-
Through 2026	-	1.65% - 4.15% Based on Age
Thereafter	Varies Based on Experience	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2012 - June 30, 2015	July 1, 2011 - June 30, 2014

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For TPAF, pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**G. PENSION PLANS (CONT'D)**

**Actuarial Assumptions (Cont'd)**

For the June 30, 2016 measurement date, these actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

<b><u>Measurement Date June 30, 2016</u></b>	<b><u>PERS</u></b>	<b><u>TPAF</u></b>
Inflation	3.08%	2.50%
Salary Increases:		
2012-2021		Varies Based on Experience
Through 2026	1.65% - 4.15% Based on Age	
Thereafter	2.65% - 5.15% Based on Age	Varies Based on Experience
Investment Rate of Return	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2012 - June 30, 2015

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For TPAF, pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**G. PENSION PLANS (CONT'D)**

**Actuarial Assumptions (Cont'd)**

For PERS and TPAF, in accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS and TPAF's target asset allocation as of June 30, 2017 and 2016, are summarized in the following tables:

**Measurement Date June 30, 2017:**

<u>Asset Class</u>	<u>PERS and TPAF</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**G. PENSION PLANS (CONT'D)**

**Actuarial Assumptions (Cont'd)**

**Measurement Date June 30, 2016**

<u>Asset Class</u>	<u>PERS</u>		<u>Asset Class</u>	<u>TPAF</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>		<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	Cash	5.00%	0.39%
U.S. Treasuries	1.50%	1.74%	U.S. Government Bonds	1.50%	1.28%
Investment Grade Credit	8.00%	1.79%	U.S. Credit Bonds	13.00%	2.76%
Mortgages	2.00%	1.67%	U.S. Mortgages	2.00%	2.38%
High Yield Bonds	2.00%	4.56%	U.S. Inflation-Indexed Bonds	1.50%	1.41%
Inflation-Indexed Bonds	1.50%	3.44%	U.S. High Yield Bonds	2.00%	4.70%
Broad U.S. Equities	26.00%	8.53%	U.S. Equity Market	26.00%	5.14%
Developed Foreign Equities	13.25%	6.83%	Developed Foreign Equities	13.25%	5.91%
Emerging Market Equities	6.50%	9.95%	Emerging Markets Equity	6.50%	8.16%
Private Equity	9.00%	12.40%	Private Real Estate Property	5.25%	3.64%
Hedge Funds / Absolute Return	12.50%	4.68%	Timber	1.00%	3.86%
Real Estate (Property)	2.00%	6.91%	Farmland	1.00%	4.39%
Commodities	0.50%	5.45%	Private Equity	9.00%	8.97%
Global Debt ex U.S.	5.00%	-0.25%	Commodities	0.50%	2.87%
REIT	5.25%	5.63%	Hedge Funds - MultiStrategy	5.00%	3.70%
			Hedge Funds - Equity Hedge	3.75%	4.72%
			Hedge Funds - Distressed	3.75%	3.49%
	<u>100.00%</u>			<u>100.00%</u>	

**Discount Rate June 30, 2017 Measurement Date** - The discount rates used to measure the total pension liability at June 30, 2017 were 5.00% and 4.25% for PERS and TPAF, respectively. For PERS and TPAF, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates for TPAF and PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined amount for PERS and TPAF and the local employers contributed 100% of the actuarially determined amount for PERS. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040 for PERS and 2036 for TPAF. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 for PERS and 2036 for TPAF, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.



**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**G. PENSION PLANS (CONT'D)**

**Actuarial Assumptions (Cont'd)**

**Discount Rate June 30, 2016 Measurement Date** - The discount rates used to measure the total pension liability at June 30, 2016 were 3.98% and 3.22% for PERS and TPAF, respectively. For PERS and TPAF, the respective single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates for PERS and TPAF assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034 for PERS and 2029 for TPAF. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 for PERS and 2029 for TPAF, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of College's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

The following presents the College's proportionate share of the net pension liability at June 30, 2017 and 2016 measurement dates, respectively. These amounts were calculated using a discount rate of 5.00% for June 30, 2017 and 3.98% for June 30, 2016, 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% lower or 1% higher than the current rates used:

	<b><u>PERS June 30, 2017 Measurement Date</u></b>		
	<b>1% Decrease <u>(4.00%)</u></b>	<b>Current Discount Rate <u>(5.00%)</u></b>	<b>1% Increase <u>(6.00%)</u></b>
College's Proportionate Share of the Net Pension Liability	<u>\$ 44,524,586.00</u>	<u>\$ 35,890,488.00</u>	<u>\$ 28,697,214.00</u>
	<b><u>PERS June 30, 2016 Measurement Date</u></b>		
	<b>1% Decrease <u>(2.98%)</u></b>	<b>Current Discount Rate <u>(3.98%)</u></b>	<b>1% Increase <u>(4.98%)</u></b>
College's Proportionate Share of the Net Pension Liability	<u>\$ 59,229,811.00</u>	<u>\$ 48,335,743.00</u>	<u>\$ 39,341,745.00</u>

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**G. PENSION PLANS (CONT'D)**

**Sensitivity of College's Proportionate Share of Net Pension Liability to Changes in the Discount Rate (Cont'd)**

**Teachers' Pension and Annuity Fund (TPAF)** - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the College's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2017 and June 30, 2016,, the pension plans measurement dates, attributable to the College is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the College, using a discount rate of 4.25% for June 30, 2017 and 3.22% for June 30, 2016, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<b>TPAF June 30, 2017 Measurement Date</b>		
	<b>1% Decrease (3.25%)</b>	<b>Current Discount Rate (4.25%)</b>	<b>1% Increase (5.25%)</b>
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the College	985,901.00	829,861.00	701,315.00
	<u>\$ 985,901.00</u>	<u>\$ 829,861.00</u>	<u>\$ 701,315.00</u>
	<b>TPAF June 30, 2016 Measurement Date</b>		
	<b>1% Decrease (2.22%)</b>	<b>Current Discount Rate (3.22%)</b>	<b>1% Increase (4.22%)</b>
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the College	1,150,141.00	963,087.00	810,333.00
	<u>\$ 1,150,141.00</u>	<u>\$ 963,087.00</u>	<u>\$ 810,333.00</u>

**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**G. PENSION PLANS (CONT'D)**

**Pension Plan Fiduciary Net Position**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and TPAF and additions to/deductions from PERS and TPAF's respective, fiduciary net position have been determined on the same basis as they are reported by PERS and TPAF. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and TPAF, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.nj.gov/treasury/pensions/gasb-notices.shtml>.

**H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN**

**General Information about the OPEB Plan**

**Plan Description and Benefits Provided** - The State Health Benefit Local Education Retired Employees Plan (the "OPEB Plan") is a multiple-employer defined benefit OPEB plan, with a special funding situation, that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75 - *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The OPEB Plan is administered by the State of New Jersey Division of Pensions and Benefits (the "Division") and is part of the New Jersey State Health Benefits Program (SHBP). The Division issues a publically available financial report that includes financial statements and required supplementary information which can be obtained by writing to or at the following website:

State of New Jersey  
 Division of Pensions and Benefits  
 P.O. Box 295  
 Trenton, New Jersey 08625-0295  
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

The OPEB Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

**Employees Covered by Benefit Terms** - At June 30, 2016, the most recent actuarial valuation date, the entire State Health Benefit Local Education Retired Employees OPEB Plan consisted of the following members.

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefit Payments	-
	366,078

**H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)**

**Total Non-Employer OPEB Liability**

The State of New Jersey, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to the OPEB Plan for qualified retired TPAF, PERS, PFRS and ABP participants. The College's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the College did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the College as of June 30, 2018 and 2017 was \$95,782,447 and \$101,458,133.00, respectively. Since the OPEB liability associated with the College is 100% attributable to the State, the OPEB liability will be referred to as the total Non-Employer OPEB Liability.

The total Non-Employer OPEB Liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total Non-Employer OPEB Liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. For the June 30, 2017 and 2016 measurement dates, the State's proportionate share of the Non-Employer OPEB Plan Liability associated with the College was 0.1785658639% and 0.1754366296%, respectively, which represents an increase of .0031292343% between the fiscal years.

**Actuarial Assumptions and Other Inputs** - The actuarial assumptions and other inputs vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2016 used the following actuarial assumptions, applied to all periods in the measurement:

**Salary Increases -**

	<u>TPAF/ABP (1)</u>	<u>PERS (2)</u>	<u>PFRS (2)</u>
Through 2026	1.55% - 4.55%	2.15% - 4.15%	2.10% - 8.98%
Thereafter	2.00% - 5.45%	3.15% - 5.15%	3.10% - 9.98%

(1) - Based on years of service

(2) - Based on age

**Inflation Rate - 2.50%**

**Mortality Rates** - Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)**

**Total Non-Employer OPEB Liability (Cont'd)**

**Experience Studies** - The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

**Health Care Trend Assumptions** - For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

**Discount Rate** - The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Changes in the Total Non-Employer OPEB Liability**

The below table summarizes the State's proportionate share of the change in the Total Non-Employer OPEB Liability associated with the College:

Balance at June 30, 2017		\$ 101,458,133.00
Changes for the Year:		
Service Cost	\$ 6,165,926.00	
Interest Cost	3,037,050.00	
Changes in Assumptions	(12,741,829.00)	
Gross Benefit Payments	(2,218,525.00)	
Member Contributions	81,692.00	
		<u>(5,675,686.00)</u>
Net Changes		<u>(5,675,686.00)</u>
Balance at June 30, 2018		<u>\$ 95,782,447.00</u>

Due to the first year of implementation of GASB 75, information related to the change between June 30, 2016 and June 30, 2017 is not available.

There were no changes in benefit terms between the June 30, 2016 measurement date and the June 30, 2017 measurement date.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% for the June 30, 2016 measurement date to 3.58% for the June 30, 2017 measurement date.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)**

**Changes in the Total Non-Employer OPEB Liability (Cont'd)**

**Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate** - The State's proportionate share of the total Non-Employer OPEB Liability, associated with the College, as of the June 30, 2017 and 2016 measurement dates, using a discount rate of 3.58% and 2.85%, respectively, as well as using a discount rate that is 1% lower or 1% higher than the current rate used are as follows:

	<b>June 30, 2017 Measurement Date</b>		
	<b>1% Decrease (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>1% Increase (4.58%)</b>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	\$ 113,700,674.94	\$ 95,782,447.00	\$ 81,569,538.30
	<b>June 30, 2016 Measurement Date</b>		
	<b>1% Decrease (1.85%)</b>	<b>Current Discount Rate (2.85%)</b>	<b>1% Increase (3.85%)</b>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	\$ 121,548,997.05	\$ 101,458,133.00	\$ 85,644,047.81

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)**

**Changes in the Total Non-Employer OPEB Liability (Cont'd)**

**Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The State's proportionate share of the total Non-Employer OPEB Liability, associated with the College, as of the June 30, 2017 and 2016 measurement dates, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used are as follows:

	<b>June 30, 2017 Measurement Date</b>		
	<b><u>1% Decrease</u></b>	<b><u>Healthcare Cost Trend Rates</u></b>	<b><u>1% Increase</u></b>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	<u>\$ 78,771,803.36</u>	<u>\$ 95,782,447.00</u>	<u>\$ 118,372,381.59</u>
	<b>June 30, 2016 Measurement Date</b>		
	<b><u>1% Decrease</u></b>	<b><u>Healthcare Cost Trend Rates</u></b>	<b><u>1% Increase</u></b>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	<u>\$ 83,249,223.08</u>	<u>\$ 101,458,133.00</u>	<u>\$ 125,801,710.57</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Non-Employer OPEB Liability** - For the fiscal year ended June 30, 2018 and 2017, the College recognized \$8,041,552.00 and \$9,311,018.00, respectively, in OPEB expense and revenue, for the State's proportionate share of the OPEB Plan's OPEB Expense, associated with the College. This expense and revenue was based on the OPEB Plan's June 30, 2017 and 2016 measurement dates, respectively.

In accordance with GASBS No. 75, the College's proportionate share of the OPEB liability is zero. As such, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources by the College. However, at June 30, 2018, the State's proportionate share of the total Non-Employer OPEB Liability's deferred outflows of resources and deferred inflows of resources, associated with College, from the following sources are reported on the following page.



**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (CONT'D)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Non-Employer OPEB Liability (Cont'd)**

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Changes in Proportion	\$ 1,430,278.00	\$ 301.00
Changes of Assumptions or Other Inputs	<u>-</u>	<u>11,327,806.00</u>
	<b><u>\$ 1,430,278.00</u></b>	<b><u>\$ 11,328,107.00</u></b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the State's proportionate share of the total Non-Employer OPEB Liability, associated with the College, will be recognized in OPEB expense as follows:

<b><u>Year Ending June 30,</u></b>	
2019	\$ (1,158,995.98)
2020	(1,158,995.98)
2021	(1,158,995.98)
2022	(1,158,995.98)
2023	(1,158,995.98)
Thereafter	<u>(4,102,849.10)</u>
	<b><u>\$ (9,897,829.00)</u></b>

**I. DEFERRED COMPENSATION SALARY ACCOUNT**

The College offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Sections 403(b) and 457(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Teachers' Insurance and Annuity Association	The Hartford Group
ING Life Insurance and Annuity Company	MetLife
Equitable Life	Prudential
The Variable Annuity Life Insurance Company	

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**J. RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts' theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The College maintains commercial insurance coverage for property (including crime and physical damage, liability (general and automobile), boiler and machinery, and surety bonds.)

Joint Insurance Pool - The College is a member of the New Jersey County College Insurance Pool ("Pool") for the purpose of obtaining workers' compensation insurance coverage. Contributions to the Pool are payable in an annual premium and are based on actuarial assumptions determined by the Pool's actuary. Contributions to the Pool for the fiscal years ended June 30, 2018 and 2017 were \$220,219 and \$205,759, respectively. These contributions are determined by the Pool's underwriters.

**K. EDUCATION AND GENERAL EXPENSES BY FUNCTION**

The College's operating expenses by functional classification are presented as follows:

Educational and General Expenditures	For the Year Ended June 30, 2018						Total
	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	
Instruction	\$ 25,310,615	\$ 2,500,714	\$ 3,594,728		\$ 296,527		\$ 31,702,583
Public Service	2,612,923	531,538	566,961		32,760		3,744,183
Academic Support	2,464,074	570,281	798,028				3,832,383
Student Services	4,710,523	670,148	128,163				5,508,835
Institutional Support	16,859,425	3,575,736	1,458,616		1,602		21,895,379
Operation and Maintenance of Plant	2,990,602	1,101,016	1,609,280		1,542,118		7,243,016
Scholarship and Other Student Aid	195,316			\$ 3,391,726			3,587,042
Depreciation						\$ 3,949,379	3,949,379
<b>Subtotal</b>	<b>\$ 55,143,477</b>	<b>\$ 8,949,434</b>	<b>\$ 8,155,775</b>	<b>\$ 3,391,726</b>	<b>\$ 1,873,008</b>	<b>\$ 3,949,379</b>	<b>81,462,799</b>
Auxiliary Expenses							446,225
						<b>Total Functional Expenses</b>	<b>\$ 81,909,023</b>

Educational and General Expenditures	For the Year Ended June 30, 2017						Total
	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	
Instruction	\$ 26,012,669	\$ 2,813,595	\$ 1,928,486		\$ 1,606		\$ 30,756,356
Public Service	2,846,041	665,186	353,826		53,652		3,918,705
Academic Support	2,404,400	940,560	761,016				4,105,976
Student Services	4,693,138	561,967	91,665				5,346,770
Institutional Support	20,093,857	4,311,479	1,416,723		181,829		26,003,888
Operation and Maintenance of Plant	2,932,214	506,973	1,473,188		1,394,966		6,307,341
Scholarship and Other Student Aid				\$ 2,242,720			2,242,720
Depreciation						\$ 3,426,424	3,426,424
<b>Subtotal</b>	<b>\$ 58,982,319</b>	<b>\$ 9,799,760</b>	<b>\$ 6,024,903</b>	<b>\$ 2,242,720</b>	<b>\$ 1,632,053</b>	<b>\$ 3,426,424</b>	<b>82,108,179</b>
Auxiliary Expenses							497,504
						<b>Total Functional Expenses</b>	<b>\$ 82,605,683</b>

\*Certain account balances have been reclassified to conform with current year presentation.

**MERCER COUNTY COMMUNITY COLLEGE**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**L. BOOKSTORE**

The College has an agreement with Follett, Inc., a private contractor, for the operation of the official Campus Bookstore at both the Trenton and the West Windsor campuses. The agreement is for a period of five years commencing July 1, 2011, and ending June 30, 2016, with an option to renew the contract for an additional five years. On March 18, 2016, the option to renew the contract was exercised and extended through June 30, 2021.

Net commissions paid to the College for the fiscal years ended June 30, 2018 and 2017, were \$337,114 and \$435,000, respectively.

**M. CONTINGENCIES**

**Grantor Agencies** - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the College expects such amount, if any, to be immaterial.

**Litigation** - The College is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the College, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

**N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES**

The significant disclosures of the discretely presented component unit, Mercer County Community College Foundation, are as follows:

**1. NATURE OF ACTIVITIES**

The Mercer County Community College Foundation (the "Foundation") is a not-for-profit foundation organized in the State of New Jersey and exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). It is operated exclusively for the purpose of assisting the board of directors of Mercer County Community College in holding, investing and administering property and making expenditures to or for the benefit of the College, its students and its faculty.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

For the purpose of the statement of financial position and statement of cash flows, cash and cash equivalents includes unrestricted time deposits, certificates of deposit and highly liquid instruments with initial maturities of 90 days or less. Cash balances maintained at financial institutions may exceed federally insured limits. The Foundation monitors the health of these banking institutions. Historically, the Foundation has not experienced any credit-related losses.

Investments

The Foundation carries investments at fair market value. All interest, dividends, and unrealized gains and losses occurring during the years ended June 30, 2018 and 2017, are presented in the accompanying financial statement of revenues, expenses and changes in net position. as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by the law.

Pledges Receivable

The Foundation considers all pledges receivable to be fully collectible; accordingly, no allowances for doubtful amount is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made. Pledge receivables with expected collection terms of greater than two years are presented at their net present value.

Public Support

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable values. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present values of their net realizable values, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

Income Taxes

The Foundation is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Foundation's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended June 30, 2018 or 2017.

U.S. GAAP requires management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes (Cont'd)

The Foundation did not record any interest or penalties on uncertain tax positions in the accompanying financial statements as of or for the fiscal years ended June 30, 2018 or 2017. If the Foundation were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

**3. INVESTMENTS**

Investments, carried at fair value, at June 30, 2018 and 2017, are as follows:

	2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate Fixed Income	\$ 4,563,136	\$ 4,425,109	\$ (138,027)
Mutual Funds	5,620,020	6,834,652	1,214,632
	<u>\$ 10,183,156</u>	<u>\$ 11,259,761</u>	<u>\$ 1,076,605</u>
	2017		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate Fixed Income	\$ 4,029,713	\$ 4,028,590	\$ (1,123)
Mutual Funds	5,537,431	6,307,750	770,319
	<u>\$ 9,567,144</u>	<u>\$ 10,336,340</u>	<u>\$ 769,196</u>

Net realized holding gains in the amount of \$260,697 and \$218,253 for the years ended June 30, 2018 and 2017 are included as increases in net position.

## N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

### 4. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 - Quoted prices for identical assets and liabilities traded in active exchange markets.

Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities; quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

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

During the years ended June 30, 2018 and 2017, there were no changes to the Foundation's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net position.

The following is a description of the valuation methodologies used for instruments measured at fair value: *Corporate fixed income and Mutual funds* – The fair value is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The Foundation considers all investments to be Level 1.

The primary objective of the Foundation's investments is capital appreciation and return without undue exposure to risk. Investment funds are selected to support long-term goals, and provide growth of endowment assets at a rate that will provide available funds for expenses and scholarships and growth to endowment assets.

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**5. PLEDGES RECEIVABLE**

	June 30,	
	<u>2018</u>	<u>2017</u>
Pledges Receivable	\$ 113,428	\$ 198,256
Less: Unamortized Discount		(2,069)
	<u>\$ 113,428</u>	<u>\$ 196,187</u>
Net Unconditional Promises to Give		
Amounts Due:		
Within One Year	\$ 113,428	\$ 110,925
One to Five Years		87,331
	<u>\$ 113,428</u>	<u>\$ 198,256</u>

Outstanding unconditional promises to give are expected to be collected, accordingly there is no allowance for uncollectible reflected. Unconditional promises to give, which are due in more than one year, are discounted at a risk-free rate of return appropriate for the expected term of the promise to give.

**6. RELATED PARTY TRANSACTIONS**

The books of the Foundation are maintained through accounting and administrative services provided by the College. The fair value of these services has not been determined. Therefore, no amounts for these services have been recognized in the statements of revenues, expenses and changes in net position, except for a portion of the salary of one fulltime administrator. "Due to and from Mercer County Community College" accounts are set up to record related party activity between the College and the Foundation. Due to Mercer County Community College was \$62,701 and \$88,738 at June 30, 2018 and 2017, respectively.

**7. NET ASSETS**

**Unrestricted**

The Foundation's board of directors has chosen to place the following limitations on unrestricted net assets:

	June 30,	
	<u>2018</u>	<u>2017</u>
Designated for Scholarships and Programs	\$ 36,169	\$ 12,319
Designated for Student Assistance	1,000,000	1,000,000
Designated for Major Gift Campaign	474,170	471,329
Designated for Athletic Fund	1,072,012	996,594
Undesignated	447,273	264,391
	<u>\$ 3,029,624</u>	<u>\$ 2,744,633</u>

**MERCER COUNTY COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**7. NET ASSETS (CONTINUED)**

**Temporarily Restricted Assets**

Temporarily restricted assets were available for the following purposes:

	June 30,	
	<u>2018</u>	<u>2017</u>
Scholarships	\$ 4,860,038	\$ 4,347,099
Programs	597,049	586,069
Capital Improvements	<u>460,630</u>	<u>662,432</u>
	<u>\$ 5,917,717</u>	<u>\$ 5,595,600</u>

Net assets were released from donor restrictions as follows:

	June 30,	
	<u>2018</u>	<u>2017</u>
Expenses Incurred to Satisfy Donor Requirements	<u>\$ 381,546</u>	<u>\$ 421,453</u>

**Permanently Restricted Net Assets**

Permanently restricted net assets are endowment funds restricted in perpetuity to continue the purpose of the Foundation. Interest and dividend income along with investment gains and losses generated by these assets are unrestricted and available for use by the Foundation.



REQUIRED SUPPLEMENTARY INFORMATION – PART II

**MERCER COUNTY COMMUNITY COLLEGE**  
 Required Supplementary Information - Part II  
 Schedule of the College's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
 Last Five Plan Years

	<u>Plan Measurement Date Ending June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's Proportion of the Net Pension Liability	0.1541793483%	0.1632019710%	0.1754379672%
College's Proportionate Share of the Net Pension Liability	\$ 35,890,488	\$ 48,335,743	\$ 39,382,308
College's Covered Payroll (Plan Measurement Date)	\$ 10,840,436	\$ 11,428,960	\$ 12,307,496
College's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	331.08%	422.92%	319.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%
	<u>Plan Measurement Date Ending June 30,</u>		
	<u>2014</u>	<u>2013</u>	
College's Proportion of the Net Pension Liability	0.1838515911%	0.1864619887%	
College's Proportionate Share of the Net Pension Liability	\$ 34,422,046	\$ 35,636,591	
College's Covered Payroll (Plan Measurement Date)	\$ 13,219,828	\$ 13,295,564	
College's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	260.38%	268.03%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	48.72%	

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**MERCER COUNTY COMMUNITY COLLEGE**  
 Required Supplementary Information - Part II  
 Schedule of the College's Contributions  
 Public Employees' Retirement System (PERS)  
 Last Five Fiscal Years

	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Contractually Required Contribution	\$ 1,468,532	\$ 1,428,307	\$ 1,449,863
Contributions in Relation to the Contractually Required Contribution	<u>\$ (1,468,532)</u>	<u>\$ (1,428,307)</u>	<u>\$ (1,449,863)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered Payroll (Fiscal Year)	\$ 9,997,972	\$ 10,370,749	\$ 10,986,418
Contributions as a Percentage of College's Covered Payroll	14.69%	13.77%	13.20%
	<b>Fiscal Year Ended June 30,</b>		
	<b><u>2015</u></b>	<b><u>2014</u></b>	
Contractually Required Contribution	\$ 1,508,296	\$ 1,515,646	
Contributions in Relation to the Contractually Required Contribution	<u>\$ (1,508,296)</u>	<u>\$ (1,515,646)</u>	
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	
College's Covered Payroll (Fiscal Year)	\$ 11,723,492	\$ 12,380,006	
Contributions as a Percentage of College's Covered Payroll	12.87%	12.24%	

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**MERCER COUNTY COMMUNITY COLLEGE**  
 Required Supplementary Information - Part II  
 Schedule of the College's Proportionate Share of the Net Pension Liability  
 Teachers' Pension and Annuity Fund (TPAF)  
 Last Five Plan Years

	<u>Plan Measurement Date Ending June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%
State's Proportion of the Net Pension Liability Associated with the College	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the College	<u>829,861.00</u>	<u>963,087.00</u>	<u>1,502,958.00</u>
	<u>\$ 829,861.00</u>	<u>\$ 963,087.00</u>	<u>\$ 1,502,958.00</u>
College's Covered Payroll	\$ 127,340.00	\$ 126,720.00	\$ 124,292.00
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	651.69%	760.01%	1209.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%
	<u>Plan Measurement Date Ending June 30,</u>		
	<u>2014</u>	<u>2013</u>	
College's Proportion of the Net Pension Liability	0.00%	0.00%	
State's Proportion of the Net Pension Liability Associated with the College	<u>100.00%</u>	<u>100.00%</u>	
	<u>100.00%</u>	<u>100.00%</u>	
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	
State's Proportionate Share of the Net Pension Liability Associated with the College	<u>1,858,482.00</u>	<u>1,727,027.00</u>	
	<u>\$ 1,858,482.00</u>	<u>\$ 1,727,027.00</u>	
College's Covered Payroll	\$ 351,000.00	\$ 384,312.00	
College's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	
State's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	529.48%	449.38%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	33.76%	

Note: This schedule is presented to illustrate the requirement to show information for 10 years.  
 However, until a full 10-year trend is compiled, this presentation will only include information  
 for those years for which information is available.

**MERCER COUNTY COMMUNITY COLLEGE**  
Required Supplementary Information - Part II  
Schedule of College's Contributions  
Teachers' Pension and Annuity Fund (TPAF)  
Last Ten Fiscal Years

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This schedule is not applicable.

The College is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

**MERCER COUNTY COMMUNITY COLLEGE**  
Notes to Required Supplementary Information - Part II  
For the Fiscal Year Ended June 30, 2018

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**Public Employees' Retirement System (PERS)**

*Changes in Benefit Terms* - None

*Changes in Assumptions* - For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%. For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65% from 7.90%, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually. For 2014, the discount rate was 5.39%.

**Teachers' Pension and Annuity Fund (TPAF)**

*Changes in Benefit Terms* - None

*Changes in Assumptions* - For 2017, the discount rate changed to 4.25% and the long-term expected rate of return changed to 7.00%. For 2016, the discount rate changed to 3.22% and the long-term expected rate of return changed to 7.65% from 7.90%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was at 4.68%.

REQUIRED SUPPLEMENTARY INFORMATION – PART III

**MERCER COUNTY COMMUNITY COLLEGE**  
 Required Supplementary Information - Part III  
 Schedule of Changes in the College's Total OPEB Liability and Related Ratios  
 Last Plan Year

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	<b>Measurement Date Ending <u>June 30,</u>  <u>2017</u></b>
<b>Total Non-Employer OPEB Liability - State's Proportionate Share of the Total OPEB Liability Associated with the College</b>	
Changes for the Year:	
Service Cost	\$ 6,165,926.00
Interest Cost	3,037,050.00
Changes in Assumptions	(12,741,829.00)
Gross Benefit Payments	(2,218,525.00)
Member Contributions	<u>81,692.00</u>
Net Change in Total Non-Employer OPEB Liability	(5,675,686.00)
Total Non-Employer OPEB Liability - Beginning of Fiscal Year	<u>101,458,133.00</u>
Total Non-Employer OPEB Liability - End of Fiscal Year	<u><u>\$ 95,782,447.00</u></u>
College's Covered Payroll (Plan Measurement Period)	<u><u>\$ 10,498,089.00</u></u>
State's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College as a Percentage of Covered Payroll	912.38%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.



**MERCER COUNTY COMMUNITY COLLEGE**  
Notes to Required Supplementary Information - Part III  
For the Fiscal Year Ended June 30, 2018

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Changes of Benefit Terms - None

Changes of Assumptions - The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

SINGLE AUDIT SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Mercer County Community College  
West Windsor, New Jersey 08550

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

We have audited **Mercer County Community College's** (the "College"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the fiscal year ended June 30, 2018. 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.

***Auditor's 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; Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance, and State of New Jersey Circular 15-08-OMB, 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 on Each Major Federal and State Program***

In our opinion, **Mercer County Community 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 fiscal year ended June 30, 2018.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-OMB, and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items 2018-001, 2018-002, 2018-003 and 2018-004. Our opinion on each major federal and state program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## Report on Internal Control Over Compliance

Management of **Mercer County Community 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 or 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 or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-OMB, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying *Schedule of Findings and Questioned Costs* as items 2018-001, 2018-002, 2018-003 and 2018-004, which we consider to be significant deficiencies.

The College's responses to the internal control over compliance findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 State of New Jersey Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
April 11, 2019

## MERCER COUNTY COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Funds Received</u>	<u>Grant Period</u>		<u>FY 2018 Expenditures</u>	<u>Passed Through to Subrecipients</u>
					<u>From</u>	<u>To</u>		
<b>US Department of Education:</b>								
<b>Student Financial Aid Cluster (Direct Funding):</b>								
Federal Direct Student Loans - Subsidized	84.268	N/A	\$ 1,553,295	\$ 1,553,295	07/01/17	06/30/18	\$ 1,553,295	\$ -
Federal Direct Student Loans - Unsubsidized	84.268	N/A	1,824,610	1,824,610	07/01/17	06/30/18	1,824,610	
							3,377,905	-
Federal Pell Grant Program	84.063	N/A	8,630,747	8,630,747	07/01/17	06/30/18	8,630,747	
Federal Supplemental Educational Opportunity Grants	84.007	N/A	184,081	184,081	07/01/17	06/30/18	184,081	
Federal Work-Study Program	84.033	N/A	180,772	180,772	07/01/17	06/30/18	180,772	
Total Student Financial Aid Cluster							12,373,505	-
<b>Other Federal Programs (Direct Funding):</b>								
<b>TRIO Cluster:</b>								
TRIO - Talent Search	84.044	N/A	282,098	282,098	09/01/17	08/31/18	282,098	
TRIO - Talent Search	84.044	N/A	45,824	45,824	09/01/16	08/31/17	45,824	
							327,922	-
TRIO - Upward Bound	84.047	N/A	244,744	244,744	09/01/17	08/31/18	244,744	
TRIO - Upward Bound	84.047	N/A	151,134	151,134	09/01/16	08/31/17	151,134	
							395,878	-
Total TRIO Cluster							723,800	-
Higher Education Institutional Aid	84.031	N/A	538,468	538,468	10/01/16	5 years	538,468	
Total Other Federal Programs							1,262,268	-
Total U.S. Department of Education (Direct Funding)							13,635,773	-

(Continued)

**MERCER COUNTY COMMUNITY COLLEGE**  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2018

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Program Funds Received	Grant Period		FY 2018 Expenditures	Passed Through to Subrecipients
					From	To		
<b>US Department of Education (Cont'd):</b>								
<b>Passed Through New Jersey Department of Education:</b>								
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	not available	\$ 58,985	\$ 58,985	09/27/17	9/25/2018	\$ 58,985	\$ -
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	not available	287,421	287,421	09/27/16	9/25/2017	287,421	
Total Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)							346,406	-
Carl D. Perkins Vocational and Applied Technology Act	84.048	not available	453,176	453,176	07/01/17	06/30/18	453,176	
Adult Education - Basic Grants to States - Basic Skills	84.002	not available	496,141	496,141	07/01/17	06/30/18	496,141	
Twenty-First Century Community Learning Centers	84.287	EK28	232,874	232,874	09/01/17	08/31/18	232,874	
Total Passed Through New Jersey Department of Education							1,528,597	-
Total U.S. Department of Education							15,164,370	-
<b>National Science Foundation:</b>								
Education and Human Resources - NSF Stem (Direct Funding)	47.076	not available	119,906	119,906	08/01/16	5 years	119,906	
<b>Passed Through New Jersey Department of Education:</b>								
<b>Passed Through William Patterson University:</b>								
Education and Human Resources - NSF NOYCE	47.076	not available	39,359	39,359	10/01/17	09/30/18	39,359	
Total National Science Foundation							159,265	-
<b>US Department of Labor:</b>								
<b>Passed Through New Jersey Department of Labor:</b>								
<b>WIOA Cluster</b>								
WIOA Youth Activities - ABE Literacy	17.259	not available	232,589	232,589	07/01/17	06/30/18	232,589	
New Jersey Youth Corps - WIOA State Set Aside	17.258	NJYC 1809	241,000	195,269	07/01/17	06/30/18	195,269	
Total WIOA Cluster							427,858	-
New Jersey Youth Corps - TANF	93.558	NJYC 1809	54,500	5,968	07/01/17	06/30/18	5,968	
<b>Passed Through Bergen Community College:</b>								
Trade Adjustment Assistance Community College and Career Training (TAACCT) Grants	17.282	TC264591460A34	372,188	372,188	10/01/17	09/30/18	372,188	
Total U.S. Department of Labor, Passed Through New Jersey Department of Labor							806,014	-
Total Expenditures of Federal Awards							\$ 16,129,649	\$ -

The accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

MERCER COUNTY COMMUNITY COLLEGE  
 Schedule of Expenditures of State Financial Assistance  
 For the Fiscal Year Ended June 30, 2018

State Grantor/Program Title	State G.M.I.S. Number	Program or Award Amount	Program Funds Received	Grant Period		FY 2018 Expenditures	Passed Through to Subrecipients	Cumulative Expenditures
				From	To			
<b>Student Financial Aid Cluster:</b>								
<b>New Jersey Commission on Higher Education:</b>								
Educational Opportunity Fund - Article III	100-074-2401-001	\$ 107,936	\$ 107,936	07/01/17	06/30/18	\$ 107,936	\$ -	\$ 107,936
Educational Opportunity Fund - Article III, Summer	100-074-2401-001	136,620	136,620	07/01/17	06/30/18	136,620		136,620
New Jersey Gear Up	100-074-2400-026	11,418	11,418	07/01/17	06/30/18	11,418		11,418
<b>New Jersey Higher Education Student Assistance Authority:</b>								
Tuition Aid Grants	100-074-2405-007	1,492,737	1,492,737	07/01/17	06/30/18	1,492,737		1,492,737
New Jersey Stars Scholarships	100-074-2405-313	139,110	139,110	07/01/17	06/30/18	139,110		139,110
<b>Total Student Financial Aid Cluster</b>		<u>1,887,821</u>	<u>1,887,821</u>			<u>1,887,821</u>	<u>-</u>	<u>1,887,821</u>
<b>Other State Programs:</b>								
<b>New Jersey Commission on Higher Education:</b>								
Educational Opportunity Fund - Article IV	100-074-2401-002	225,911	225,911	07/01/17	06/30/18	225,911		225,911
College Bound Grant Program - S.M.I.L.E.	100-074-2400-012	201,845	201,845	07/01/17	06/30/18	201,845		201,845
Total New Jersey Commission on Higher Education		<u>427,756</u>	<u>427,756</u>			<u>427,756</u>	<u>-</u>	<u>427,756</u>
<b>New Jersey Department of Treasury - Higher Education Administration:</b>								
Employer Contributions Alternative Benefit Program-Faculty	100-082-2155-017	930,311	930,311	07/01/17	06/30/18	930,311		930,311
Employer Contributions Alternative Benefit Program-Adjunct	100-082-2155-017	206,062	206,062	07/01/17	06/30/18	206,062		206,062
		1,136,373	1,136,373			1,136,373	-	1,136,373
P.L. 1971, C.12 Debt Service	100-082-2155-016	2,238,919	2,238,919	07/01/17	06/30/18	2,238,919		2,238,919
Operational Costs - County Colleges	100-082-2155-015	7,179,831	7,179,831	07/01/17	06/30/18	7,179,831		7,179,831
Total New Jersey Department of Treasury - Higher Education Administration		<u>10,555,123</u>	<u>10,555,123</u>			<u>10,555,123</u>	<u>-</u>	<u>10,555,123</u>
<b>New Jersey Department of Labor:</b>								
New Jersey Youth Corps	100-062-4545-314	129,500	103,965	07/01/17	06/30/18	103,965		103,965
Total New Jersey Department of Labor		<u>129,500</u>	<u>103,965</u>			<u>103,965</u>	<u>-</u>	<u>103,965</u>
<b>New Jersey Department of Community Affairs:</b>								
New Jersey Construction Code	100-022-5015-801	24,852	24,852	07/01/17	06/30/18	24,852		24,852
Total New Jersey Department of Community Affairs		<u>24,852</u>	<u>24,852</u>			<u>24,852</u>	<u>-</u>	<u>24,852</u>
Total Expenditures of State Financial Assistance		<u>\$ 13,025,052</u>	<u>\$ 12,999,517</u>			<u>\$ 12,999,517</u>	<u>\$ -</u>	<u>\$ 12,999,517</u>

The accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

## MERCER COUNTY COMMUNITY COLLEGE

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2018

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### Note 1: **BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal awards and state financial assistance (“the schedules”) include federal and state award activity of Mercer County Community College (hereafter referred to as the “College”). The College is defined in note 1 to the College's basic financial statements. The information in these schedules is presented in accordance with the requirements of 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 State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules. Because these schedules present only a selected portion of the operations of the College, it is not intended to and does not present the financial position and changes in operations of the College. Accordingly, some amounts presented in the respective schedules may differ from amounts presented in, or used in the preparation of, the College's June 30, 2018 financial statements.

### Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedules are presented using the accrual basis of accounting as described in note 1 to the College's basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

### Note 3: **INDIRECT COST RATE**

The College has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

### Note 4: **OTHER STUDENT LOAN PROGRAMS**

The College is responsible only for the performance of certain administrative duties with respect to Federal Direct Student Loans and New Jersey Class Loans; accordingly, these loans balances are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under these programs as of June 30, 2018.

### Note 5: **MAJOR PROGRAMS**

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questioned Costs*.



**MERCER COUNTY COMMUNITY COLLEGE**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2018

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**Section 1- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes <u>X</u> no
Significant deficiency(ies) identified?	<u>X</u> yes ___ none reported
Noncompliance material to financial statements noted?	<u>X</u> yes ___ no

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	___ yes <u>X</u> no
Significant deficiency(ies) identified?	<u>X</u> yes ___ none reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance)?	
	<u>X</u> yes ___ no

Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
84.268	<b>Student Financial Aid Cluster:</b> Federal Direct Student Loans
84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work Study Program
84.063	Federal Pell Program

Dollar threshold used to determine Type A programs	\$ 750,000.00
Auditee qualified as low-risk auditee?	<u>X</u> yes ___ no

**MERCER COUNTY COMMUNITY COLLEGE**

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2018

**Section 1- Summary of Auditor's Results (Cont'd)**

**State Financial Assistance**

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB?  yes  no

Identification of major programs:

**GMIS Number(s)**

**Name of State Program**

100-074-2401-001

**Student Financial Aid Cluster:**

Educational Opportunities Fund - Article III, Summer

100-074-2401-001

Educational Opportunities Fund - Article III

100-074-2405-007

Tuition Aid Grants

100-074-2405-313

New Jersey Stars Program

100-074-2400-026

New Jersey Gear Up

100-082-2155-015

Operational Costs - County Colleges

Dollar threshold used to determine Type A programs \$ 750,000.00

Auditee qualified as low-risk auditee?  yes  no

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2018

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***Section 2- Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**See audit finding 2018-004 in *Section 4- Schedule of State Financial Assistance Findings and Questioned Costs*.**

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2018

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**Section 3- Schedule of Federal Award Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Finding No. 2018-001 (Return of Title IV Funds)**

**Information on the Federal Program**

U.S. Department of Education - Student Financial Aid Cluster (Federal Award Year 7/1/17 to 6/30/18):

Federal Direct Student Loans:

(CFDA 84.268) (Federal Grant Number P268K180476) (FAIN – not applicable)

Federal Supplemental Educational Opportunities Grants:

(CFDA 84.007) (Federal Grant Number P007A172582) (FAIN – not applicable)

Federal Pell Grant Program:

(CFDA 84.063) (Federal Grant Number P063P170476) (FAIN – not applicable)

**Statistically Valid Sample**

The sample was not intended to be, and was not, a statically valid sample.

**Finding Type**

Significant Deficiency and Noncompliance

**Prior Year Finding**

Not applicable.

**Criteria**

34 CFR sections 668.22(a)(1) through (a)(5):

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs as outlined in this section and no additional disbursements may be made to the student for the payment period or period of enrollment. If the amount the student earned is greater than the amount disbursed, the difference between the amounts must be treated as a post-withdrawal disbursement.

34 CFR section 668.22(c)(3):

An institution that is not required to take attendance may use as the student's withdrawal date a student's last date of attendance at an academically-related activity provided that the institution documents that the activity is academically related and documents the student's attendance at the activity.

34 CFR section 668.22(j)(2):

For an institution that is not required to take attendance, an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of (i) the payment period or period of enrollment, (ii) the academic year, or (3) the student's educational program.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2018

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***Section 3- Schedule of Federal Award Findings and Questioned Costs (Cont'd)***

**Finding No. 2018-001 (Return of Title IV Funds)(Cont'd)**

**Condition**

The College did not identify, in a timely manner, students who ceased academic attendance. As a result, a Return of Title IV Funds Calculation ("return calculation") was not performed in a timely manner.

**Questioned Costs**

There are no questioned costs related to this item.

**Context**

In our sample of 66 students who were awarded federal student financial aid, 14 students were required to have a return calculation performed and we noted 7 errors within this sample. We expanded our sample another 11 items, for a total sample of 25, and an additional 5 errors were noted. All 12 samples errors noted had return calculation performed later than 30 days after the end of the payment period.

**Effect**

Noncompliance with the Return of Title IV requirements.

**Cause**

Turnover in the College's Financial Aid Department during the award year and the lack of written procedures related to the identification of students who ceased academic attendance.

**Recommendation**

That the College establish procedures to capture all student who cease academic attendance requiring a Return of Title IV Calculation to be performed in a timely manner.

**View of Responsible Official**

The responsible officials and College agree with the finding and will address the matter as part of their corrective action plan.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2018

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**Section 3- Schedule of Federal Award Findings and Questioned Costs (Cont'd)**

**Finding No. 2018-002 (Pell Grant Overaward)**

**Information on the Federal Program**

U.S. Department of Education - Student Financial Aid Cluster (Federal Award Year 7/1/17 to 6/30/18):  
Federal Pell Grant Program:  
(CFDA 84.063) (Federal Grant Number P063P170476) (FAIN – not applicable)

**Statistically Valid Sample**

The sample was not intended to be, and was not, a statically valid sample.

**Finding Type**

Significant Deficiency and Noncompliance

**Prior Year Finding**

Not Applicable

**Criteria**

34 CFR section 690.80(b)(2)(ii) – Recalculation of Federal Pell Grant Award

If the student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance.

**Condition**

The College did not recalculate Pell Grant Awards for students who change enrollment status prior to the students beginning attendance in all of their classes for that payment period. As a result, Pell Grant overawards occurred.

**Questioned Costs**

The known amount is \$3,325 and the projected amount is \$123,159.

**Context**

2 out of 58 Pell Grant recipients sampled never attended one or more of their classes, causing their enrollment status to be different than what the Pell Grant was originally based on. However, the College failed to capture the changes and the incorrect amount of Pell Grants were disbursed to the students.

There were \$8,630,747 Pell Grants awarded to over 2,600 recipients during the award year.

**Effect**

Change in enrollment status not captured by the College for students who never begin attendance in one or all classes resulting in the College overawarding the Pell Grant.

**Cause**

The College did not follow policies and procedures in verifying enrollment status of which student financial aid was calculated based on.

**Recommendation**

We recommend that the College improve policies and procedures to ensure that all students' change in enrollment status were communicated to each Department and that recalculation of awards be performed prior to disbursement.

**View of Responsible Official**

The responsible officials and College agree with the finding and will address the matter as part of their corrective action plan.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2018

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**Section 4- Schedule of State Financial Assistance Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

**Finding No. 2018-003**

**Information on the State Financial Assistance**

New Jersey Higher Education Student Assistance Authority - Student Financial Aid Cluster (State Award Year 7/1/17 to 6/30/18):

Tuition Aid Grants (State GMIS Number: 100-074-2405-007)

**Statistically Valid Sample**

The sample was not intended to be, and was not, a statically valid sample.

**Finding Type**

Significant Deficiency and Noncompliance

**Prior Year Finding**

Not Applicable

**Criteria**

The amount of the Tuition Aid Grant varies among students and is based on several factors including the student's financial need and the student's enrollment status. Before payment may be made to an eligible student, the institution shall have satisfactory evidence that the student is eligible for State grant and/or scholarship assistance, has registered as a full-time student (or part-time for students enrolled at a county college) for an academic term, and that the student is meeting minimum standards for academic performance and academic progress. A student's enrollment status must not be certified until after classes begin. The institution must certify student eligibility at the time the funds are credited to a student's account. Institutions may retain funds for students who withdraw or reduce credits below the minimum number of credits required to receive an award only if the funds were credited/disbursed prior to the date of withdrawal or reduction in the number of credits. If, at the time of disbursement, a student is enrolled for less than the required number of credits for an award, State funds cannot be credited or disbursed. The institution must certify each student's disbursement amount through New Jersey Financial Aid Management System (NJFAMS) as part of the reporting requirements.

**Condition**

- A. The College did not retain funds for students who withdraw or reduce credits below the minimum number of credits required to receive an award prior to the date of disbursement.
- B. The College awarded the incorrect amount of grant funds to students based on their New Jersey Eligibility Index (NJEI) and enrollment status.
- C. The College's certified disbursement amount through NJFAMS is different than disbursement per student's AR.

**Questioned Costs**

The known amount is \$2,486 and the projected amount is \$62,020.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2018

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***Section 4- Schedule of State Financial Assistance Findings and Questioned Costs (Cont'd)***

**Finding No. 2018-003 (Cont'd)**

**Context**

- A. 4 out of 36 Tuition Aid Grant recipients sampled withdrew from one or more classes prior to funds being credited/disbursed to their account. However, the College did not verify enrollment status and adjust award amounts prior to disbursement.
- B. 6 out of 36 Tuition Aid Grant recipients received the incorrect amount of awards based on their New Jersey Eligibility Index (NJEI) and/or enrollment status.
- C. The certified disbursement amounts per NJFAMS were different than the College's actual disbursements for 2 out of 36 Tuition Aid Grant recipients.

There were \$1,492,737 Tuition Aid Grants awarded to over 940 recipients during the award year.

**Effect**

Noncompliance with the HESAA grant requirements and student's financial was improperly awarded/disbursed.

**Cause**

The College did not follow policies and procedures in verifying the student's financial need and enrollment status of which student financial aid was calculated based on. The College also did not follow procedures to report student disbursements to HESAA.

**Recommendation**

We recommend that the College improve policies and procedures to ensure that all students' financial need and enrollment status were verified prior to disbursement of funds. We also recommend that the College follow procedures to report correct student disbursements to HESAA.

**View of Responsible Official**

The responsible officials and College agree with the finding and will address the matter as part of their corrective action plan.



**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2018

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**Section 4- Schedule of State Financial Assistance Findings and Questioned Costs (Cont'd)**

**Finding No. 2018-004**

**Information on the State Financial Assistance**

Operational Costs – County Colleges (State Award Year 7/1/17 to 6/30/18)  
(State GMIS Number: 100-082-2155-015)

**Statistically Valid Sample**

The sample was not intended to be, and was not, a statically valid sample.

**Finding Type**

Significant Deficiency and Noncompliance

**Prior Year Finding**

Not Applicable

**Criteria**

N.J.S.A. 18A:64A-22 et seq.

Only those enrollments for which the college bears the direct cost of instruction are eligible to receive state funding. Only those non-credit enrollments in remedial, developmental, general education development, and adult basic education are eligible to receive state funding.

**Condition**

The College's reported credit hour enrollments for fiscal year 2018 were not accurate in count and classification.

**Questioned Costs**

None.

**Context**

As a result of our Test of Operational Costs over Eligibility we noted the following: (a) in two instances, the number of credit hours claimed by the College did not agree to the number of credit hours approved by NJCCC. Total credit difference for all claimed students is 16 credits (b) in nine instances, the College claimed credits for students where (1) the course does not appear on the student's transcript, (2) the student added after/dropped before the 10th day, or (3) the total credits claimed per the course roster did not agree to the enrollment data.

**Effect**

The credit hour enrollments reported for fiscal year 2018 were not accurate in count and classification.

**Cause**

The College did not follow policies and procedures in verifying the accuracy of enrollment counts.

**Recommendation**

We recommend that the College improve policies and procedures to ensure that reported credit hour enrollments are accurate in count and classification.

**View of Responsible Official**

The responsible officials and College agree with the finding and will address the matter as part of their corrective action plan.

**MERCER COUNTY COMMUNITY COLLEGE**  
Summary Schedule of Prior Year Audit Findings  
and Questioned Costs as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB.

**FINANCIAL STATEMENT FINDINGS**

There were no prior year findings.

**FEDERAL AWARDS**

There were no prior year findings.

**STATE FINANCIAL ASSISTANCE PROGRAMS**

There were no prior year findings.

## APPRECIATION

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We received the complete cooperation of all of the officials of Mercer County Community College and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

