

Report of Audit

on the

*Financial Statements
and
Supplementary Schedules*

of the

***Mercer County
Community College***

for the

*Years Ending
June 30, 2024 and 2023*

**Annual
Financial Report**

of the

Mercer County Community College

For the Years Ended June 30, 2024 and 2023

Prepared by

Mercer County Community College

Finance Department

MERCER COUNTY COMMUNITY COLLEGE
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INTRODUCTORY SECTION

**Mercer County Community College
Members of the Board of Trustees
(as of June 30, 2024)**

<u>NAME</u>	<u>TERM EXPIRES</u>
Kristin Appelget (Chair)	June 2026
Lawrence A. Nespoli, Ed.D. (Vice Chair)	September 2022
Gregory J. Puliti (Treasurer)	April 2026
Deborah E. Preston, Ph.D., MCCC President (Secretary)	Ex-officio by position
Julie Blake	April 2026
Eashwayne Haughton	December 2027
Shannon Mason, Ph.D.	April 2026
Daryl, Minus-Vincent, Ed.D Mercer County Superintendent of Schools	Ex-officio by position
Scarlett Rajski	December 2027
Aamir A. Rehman, Ed.D.	February 2028
Victoria Rivera-Cruz, J.D.	June 2028
Jordyn Bostick, Alumni Trustee	Jordyn joined the Board on July 1, 2024 (Christian Perez Alumni Trustee from 7/1/23 – 6/30/24)
Perry Lattiboudere, College Counsel	Legal Counsel

FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2024 and 2023, and the related statements of operations and the related notes to the financial statements, which collectively comprise the College's basis financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College and the College's discretely presented component unit, as of June 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance") the audit requirements of State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards and provisions are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Change in Accounting Principle

As discussed in Note 1 to the basic financial statements, for the year ended June 30, 2024, the College adopted Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA's). Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the Uniform Guidance, the State of New Jersey OMB Circular 15-08 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards the Uniform Guidance, the State of New Jersey OMB Circular 15-08 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information in the schedules related to accounting and reporting for pensions in Exhibit RSI-1 through RSI-3 and the schedules related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Exhibits RSI-4 and RSI-5 are presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 supplementary information schedules such as the Schedules of Expenditures of Federal Awards and State Financial Assistance, as listed in the table of contents, as required by the Uniform Guidance, New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual fund financial statements and the schedule 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

December 12, 2024

REQUIRED SUPPLEMENTARY INFORMATION – Part I

MANAGEMENT'S DISCUSSION AND ANALYSIS

MERCER COUNTY COMMUNITY COLLEGE
 Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2024 and 2023
 (Unaudited)

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, 2024, 2023 and 2022. 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 for the College's contact information.

Using this Annual Report

This report consists of three basic financial statements that illustrate the fiscal health of the College. The first financial statement, The Statement of Net Position, presents the financial position of the College by showing the assets, items of value owned or controlled, liabilities, items owed, and net position, the difference between assets and liabilities. The second financial statement, The Statement of Revenues, Expenses and Changes in Net Position, focuses on the sources of funds to support the College, revenues, and the costs incurred to operate the College, expenses. The third financial statement, 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*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, 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. Credit classes are used to determine support under the State of New Jersey funding formula. Despite the impact of the COVID-19 pandemic and the demographic trends within Mercer County and surrounding New Jersey counties, the College experienced an increase in credit hour enrollment in fiscal year 2024. The 2024 increase in credit hours, while a pleasant surprise, does not a trend make, and The College is cautiously optimistic of a continued increase.

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>Change 2024-2023</u>	<u>% Change 2024-2023</u>
Credit Hours	<u>121,173</u>	<u>112,724</u>	<u>115,541</u>	<u>8,449</u>	<u>7.50%</u>

MERCER COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2024 and 2023
(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 Statement No.68 – *Accounting and Financial Reporting for Pensions*, GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires that the College recognize its share of the net pension liability, and deferred inflows and outflows-related to pensions. The notes to the financial statements will provide thorough discussion of the implementation of these GASB statements and its 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>2024</u>	<u>2023</u>	<u>2022</u>	Dollar Change <u>2024-2023</u>	Percentage Change <u>2024-2023</u>	Dollar Change <u>2023-2022</u>	Percentage Change <u>2023-2022</u>
Current Assets	\$ 37,247,615	\$ 33,818,516	\$ 31,990,265	\$ 3,429,099	10.1%	\$ 1,828,251	5.7%
Noncurrent Assets	<u>99,748,624</u>	<u>96,170,979</u>	<u>90,191,980</u>	<u>3,577,645</u>	3.7%	<u>5,978,999</u>	6.6%
Total Assets	<u>136,996,239</u>	<u>129,989,495</u>	<u>122,182,245</u>	<u>7,006,744</u>	5.4%	<u>7,807,250</u>	6.4%
Deferred Outflows of Resources	<u>2,070,126</u>	<u>2,660,261</u>	<u>2,010,793</u>	<u>(590,135)</u>	-22.2%	<u>649,468</u>	32.3%
Current Liabilities	17,917,000	15,132,989	15,418,192	2,784,011	18.4%	(285,203)	-1.8%
Non-Current Liabilities	<u>26,781,619</u>	<u>29,436,726</u>	<u>23,795,175</u>	<u>(2,655,107)</u>	-9.0%	<u>5,641,551</u>	23.7%
Total Liabilities	<u>44,698,619</u>	<u>44,569,715</u>	<u>39,213,367</u>	<u>128,904</u>	0.3%	<u>5,356,348</u>	13.7%
Deferred Inflows of Resources	<u>3,350,842</u>	<u>5,576,692</u>	<u>11,825,705</u>	<u>(2,225,850)</u>	-39.9%	<u>(6,249,013)</u>	-52.8%
Net Position							
Net Investment in Capital Assets	92,334,839	87,401,427	84,501,242	4,933,412	5.6%	2,900,185	3.4%
Restricted	974,245	987,624	1,020,836	(13,379)	-1.4%	(33,212)	-3.3%
Unrestricted (Deficit)	<u>(2,292,180)</u>	<u>(5,885,702)</u>	<u>(12,368,112)</u>	<u>3,593,522</u>	-61.1%	<u>6,482,410</u>	-52.4%
Total Net Position	\$ <u>91,016,904</u>	\$ <u>82,503,349</u>	\$ <u>73,153,966</u>	\$ <u>8,513,555</u>	10.3%	\$ <u>9,349,383</u>	12.8%

The approximately \$3.4 million increase in Current Assets from 2023 to 2024 is due to the timing of student payments and those by several sponsoring agencies. The increase in current liabilities can be attributed to the reclassification of Aviation Flight Fees to deferred revenue.

MERCER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2024 and 2023
 (Unaudited)

The College will designate the FY2024 net position to continue to invest in student support, physical infrastructure, technology, and operational support.

Capital Assets

Capital activity for the fiscal years ended June 30, 2024, 2023 and 2022 is as follows:

	Balance <u>June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2024</u>	Balance <u>June 30, 2022</u>
Land	\$ 1,599,769	\$	\$	\$	\$ 1,599,769	\$ 1,599,769
Construction in Progress	8,256,020	4,975,531		(6,570,692)	6,660,859	4,204,985
Land Improvements	5,316,133	2,425,663		171,479	7,913,275	5,301,626
Buildings and Improvements	118,099,621	4,787,832		1,600,643	124,488,096	115,869,840
Equipment	<u>16,700,275</u>	<u>(2,409,290)</u>	<u>(274,293)</u>	<u>4,798,570</u>	<u>18,815,262</u>	<u>15,711,420</u>
	149,971,818	9,779,736	(274,293)		159,477,261	142,687,640
Less Accumulated Depreciation	<u>(62,570,391)</u>	<u>(4,771,945)</u>	<u>199,914</u>		<u>(67,142,422)</u>	<u>(58,149,527)</u>
Capital Assets, net	<u>\$ 87,401,427</u>	<u>\$ 5,007,791</u>	<u>\$ (74,379)</u>	<u>\$</u>	<u>\$ 92,334,839</u>	<u>\$ 84,538,113</u>

Capital assets in total increased in FY2024 when compared to FY2023 due to an increase across several asset classes. The college invested in its infrastructure by paving roads, improving HVAC systems, and installing new roofing on several buildings. Additionally, several major projects, including upgrades to the athletic fields, upgrades and additional elevators, as well as classroom renovations, accounted for much of the construction in progress changes.

MERCER COUNTY COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2024 and 2023
(Unaudited)

Summary of Revenues, Expenses and Changes in Net Position

The College received its operating revenue from four primary sources: tuition and fees, grants, non-credit and professional training, and auxiliary enterprises.

Condensed Schedule of Revenues, Expenses and Changes in Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>	Dollar Change <u>2024-2023</u>	Percentage Change <u>2024-2023</u>	Dollar Change <u>2023-2022</u>	Percentage Change <u>2023-2022</u>
Operating Revenues:							
Student Tuition and Fees, net	\$ 27,023,572	\$ 20,934,557	\$ 22,397,790	\$ 6,089,015	29.1%	\$ (1,463,233)	-6.5%
Federal, State and Local Grants and Student Aid	5,433,404	9,132,301	8,483,764	(3,698,897)	-40.5%	648,537	7.6%
Other	3,733,233	3,139,197	2,414,082	594,036	18.9%	725,115	30.0%
Auxiliary Enterprises	1,842,362	1,413,335	952,165	429,027	30.4%	461,170	48.4%
	<u>38,032,571</u>	<u>34,619,390</u>	<u>34,247,801</u>	<u>3,413,181</u>	<u>9.9%</u>	<u>371,589</u>	<u>1.1%</u>
Operating Expenses:							
Educational and General							
Instructional	27,297,293	27,369,993	31,152,124	(72,700)	-0.3%	(3,782,131)	-12.1%
Public Service	2,739,404	2,775,763	2,709,576	(36,359)	-1.3%	66,187	2.4%
Academic Support	4,708,244	3,586,632	4,041,909	1,121,612	31.3%	(455,277)	-11.3%
Student Services	5,514,499	5,234,225	4,639,234	280,274	5.4%	594,991	12.8%
Institutional Support	21,972,056	22,284,650	22,407,268	(312,594)	-1.4%	(122,618)	-0.5%
Operations and Maintenance of Plant	6,235,926	7,873,479	7,349,492	(1,637,553)	-20.8%	523,987	7.1%
Scholarships and Other Student Aid	4,314,119	4,348,545	5,223,622	(34,426)	-0.8%	(875,077)	-16.8%
Depreciation	4,771,946	4,420,862	3,982,320	351,084	7.9%	438,542	11.0%
Other Expenditures	459,090	35,142	96,361	423,948	1206.4%	(61,219)	-63.5%
Auxiliary Enterprises	340,271	398,465	307,904	(58,194)	-14.6%	90,561	29.4%
	<u>78,352,848</u>	<u>78,327,756</u>	<u>81,909,810</u>	<u>25,092</u>	<u>0.0%</u>	<u>(3,582,054)</u>	<u>-4.4%</u>
Operating (Loss)	<u>(40,320,277)</u>	<u>(43,708,366)</u>	<u>(47,662,009)</u>	<u>3,388,089</u>	<u>-7.8%</u>	<u>3,953,643</u>	<u>-8.3%</u>
Non-Operating revenues, net	<u>42,213,784</u>	<u>46,257,016</u>	<u>49,648,450</u>	<u>(4,043,232)</u>	<u>-8.7%</u>	<u>(3,391,434)</u>	<u>-6.8%</u>
Income Before Other Revenue	1,893,507	2,548,650	1,986,441	(655,143)	-25.7%	562,209	28.3%
Other Revenues:							
Capital Grants	<u>6,620,048</u>	<u>6,800,733</u>	<u>3,913,172</u>	<u>(180,685)</u>	<u>-2.7%</u>	<u>2,887,561</u>	<u>73.8%</u>
Increase in Net Position	8,513,555	9,349,383	5,899,613	(835,828)	-8.9%	3,449,770	58.5%
Net Position - Beginning of Year	<u>82,503,349</u>	<u>73,153,966</u>	<u>67,254,353</u>	<u>9,349,383</u>	<u>12.8%</u>	<u>5,899,613</u>	<u>8.8%</u>
Net Position - End of Year	<u>\$ 91,016,904</u>	<u>\$ 82,503,349</u>	<u>\$ 73,153,966</u>	<u>\$ 8,513,555</u>	<u>10.3%</u>	<u>\$ 9,349,383</u>	<u>12.8%</u>

MERCER COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis
 For the Fiscal Years Ended June 30, 2024 and 2023
 (Unaudited)

REVENUES	2024	Percentage	2023	Percentage	2022	Percentage
Federal and State Non-Operating Grants	\$ 12,421,876	14%	\$ 17,317,577	20%	\$ 18,359,781	21%
Student Tuition and Fees	27,023,572	31%	20,934,557	24%	22,397,790	26%
County Aid	19,343,117	22%	18,963,840	22%	18,592,000	21%
Federal, State and Local Grants	5,433,404	6%	9,132,301	10%	8,483,764	10%
State Appropriations	7,967,611	9%	7,433,816	8%	7,433,816	8%
State On-Behalf Aid	1,393,123	2%	2,170,630	2%	5,274,198	6%
Capital Grants	6,620,048	8%	6,800,733	8%	3,913,172	4%
Other	3,733,233	4%	3,139,197	4%	2,414,082	3%
Auxiliary Enterprises	1,842,362	2%	1,413,335	2%	952,165	1%
Investment Income/(Loss)	1,088,057	1%	371,153	0%	(11,345)	0%
	<u>\$ 86,866,403</u>	<u>100%</u>	<u>\$ 87,677,139</u>	<u>100%</u>	<u>\$ 87,809,423</u>	<u>100%</u>

Operating revenue (Tuition and Fees, Federal, State and Local Grants, Auxiliary Enterprises and Other) increased by \$3.4 million in 2024 as compared to 2023, largely due to student enrollment. Total revenues as a whole increased by less than \$100 thousand. Offsetting the Operating revenue increase was a decrease in the Federal and State Non-Operating Grants (Coronavirus Relief awards).

EXPENSES	2024	Percentage	2023	Percentage	2022	Percentage
Instructional	\$27,297,293	35%	\$ 27,369,993	35%	\$ 31,152,124	38%
Public Service	2,739,404	3%	2,775,763	4%	2,709,576	3%
Academic Support	4,708,244	6%	3,586,632	5%	4,041,909	5%
Student Services	5,514,499	7%	5,234,225	7%	4,639,234	6%
Institutional Support	21,972,056	28%	22,284,650	28%	22,407,268	27%
Operations and Maintenance of Plant	6,235,926	8%	7,873,479	10%	7,349,492	9%
Scholarships and Other Student Aid	4,314,119	6%	4,348,545	6%	5,223,622	6%
Depreciation	4,771,946	6%	4,420,862	6%	3,982,320	5%
Other Expenditures	459,090	1%	35,142		96,361	
Auxiliary Enterprises	340,271		398,465	1%	307,904	
	<u>\$78,352,848</u>	<u>100%</u>	<u>\$ 78,327,756</u>	<u>100%</u>	<u>\$ 81,909,810</u>	<u>100%</u>

Operating expenses overall, increased \$400 thousand. However, substantial savings in the Operations and Maintenance of Plant line (\$1.6 million), allowed for additional investment in the Student Services (\$0.3 million), and Academic Support (\$1.1 million) lines. Spending in the remaining functional categories remain relatively flat.

Requests for Information

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

VP For Finance & Auxiliary Services

Mercer County Community College

1200 Old Trenton Road

West Windsor, NJ 08550

BASIC FINANCIAL STATEMENTS

MERCER COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2024 AND 2023

	2024		2023	
	COLLEGE	COMPONENT UNIT MCCC FOUNDATION	COLLEGE	COMPONENT UNIT MCCC FOUNDATION
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 22,163,871	\$ 1,131,993	\$ 26,678,028	\$ 1,117,073
Investments	562,666	15,099,560	503,377	13,506,915
Accounts receivable, net	6,211,214		4,619,187	2,000
Intergovernmental Accounts receivable:				
County of Mercer				
Capital Appropriation Receivables	7,678,492		1,058,445	
Contributions Receivable				32,714
Inventories	6,865		7,619	
Prepaid Expenses	624,507		951,860	
Total current assets	\$ 37,247,615	\$ 16,231,553	\$ 33,818,516	\$ 14,658,702
Noncurrent assets:				
Right to Use Leased Assets, Net of Amortization	\$ 5,230,448	\$	\$ 5,459,394	\$
Intangible assets, net	2,183,337		3,310,158	
Capital Assets, net	92,334,839		87,401,427	
Total noncurrent assets	\$ 99,748,624	\$	\$ 96,170,979	\$
Total assets	\$ 136,996,239	\$ 16,231,553	\$ 129,989,495	\$ 14,658,702
DEFERRED OUTFLOW OF RESOURCES				
Related to Pensions	2,070,126		2,660,261	
Total Assets and Deferred Outflows of Resources	\$ 139,066,365	\$ 16,231,553	\$ 132,649,756	\$ 14,658,702
LIABILITIES:				
Current liabilities:				
Accounts payable:				
Related to Pensions	\$ 1,743,366	\$	\$ 1,618,461	\$
Other	6,882,143	10,647	3,399,141	41,382
Due to Mercer County Community College		484,298		378,403
Accrued Expenses	7,620,990		3,704,455	
Accrued Compensated Absences	385,924		393,488	
Accrued Interest Payable	7,479		7,748	
Accrued Interest Payable - SBITA	43,079		23,091	
Unearned revenue				
Student Tuition Fees	518,560		5,271,146	
Federal and State Grants	364,576		364,576	
Other	350,883		350,883	
Total current liabilities	\$ 17,917,000	\$ 494,945	\$ 15,132,989	\$ 419,785
Noncurrent liabilities:				
Accrued Compensated Absences	1,735,488		1,599,177	
Net Pension Liability	17,539,769		19,019,149	
Leases Payable				
Due within one year	193,059		189,454	
Due in more than one year	5,156,697		5,349,755	
SBITA's Payable				
Due within one year	1,085,392		1,122,585	
Due in more than one year	1,071,214		2,156,606	
Total noncurrent liabilities	\$ 26,781,619	\$	\$ 29,436,726	\$
Total liabilities	\$ 44,698,619	\$ 494,945	\$ 44,569,715	\$ 419,785

The Accompanying Notes to Financial Statements are an integral part of these statements.

MERCER COUNTY COMMUNITY COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2024 AND 2023

	2024		2023	
	COLLEGE	COMPONENT UNIT MCCC FOUNDATION	COLLEGE	COMPONENT UNIT MCCC FOUNDATION
DEFERRED INFLOW OF RESOURCES				
Related to Pensions	\$ 3,350,842	\$ _____	\$ 5,576,692	\$ _____
NET POSITION:				
Net investments in capital assets	92,334,839		87,401,427	
Restricted for:				
Nonexpendable:				
Scholarships	179,878	3,181,170	179,878	3,465,989
Expendable				
Scholarships and Grants		6,973,666		5,852,619
Programs	794,367	1,731,683	807,746	1,087,945
Capital Improvements		214,249		190,446
Unrestricted (Deficit)	(2,292,180)	3,635,840	(5,885,702)	3,641,918
Total net position	\$ 91,016,904	\$ 15,736,608	\$ 82,503,349	\$ 14,238,917
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 139,066,365	\$ 16,231,553	\$ 132,649,756	\$ 14,658,702

The Accompanying Notes to Financial Statements are an integral part of these statements.

MERCER COUNTY COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2024 and 2023

	2024		2023	
	COLLEGE	COMPONENT UNIT MCCC FOUNDATION	COLLEGE	COMPONENT UNIT MCCC FOUNDATION
OPERATING REVENUES:				
Student Tuition and Fees, net	\$ 27,023,572	\$	\$ 20,934,557	\$
Federal, State and Local Grants	5,433,404		9,132,301	
Gifts and Contributions		932,587		869,735
Other	3,733,233	101,376	3,139,197	102,540
Auxiliary Enterprises	1,842,362		1,413,335	
Total operating revenues	\$ 38,032,571	\$ 1,033,963	\$ 34,619,390	\$ 972,275
OPERATING EXPENSES:				
Educational and General:				
Instructional	\$ 27,297,293	\$	\$ 27,369,993	\$
Public Service	2,739,404		2,775,763	
Academic Support	4,708,244		3,586,632	
Student Services	5,514,499		5,234,225	
Institutional Support	21,972,056		22,284,650	
Operations and Maintenance of Plant	6,235,926		7,873,479	
Scholarships and Other Student Aid	4,314,119	722,915	4,348,545	508,860
Depreciation	4,771,946		4,420,862	
Other Expenditures	459,090	537,581	35,142	438,451
Auxiliary Enterprises	340,271		398,465	
Total operating expenses	\$ 78,352,848	\$ 1,260,496	\$ 78,327,756	\$ 947,311
Operating income (loss)	\$ (40,320,277)	\$ (226,533)	\$ (43,708,366)	\$ 24,964
NONOPERATING REVENUES (EXPENSES):				
State Appropriations				
State Aid	\$ 7,967,611	\$	\$ 7,433,816	\$
On-behalf Fringe Benefits:				
Alternate Benefit Program	1,282,760		1,155,930	
Teachers' Pension and Annuity Fund			1,014,700	
Other Post Employment Benefits	110,363			
County Operating Appropriations:				
County Aid	19,343,117		18,963,840	
Education, Stabilization Fund (ESF) (COVID-19)	3		6,146,945	
Federal Student Financial Aid:				
Pell Grants	8,551,456		7,467,774	
Supplemental Education Opportunity Grant Program	176,800		334,670	
State Student Financial Aid	3,693,617		3,368,188	
Investment Income	1,088,057	1,724,224	371,153	1,029,889
Total nonoperating revenues (expenses)	\$ 42,213,784	\$ 1,724,224	\$ 46,257,016	\$ 1,029,889
Net income	\$ 1,893,507	\$ 1,497,691	\$ 2,548,650	\$ 1,054,853
Capital Grants and Contributions	6,620,048		6,800,733	
Increase in Net Position	8,513,555	1,497,691	9,349,383	1,054,853
Total net position - July 1	82,503,349	14,238,917	73,153,966	13,184,064
Total net position - June 30	\$ 91,016,904	\$ 15,736,608	\$ 82,503,349	\$ 14,238,917

The Accompanying Notes to Financial Statements are an integral part of these statements.

MERCER COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
For the Fiscal Years Ended June 30, 2024 and 2023

Note 1: 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) Statements No. 14, *The Financial Reporting Entity*, as amended. The financial statements of the College would be either blended or discreetly presented as part of the County of Mercer's financial statements if the County of Mercer 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.

Component Units - 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 Statement No. 14, *The Financial Reporting Entity*, as amended. 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. 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Component Units (Cont'd) - 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. The Foundation reports under Financial Accounting Standards Board (FASB) Standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

During the fiscal years June 30, 2024 and 2023, the Foundation distributed \$722,915 and \$508,860, respectively, to the College for scholarships and other support.

A separate report of audit for the Foundation for the fiscal years ended June 30, 2024 and 2023 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, Mercer County Community College 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 as adopted by the Governmental Accounting Standards Board (GASB) Statement No. 35 - *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, cash flows and replaces the fund-group perspective previously required.

Basis of Accounting and Measurement Focus - For financial reporting purposes, the College is 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.

Cash and 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. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

The College accounts for its investments at fair value in accordance with GASB Statement No. 31 - *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and Cash Equivalents and Investments - 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 adopted 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. In accordance with the current policy, most recently amended in fiscal year ended June 30, 2019, the College reserves 100% of all student tuition receivables over 180 days old and 10% of tuition receivables less than 180 days old. 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, this policy included reserving 39% of the current year student tuition receivables. In years prior to June 30, 2017, the College's adopted policy was to reserve 100% of all student tuition receivables over two years old and 75% of tuition receivables over one year old. The allowances for June 30, 2024 and 2023 were \$2,056,918 and \$2,995,957, respectively.

Tuition - Each year the Board of Trustees sets tuition rates based on a per credit hour rate. Rates vary based upon residence within Mercer County, out of county, out of state, international students and whether instruction is provided face-to-face or via an on-line learning platform. Tuition revenue is earned in the fiscal year 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.

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 received before June 30th 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.

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

Reclassification Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net position.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Compensated Absences - Compensated absences are those absences for which employees will be paid for vacation and sick leave when used. A liability is accrued for compensated absences that are earned and unused in accordance with College policy at June 30th of each fiscal year. Eligible employees earn a right to vacation benefits and some sick leave benefits in accordance with relative bargaining unit agreements and the employee handbook.

Capital Assets - Capital assets include land, land improvements, buildings and building improvements, equipment and furnishing. Assets acquired or constructed during the year are recorded at actual cost. The College defines capital assets as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years. Donated capital assets are valued at their estimated fair market value on the date of donation. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

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

Use of Estimates - The preparation of the 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.

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 allowance for the fiscal years ended June 30, 2024 and 2023 were \$8,198,414 and \$9,786,676, respectively.

Reclassifications - Certain 2023 amounts have been reclassified to conform to 2024 presentation.

Non-Current Liabilities - Non-current liabilities include principal amounts of loans with maturities greater than one year and estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

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) certain federal, state and local government grants and contracts.

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, federal grants, 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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

Impact of Recently Issued Accounting Principles

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, 2023:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Statement will become effective for the College in the fiscal year ending June 30, 2023.

Note 2: CASH, 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 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 classified as uninsured and uncollateralized.

As of June 30, 2024 and 2023, College's bank balances were insured, collateralized and uninsured as follows:

	<u>2024</u>	<u>2023</u>
Insured	\$ 839,318	\$ 845,611
NJ Cash Management	14,266,166	17,851,635
Collateralized under GUDPA	<u>9,040,114</u>	<u>9,657,237</u>
Cash and Cash Equivalents	<u>\$ 24,145,598</u>	<u>\$ 28,354,483</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 in United States Treasury Obligations and 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.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Services, Inc. New Jersey Statutes do not limit the investment types that County Colleges may purchase and the College has no investment policy that would limit its investment choices. All of the College's investments are in United States Treasury Obligations with AAA Moody's rating.

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, 2024, the College has \$14,266,166 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the College is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONT'D)*Fair Value Measurements of Investments*

Fair value measurements and disclosures provide the framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Valuation techniques require maximization of observable inputs and minimization of unobservable inputs. The levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

As of June 30, 2024 and 2023, the College had the following investments which are valued using quoted market prices (Level 1 inputs).

<u>Investment</u>	<u>Moody's Credit Rating</u>	<u>Fair Value</u>	
		<u>2024</u>	<u>2023</u>
United States Treasury Obligations	AAA	\$ <u>562,666</u>	\$ <u>503,377</u>

Note 3: ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at the end of fiscal years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Student Accounts Receivable	\$ 2,622,936	\$ 3,338,995
Federal, State and Local Grants Receivable	7,678,492	1,058,445
Other Accounts Receivable	<u>5,645,196</u>	<u>4,276,149</u>
	15,946,624	8,673,589
Less: Allowance for Doubtful Accounts	<u>2,056,918</u>	<u>2,995,957</u>
Net Accounts Receivable	\$ <u>13,889,706</u>	\$ <u>5,677,632</u>
Student Accounts Receivable, Net	\$ 566,019	\$ 343,038
Other Receivables	<u>13,323,687</u>	<u>5,334,594</u>
	\$ <u>13,889,706</u>	\$ <u>5,677,632</u>

Notes to Financial Statements (Cont'd)

Note 4: CAPITAL ASSETS

A summary of changes in the various capital asset categories for the years ended June 30, 2024 and 2023 are presented as follows:

	<u>Balance</u> <u>June 30, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2024</u>
Non-Depreciable Capital Assets:					
Land	\$ 1,599,769	\$	\$	\$	\$ 1,599,769
Construction in Process	<u>8,256,020</u>	<u>4,975,531</u>	<u></u>	<u>(6,570,692)</u>	<u>6,660,859</u>
Total Non-Depreciable Capital Assets	<u>9,855,789</u>	<u>4,975,531</u>	<u></u>	<u>(6,570,692)</u>	<u>8,260,628</u>
Depreciable Capital Assets:					
Land Improvements	5,316,133	2,425,663		171,479	7,913,275
Buildings and Improvements	118,099,621	4,787,832		1,600,643	124,488,096
Furniture, Machinery and Equipment	<u>16,700,275</u>	<u>(2,409,290)</u>	<u>274,293</u>	<u>4,798,570</u>	<u>18,815,262</u>
Total Depreciable Capital Assets	<u>140,116,029</u>	<u>4,804,205</u>	<u>274,293</u>	<u>6,570,692</u>	<u>151,216,633</u>
Less Accumulated Depreciation For:					
Land Improvements	(6,368,471)	(471,786)			(6,840,257)
Buildings and Improvements	(45,631,224)	(3,433,853)			(49,065,077)
Furniture, Machinery and Equipment	<u>(10,570,696)</u>	<u>(866,306)</u>	<u>(199,914)</u>	<u></u>	<u>(11,237,088)</u>
Total Accumulated Depreciation	<u>(62,570,391)</u>	<u>(4,771,945)</u>	<u>(199,914)</u>	<u></u>	<u>(67,142,422)</u>
Depreciable Capital Assets	<u>77,545,638</u>	<u>32,260</u>	<u>74,379</u>	<u>6,570,692</u>	<u>84,074,211</u>
Total Capital Assets, Net	<u>\$ 87,401,427</u>	<u>\$ 5,007,791</u>	<u>\$ 74,379</u>	<u>\$</u>	<u>\$ 92,334,839</u>
	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
Non-Depreciable Capital Assets:					
Land	\$ 1,599,769	\$	\$	\$	\$ 1,599,769
Construction in Process	<u>4,204,985</u>	<u>5,822,109</u>	<u></u>	<u>(1,771,074)</u>	<u>8,256,020</u>
Total Non-Depreciable Capital Assets	<u>5,804,754</u>	<u>5,822,109</u>	<u></u>	<u>(1,771,074)</u>	<u>9,855,789</u>
Depreciable Capital Assets:					
Land Improvements	5,301,626	14,507			5,316,133
Buildings and Improvements	115,869,840	787,849		1,441,932	118,099,621
Furniture, Machinery and Equipment	<u>15,711,420</u>	<u>659,713</u>	<u></u>	<u>329,142</u>	<u>16,700,275</u>
Total Depreciable Capital Assets	<u>136,882,886</u>	<u>1,462,069</u>	<u></u>	<u>1,771,074</u>	<u>140,116,029</u>
Less Accumulated Depreciation For:					
Land Improvements	(5,930,577)	(437,894)			(6,368,471)
Buildings and Improvements	(42,412,830)	(3,218,394)			(45,631,224)
Furniture, Machinery and Equipment	<u>(9,806,120)</u>	<u>(764,576)</u>	<u></u>	<u></u>	<u>(10,570,696)</u>
Total Accumulated Depreciation	<u>(58,149,527)</u>	<u>(4,420,864)</u>	<u></u>	<u></u>	<u>(62,570,391)</u>
Depreciable Capital Assets	<u>78,733,359</u>	<u>(2,958,795)</u>	<u></u>	<u>1,771,074</u>	<u>77,545,638</u>
Total Capital Assets, Net	<u>\$ 84,538,113</u>	<u>\$ 2,863,314</u>	<u>\$</u>	<u>\$</u>	<u>\$ 87,401,427</u>

Depreciation expense for the years ended June 30, 2024, and 2023 was \$4,771,946 and \$4,420,864, respectively. The amounts in the transfer column represent projects being completed and reclassified from construction in progress.

Note 5: LONG-TERM LIABILITIES

During the fiscal years ended June 30, 2024 and 2023, the following changes occurred in long-term obligations:

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024	Due Within One Year
Compensated Absences	\$ 1,992,665	\$ 529,640	\$ 400,893	\$ 2,121,412	\$ 385,924
Net Pension Liability	19,019,149		1,479,380	17,539,769	
Total Long-Term Liabilities	\$ 21,011,814	\$ 529,640	\$ 1,880,273	\$ 19,661,181	\$ 385,924

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Compensated Absences	\$ 2,055,652	\$ 202,858	\$ 265,845	\$ 1,992,665	\$ 393,488
Net Pension Liability	16,418,873	2,600,276		19,019,149	
Total Long-Term Liabilities	\$ 18,474,525	\$ 2,803,134	\$ 265,845	\$ 21,011,814	\$ 393,488

Compensated Absences - As stated in note 10, compensated absences will be paid in accordance with the College's policy.

Net Pension Liability - For details on the net pension liability, refer to note 6.

Leases: The College has entered into three agreements that qualify as other than short-term leases under GASB 87 and therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The first lease, for building space, dated January 19, 2018, has a term of 20 years with the right to renew the lease for two additional periods of five years each. The Fixed monthly payment under the agreement is \$21,431. This base rent shall increase every five years during the term by the five-year percentage increase in the CPI index for the preceding five years. There are no variable payment components of the leases. The lease liability is measured at a discount rate of 1.674%, which is the incremental borrowing rate to the College.

The second lease, for the use of a cell tower, dated July 1, 2011, has a term of 5 years with the right to renew the lease for four additional periods of five years each. The Fixed monthly payment under the agreement range from \$1,400 to \$1,500 over the course of the lease. There are no variable payment components of the leases. The lease liability is measured at a discount rate of 1.674%, which is the incremental borrowing rate to the College.

The third lease, for the use of a cell tower, dated July 1, 2022, has a term of 5 years with no renewals. The Fixed monthly payment under the agreement range from \$582 to \$674 over the course of the lease. There are no variable payment components of the leases. The lease liability is measured at a discount rate of 2.536%, which is the incremental borrowing rate to the College.

The College has recorded these right to use assets with a net book value of \$5,349,756 at June 30, 2024. These assets are discussed in more detail in the right to use asset section of this note.

Note 5: LONG-TERM LIABILITIES (CONT'D)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, were as follows:

Year Ended		Principal	Interest	Total
<u>June 30</u>				
2025	\$	193,059.00	\$ 88,243.00	\$ 281,302.00
2026		196,746.00	84,922.00	281,668.00
2027		201,125.00	81,529.00	282,654.00
2028		196,408.00	78,160.00	274,568.00
2029		199,721.00	74,847.00	274,568.00
2030-2034		1,052,137.00	322,503.00	1,374,640.00
2035-2039		1,089,867.00	231,973.00	1,321,840.00
2040-2044		1,146,480.00	139,360.00	1,285,840.00
2045-2049		<u>1,074,213.00</u>	<u>40,181.00</u>	<u>1,114,394.00</u>
	\$	<u>5,349,756.00</u>	\$ <u>1,141,718.00</u>	\$ <u>6,491,474.00</u>

Note 6: 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 New Jersey Alternate Benefit Program ("ABP") and the Defined Contribution Retirement Program ("DCRP"). PERS is a cost-sharing, multiple-employer defined benefit retirement plan, while ABP and DCRP are defined contribution pension plans. Generally, all employees, except certain part-time employees, participate in one of these plans.

The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS plan's fiduciary net position 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.state.nj.us/treasury/pensions/financial-reports.shtml>

Note 6: 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' 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' Board of Trustees is primarily responsible for the administration of the PERS.

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.

Vesting and Benefits Provisions

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

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 22, 2010
- 4 Members who were eligible to enroll after May 22, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th 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 1/60th 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.

Note 6: PENSION PLANS (CONT'D)**General Information About the Pension Plans (Cont'd)****Vesting and Benefits Provisions (Cont'd)**

Public Employees' Retirement System (Cont'd) - 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.

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. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 7.50% in State fiscal year 2020. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The College's contractually required contribution rates were 16.42% and 16.78% of the College's covered payroll for the fiscal years ended June 30, 2024, and 2023, 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, 2023, the College's contractually required contribution to the pension plan for the fiscal year ended June 30, 2024, was \$1,618,460 and was paid by April 1, 2024. College employee contributions to the pension plan during the fiscal year ended June 30, 2024, were \$1,550,134.

Note 6: PENSION PLANS (CONT'D)**General Information About the Pension Plans (Cont'd)****Contributions (Cont'd)**

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:

Teacher's Insurance and Annuity Association/TIAA
 ING Life Insurance and Annuity Company
 AXA Financial (Equitable)
 The Variable Annuity Life Insurance Company (VALIC)
 The Hartford Group
 MetLife
 Prudential

During the fiscal year end June 30, 2024, the College's share of the employer contributions for participants not eligible for State reimbursement was \$374,754, employee contributions to the plan were \$988,256, and the State of New Jersey made on-behalf payments for the College contributions of \$1,011,696.

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, 2024, employee contributions totaled \$37,681, the College recognized pension expense of \$20,553. There were no forfeitures during the fiscal year.

Note 6: PENSION PLANS (CONT'D)

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The following information relates only to the Public Employees' Retirement System ("PERS"), which is a cost-sharing multiple-employer defined benefit pension plan.

The College reported a liability of \$17,539,769 and \$19,019,149 for its proportionate share of the net pension liability for the fiscal years ended June 30, 2024 and 2023, respectively.

The net pension liability reported at June 30, 2024 was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. 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, 2023. 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, 2023 measurement date, the College's proportion was 0.1210944251%, which was a decrease of 0.0049321791% from its proportion measured as of June 30, 2022.

The College recognized (\$1,371,728) and (\$2,679,744) in its financial statements for pension (benefit) expense for PERS, for the fiscal years ended June 30, 2024 and 2023, respectively. These amounts were based on the Plans June 30, 2023 and 2022 measurement dates, respectively.

Note 6: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Measurement Date June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 167,703	\$ 71,697
Changes of Assumptions	38,531	1,062,985
Net Difference between Projected and Actual Earnings on Pension Plan Investments	80,773	
Changes in Proportions	39,753	2,216,160
College Contributions Subsequent to the Measurement Date	<u>1,743,366</u>	
	<u>\$ 2,070,126</u>	<u>\$ 3,350,842</u>

\$1,743,366 included in deferred outflows of resources, for the June 30, 2023 measurement date, will be included as a reduction of the net pension liability in fiscal years ending June 30, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2024	\$ (1,361,315)
2025	(952,158)
2026	287,020
2027	(564,544)
2028	<u>(433,085)</u>
	<u>\$ (3,024,082)</u>

Note 6: **PENSION PLANS (CONT'D)****Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	5.16	-
June 30, 2021	5.13	5.13
June 30, 2022	-	5.04
June 30, 2023	5.08	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
June 30, 2021	5.13	-
June 30, 2022	-	5.04
June 30, 2023	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	5.00	-
June 30, 2022	5.00	-
June 30, 2023	5.00	-
Change in Proportion and Differences between College Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
June 30, 2021	5.13	-
June 30, 2022	-	5.04
June 30, 2023	-	-

Note 6: PENSION PLANS (CONT'D)**Actuarial Assumptions**

The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions.

	Measurement Date <u>June 30, 2023</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increase: (1)	2.75 - 6.55%
Investment Rate of Return	7.00%
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2018 - June 30, 2021

(1) - based on years of service

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

Note 6: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) 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 target asset allocation for the June 30, 2023 measurement date is summarized in the following table:

June 30, 2023 Measurement Date		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

Note 6: **PENSION PLANS (CONT'D)**

Actuarial Assumptions (Cont'd)

Discount Rate June 30, 2023 Measurement Date - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of 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 the June 30, 2023 measurement date. These amounts were calculated using a discount rate of 7.00% for June 30, 2023 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:

	<u>June 30, 2023 Measurement Date</u>		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
College's Proportionate Share of the Net Pension Liability	<u>\$22,833,048</u>	<u>\$17,539,769</u>	<u>\$13,034,490</u>

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 (benefit) expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. 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, please refer to the Plan's Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75
Plan Description and Benefits Provided

The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan, which 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 Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. 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

The State Health Benefit Local Education Retired Employees Plan Membership covered by the benefit terms consisted of the following:

Active Plan Members	217,212
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	152,383
Inactive Plan Members Entitles to but Not Yet Receiving Benefit Payments	<u>-</u>
	<u><u>369,595</u></u>

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)
Total Non-Employer OPEB Liability

The portion of the total Non-Employer OPEB Liability that was associated with the College at June 30, 2024 was as follows:

Total OPEB Liability:	
Mercer Co Community College's proportionate share of the Net OPEB Liability	\$-0-
State of New Jersey's proportionate share of Net OPEB Liability associated with the Mercer Co Community College	<u>77,173,369</u>
	<u><u>\$77,173,369</u></u>

The total Non-Employer OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023.

The total Non-Employer OPEB liability was determined separately based on actual data of the College.

For the year ended June 30, 2024, the College recognized on-behalf post-employment expense and revenue of \$110,363.00 in the financial statements for contributions provided by the State. This expense and revenue was based on the plans June 30, 2023 measurement date.

At June 30, 2023, the College's proportion was 0.1473852373 percent, which was a decrease of 0.0081469527 from its proportion measured as of June 30, 2022.

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS, TPAF/ABP and PFRS participants. The College's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Consequently, the College did not recognize any portion of the collective Non-Employer OPEB liability on the Statement of Net Position.

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs

The total Non-Employer OPEB liability that was associated with the College as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>June 30, 2023</u>		
	<u>TPAF/ABP*</u>	<u>PERS*</u>	<u>PFRS*</u>
Salary Increases			
Rate for all future years	2.75-4.25%*	2.75-6.55%*	3.25-16.25%*

*- Based on Years of Service

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

Actuarial assumptions used in the July 1, 2022 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 to June 30, 2021.

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)
Actuarial Assumptions and Other Input (Continued)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.50% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.5% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.65%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total Non-Employer OPEB Liability

Shown below are details regarding The Total OPEB non-employer Liability associated with the College for the measurement period from June 30, 2022 to June 30, 2023.

Balance at June 30, 2022		\$	78,771,553
Change for the Year:			
Service Cost	\$	3,159,107	
Interest Cost		2,717,952	
Difference between Expected and Actual Experience		(5,581,756)	
Changes in Assumptions		155,550	
Member Contributions		69,651	
Gross Benefit Payments		<u>(2,118,688)</u>	
Net Changes			<u>(1,598,184)</u>
Balance at June 30, 2023		\$	<u>77,173,369</u>

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)**Sensitivity of the Total Non-Employer OPEB Liability to Changes in the Discount Rate**

The following presents the total Non-Employer OPEB liability associated with the College as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1-percentage point higher than the current rate:

	<u>June 30, 2023 Measurement Date</u>		
	<u>At 1% decrease (2.65%)</u>	<u>At discount Rate rate (3.65%)</u>	<u>At 1% increase (4.65%)</u>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	<u>\$ 90,472,526</u>	<u>\$ 77,173,369</u>	<u>\$ 66,495,690</u>

Sensitivity of the Total Non-Employer OPEB Liability to Changes in Healthcare Trends

The following presents the total Non-Employer OPEB liability associated with the College as of June 30, 2023, calculated using the healthcare trend rate as disclosed above as well as what the total Non-Employer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	<u>June 30, 2023 Measurement Date</u>		
	<u>1% decrease</u>	<u>Healthcare cost trend rate</u>	<u>1% increase</u>
State of New Jersey's Proportionate Share of the Total Non-Employer OPEB Liability Associated with the College	<u>\$ 64,065,794</u>	<u>\$ 77,173,369</u>	<u>\$ 94,324,664</u>

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Employer OPEB Liability

At June 30, 2023, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's Non-Employer OPEB Liability associated with the College from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 11,259,816	\$ 20,326,696
Changes in Assumptions	10,974,150	21,297,091
Changes in Proportion	<u>1,777,418</u>	<u>13,730,513</u>
	<u>\$ 24,011,384</u>	<u>\$ 55,354,300</u>

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.

Measurement Period Ended <u>June 30,</u>	
2024	\$ (6,239,180)
2025	(6,239,180)
2026	(5,735,562)
2027	(4,362,670)
2028	(2,794,274)
Thereafter	<u>(5,972,050)</u>
	<u>\$ (31,342,916)</u>

In accordance with GASBS No. 75, the College's proportionate share of school retirees OPEB is zero. There is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources in the financial statements.

NOTE 7: ACCOUNTING AND FINANCIAL REPORTING FOR POST-RETIREMENT BENEFITS OTHER THAN PENSIONS - GASB 75 (CONTINUED)

State Health Benefit Local Education Retired Employee Plan Information

The New Jersey Division of Pension and Benefits issues publicly available reports on the OPEB plan. Those reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295 or on their website at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

Note 8: RIGHT TO USE LEASED ASSETS

The College has recorded three right to use leased assets. The assets are for leased building space and the use of a cell tower. The related leases are discussed in the Leases subsection of the Long-term obligations section of this note. These right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Retirements</u>	<u>Ending</u> <u>Balances</u>
Right to Use Assets:			
Leased Buildings	\$ 5,645,472		\$ 5,645,472
Leased Infrastructure	265,020		265,020
Total Right to Use Assets	<u>5,910,492</u>		<u>5,910,492</u>
Less: Accumulated Amortization for:			
Leased Buildings	(413,378)	\$ 228,946	(642,324)
Leased Infrastructure	(37,720)		(37,720)
Total Accumulated Amortization	<u>(451,098)</u>	<u>228,946</u>	<u>(680,044)</u>
Governmental Funds - Right to Use assets, net	<u>\$ 5,459,394</u>	<u>\$ 228,946</u>	<u>\$ 5,230,448</u>

Note 9: 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 ("Fund") for the purpose of obtaining workers' compensation insurance coverage. Contributions to the Fund are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. Contributions to the Fund for the fiscal years ended June 30, 2024 and 2023 were \$215,000 and \$203,000, respectively.

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The College is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

The audit report for the Pool can be obtained from:

New Jersey County College Workers' Compensation Pool
1200 Old Trenton Road
Trenton, New Jersey 08690

Note 10: 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, 2024 and 2023, the liabilities for accrued compensated absences are included in accrued expenses and consist of the following:

	Balance <u>June 30, 2024</u>	Balance <u>June 30, 2023</u>
Vacation	\$ 1,735,488	\$ 1,599,177
Sick	<u>385,924</u>	<u>393,488</u>
Total	\$ <u>2,121,412</u>	\$ <u>1,992,665</u>

Note 11: DEFERRED COMPENSATION SALARY ACCOUNT

The College offers its employees a choice of deferred compensation plans created 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
ING Life Insurance and Annuity Company
Equitable Life
The Variable Annuity Life Insurance Company
The Hartford Group
MetLife
Prudential

Note 12: EDUCATIONAL AND GENERAL EXPENSES BY NATURAL CLASSIFICATION

The College's operating expenses by natural classification for the fiscal years ended June 30, 2024 and 2023 are presented as follows:

For the Year Ended June 30, 2024							
Educational and General Expenditures	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Instruction	\$ 23,967,694	\$ 2,100,716	\$ 1,226,748	\$	\$ 2,135	\$	\$ 27,297,293
Public Service	2,027,257	283,852	387,053		41,242		2,739,404
Academic Support	3,643,497	934,803	129,944				4,708,244
Student Services	4,128,398	1,020,236	365,865				5,514,499
Institutional Support	15,301,895	3,970,447	2,333,507		366,207		21,972,056
Operation and Maintenance of Plant	2,870,708	(250,574)	177,815		3,437,977		6,235,926
Scholarship and Other Student Aid	86,343			4,227,776			4,314,119
Other Expenditures		459,090					459,090
Depreciation						4,771,946	4,771,946
Subtotal	\$ 52,025,792	\$ 8,518,570	\$ 4,620,932	\$ 4,227,776	\$ 3,847,561	\$ 4,771,946	78,012,577
Auxiliary Expenses							340,271
Total Functional Expenses							\$ 78,352,848

For the Year Ended June 30, 2023							
Educational and General Expenditures	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Instruction	\$ 21,357,257	\$ 2,625,396	\$ 3,384,466	\$	\$ 2,874	\$	\$ 27,369,993
Public Service	1,765,562	441,284	537,913		31,004		2,775,763
Academic Support	3,050,541	768,636	(232,545)				3,586,632
Student Services	4,213,709	753,501	267,015				5,234,225
Institutional Support	11,931,501	7,879,164	2,119,761		354,224		22,284,650
Operation and Maintenance of Plant	2,575,183	1,972,928	145,922		3,179,446		7,873,479
Scholarship and Other Student Aid	248,467			4,100,078			4,348,545
Other Expenditures		35,142					35,142
Depreciation						4,420,862	4,420,862
Subtotal	\$ 45,142,220	\$ 14,476,051	\$ 6,222,532	\$ 4,100,078	\$ 3,567,548	\$ 4,420,862	77,929,291
Auxiliary Expenses							398,465
Total Functional Expenses							\$ 78,327,756

Note 13: 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. Pursuant to Section 2 (Term) of the Agreement, the term of the Agreement is hereby renewed for one (1) additional year, from July 1, 2023 through June 30, 2024.

Net commissions paid to the College for the fiscal years ended June 30, 2024 and 2023, were \$75,290 and \$108,596, respectively.

Note 14: 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, have either been recorded as an accrued expense or would not be material to the financial statements.

Note 15: CONCENTRATIONS

The College depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the College is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 16: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Mercer County Community College Foundation, Inc. (the "Foundation") is a not-for-profit foundation organized in the State of NJ 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 the College in holding, investing and administering property and making expenditures to or for the benefit of the College, its students and its faculty.

Basis of Accounting and Presentation - 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.

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes. Net assets without donor restrictions include both designated and undesignated funds. At June 30, 2024 and 2023, the Foundation had net assets without donor restrictions of \$3,635,840 and \$3,641,918, respectively.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or by the passage of time. Net assets with donor restrictions include donor-restricted endowment funds requiring investment of a gift in perpetuity or for a specified term as well as the investment return thereon until the returns are appropriated for expenditure. This includes the funds passed through the College to the Foundation in 2018 for Title III monies, where corpus as well as earnings on the corpus are treated as an endowment for 20 years. At June 30, 2024 and 2023, the Organization had net assets with donor restrictions of \$12,100,768 and \$10,596,999, respectively.

Use of Estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 16: **DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and Cash Equivalents - For purposes of the statements of financial position and statements of cash flows, the Foundation considers all unrestricted, highly liquid investments with an initial maturity date of 90 days or less to be cash equivalents.

The Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Foundation monitors the health of these banking institutions and has not experienced any losses in such accounts.

Investments – The Foundation reports investments at fair value. Investment return, including interest, dividends and realized and unrealized gains and losses, net of investment expenses, are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law.

Contributions and Loan Receivable - The Foundation considers all contributions and loan 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. Contributions receivables with expected collection terms of greater than two years are presented at their net present value.

Income Taxes - The Foundation is exempt from income taxes under Section 501(c)(3) of the 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, 2024 or 2023.

US 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 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 provisions of this guidance.

The Foundation did not record any interest or penalties on uncertain tax positions in its financial statements as of or for the year ended June 30, 2024 or 2023. 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.

Note 16: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)B. INVESTMENTS

Investments, carried at fair value, at June 30, 2024 and 2023 are as follows:

	2024		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate Fixed Income	\$ 6,653,670	\$ 6,083,925	\$ (569,745)
Mutual Funds	6,460,000	9,015,635	2,555,635
	<u>\$ 13,113,670</u>	<u>\$ 15,099,560</u>	<u>\$ 1,985,890</u>
	2023		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate Fixed Income	\$ 5,932,445	\$ 5,346,474	\$ (585,971)
Mutual Funds	6,608,688	8,160,441	1,551,753
	<u>\$ 12,541,133</u>	<u>\$ 13,506,915</u>	<u>\$ 965,782</u>

The following schedule summarizes the investment return and its classification:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 187,668	\$ 268,254	\$ 455,922
Realized gain	131,567	179,646	311,213
Unrealized gain (loss)	492,961	527,147	1,020,108
Investment Fees	(25,287)	(37,732)	(63,019)
Allocation for restricted funds	<u>(417,056)</u>	<u>417,056</u>	
Total investment return	<u>\$ 369,853</u>	<u>\$ 1,354,371</u>	<u>\$ 1,724,224</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 170,844	\$ 259,103	\$ 429,947
Realized gain	(42,145)	(153,633)	(195,778)
Unrealized gain (loss)	402,459	456,651	859,110
Investment Fees	(26,290)	(37,100)	(63,390)
Allocation for restricted funds	<u>(273,757)</u>	<u>273,757</u>	
Total investment return	<u>\$ 231,111</u>	<u>\$ 798,778</u>	<u>\$ 1,029,889</u>

Note 16: **DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)**

C. FAIR VALUE MEASUREMENTS

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, 2024 and 2023, 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 assets.

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 that will provide available funds for expenses and scholarships and growth to endowment assets.

Note 16: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)**D. NET ASSETS****Without Donor Restrictions**

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

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Designated for scholarships and programs	\$	151,166
Designated for student assistance	\$ 1,816,053	1,614,695
Designated for major gifts campaign	315,676	778,610
Undesignated	<u>1,504,111</u>	<u>1,097,447</u>
 Total	 <u>\$ 3,635,840</u>	 <u>\$ 3,641,918</u>

With Donor Restrictions

Net assets with donor restrictions are comprised of the following at June 30, 2024 and 2023:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Purpose Restricted:		
Scholarships	\$ 6,973,666	\$ 5,852,619
Programs	1,731,683	1,087,945
Capital Improvements	214,249	190,446
Endowments given in perpetuity		
Original gifts	<u>3,181,170</u>	<u>3,465,989</u>
 Total	 <u>\$ 12,100,768</u>	 <u>\$ 10,596,999</u>

Note 17: NET POSITION

The components of net position are as follows:

	<u>June 30,</u>	<u>June 30,</u>
	<u>2024</u>	<u>2023</u>
Net Position:		
Net Investment in Capital Assets	\$ 92,334,839	\$ 87,401,427
Restricted		
Nonexpendable	179,878	179,878
Expendable	794,367	807,746
Unrestricted:		
Operating	16,671,440	16,129,565
Leases - GASB 87	(126,787)	(87,563)
SBITA's - GASB 96	(16,348)	7,876
Net Pension Liability	<u>(18,820,485)</u>	<u>(21,935,580)</u>
 Total Net Position	 <u>\$ 91,016,904</u>	 <u>\$ 82,503,349</u>

Note 18. INTANGIBLE ASSETS

The College has recorded the following intangible assets. The assets are for various subscription-based information technology agreements ("SBITAs"). These agreements are discussed in the SBITAs subsection of the Long-term liabilities section of these notes. The intangible assets are amortized on a straight-line basis over the terms of the related agreement. Intangible asset activity for the Government Funds for the year ended June 30, 2024 was as follows:

	Balance as of <u>July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance as of <u>June 30, 2024</u>
Subscription Assets				
Software				
Blackboard Ally Software	\$ 739,792	\$	\$	\$ 739,792
Coursedog - Academic Software	434,225			434,225
Ellucian ODS Software	2,390,162			2,390,162
Windstream - Telephone Services	611,977			611,977
Total Software Subscription Assets	\$ 4,176,156	\$	\$	\$ 4,176,156
Subscription Accumulated Amortization				
Software				
Blackboard Ally Software	\$ 369,896	\$ 184,948	\$	\$ 554,844
Coursedog - Academic Software	98,051	84,044		182,095
Ellucian ODS Software	183,859	735,434		919,293
Windstream - Telephone Services	214,192	122,395		336,587
Total Software Subscription Amortization	\$ 865,998	\$ 1,126,821	\$	\$ 1,992,819
Total Governmental Subscription Assets, Net	\$ 3,310,158	\$ (1,126,821)	\$	\$ 2,183,337

Note 19. SUBSCRIPTIONS PAYABLE

For the year ended 6/30/2024, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

As of 06/30/2024, Mercer County Community College, NJ had 4 active subscriptions. The subscriptions have payments that range from \$78,540 to \$758,300 and interest rates that range from 0.5600% to 2.5030%. As of 06/30/2024, the total combined value of the subscription liability is \$2,156,606 and the total combined value of the short-term subscription liability is \$1,085,392. The combined value of the right to use asset, as of 06/30/2024 of \$4,176,155 with accumulated amortization of \$1,992,818 is included within the Subscription Class activities table found below. The subscriptions had \$0 of Variable Payments and \$0 of Other Payments, not included on the Subscription Liability, within the Fiscal Year.

Note 19. SUBSCRIPTIONS PAYABLE (CONTINUED)

Amount of Subscription Assets by Major Classes of Underlying Asset

<u>Asset Class</u>	<u>As of Fiscal Year-end</u>	
	<u>Subscription Asset Value</u>	<u>Accumulated Amortization</u>
Software	\$4,176,155	\$1,992,818
Total Subscriptions	\$4,176,155	\$1,992,818

Principal and Interest Requirements to Maturity

<u>Fiscal Year</u>	<u>Governmental Activities</u>		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2025	\$1,085,392	\$44,492	\$1,129,883
2026	958,630	23,289	981,919
2027	112,584	1,900	114,484
	<u>\$2,156,606</u>	<u>\$69,681</u>	<u>\$2,226,286</u>

Note:20 SUBSEQUENT EVENTS

The College has evaluated subsequent events occurring after the financial statement date through December 12, 2024, which is the date the financial statements were available to be issued. Based on this evaluation, the College has determined there are no subsequent events that have occurred which require disclosure in the financial statements.

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
LAST TEN YEARS

<u>Measurement Date Ending June 30,</u>	<u>College's Proportion of the Net Pension Liability (Asset)</u>	<u>College's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>College's Covered-Employee Payroll</u>	<u>College's Proportion of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a percentage of the total Pension Liability</u>
2023	0.1210944251% \$	17,539,769 \$	9,644,223	181.87%	65.23%
2022	0.1260266042%	19,019,149	9,237,168	205.90%	62.91%
2021	0.1385968331%	16,418,873	9,397,063	174.72%	70.33%
2020	0.1381578321%	22,529,929	9,930,776	226.87%	58.32%
2019	0.1388135555%	25,012,097	9,993,860	250.27%	56.27%
2018	0.1476390949%	29,069,402	10,601,160	274.21%	53.60%
2017	0.1541793483%	35,890,488	10,840,436	331.08%	48.10%
2016	0.1632019710%	48,335,743	11,428,960	422.92%	40.14%
2015	0.1754379672%	39,382,308	12,307,496	319.99%	47.93%
2014	0.1838515911%	34,422,046	13,219,828	260.38%	52.08%

MERCER COUNTY COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - PART II
SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending June 30.	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	College's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2024	\$ 1,743,366	\$ 1,743,366	\$ -0-	\$ 10,619,290.00	16.42%
2023	1,618,461	1,618,461	-0-	9,644,223.00	16.78%
2022	1,589,256	1,589,256	-0-	9,237,168.00	17.21%
2021	1,623,130	1,623,130	-0-	9,397,063.00	17.27%
2020	1,511,378	1,511,378	-0-	9,672,676.00	15.63%
2019	1,350,247	1,350,247	-0-	9,745,282.00	13.86%
2018	1,468,532	1,468,532	-0-	9,997,972.00	14.69%
2017	1,428,307	1,428,307	-0-	10,370,749.00	13.77%
2016	1,449,863	1,449,863	-0-	10,986,418.00	13.20%
2015	1,508,296	1,508,296	-0-	11,723,492.00	12.87%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

MERCER COUNTY COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - PART II
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms:

None

Change in assumptions:

The following assumptions were used in calculating the net pension liability in their respective accounting periods:

<u>Measurement Date Ending June 30,</u>	<u>Discount Rate</u>	<u>Long-Term Expected Rate of Return</u>	<u>Actuarial Experience Study Period</u>
2023	7.00%	7.00%	07/01/18-06/30/21
2022	7.00%	7.00%	07/01/18-06/30/21
2021	7.00%	7.00%	07/01/14-06/30/18
2020	7.00%	7.00%	07/01/14-06/30/18
2019	6.28%	7.00%	07/01/14-06/30/18
2018	5.66%	7.00%	07/01/11-06/30/14
2017	5.00%	7.00%	07/01/11-06/30/14
2016	3.98%	7.65%	07/01/11-06/30/14
2015	4.90%	7.90%	07/01/08-06/30/11
2014	5.39%	7.90%	07/01/08-06/30/11

REQUIRED SUPPLEMENTARY INFORMATION – Part III

**MERCER COUNTY COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - PART III
SCHEDULE OF CHANGES IN THE TOTAL
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SEVEN YEARS**

	Measurement Date Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Balance at 6/30	\$ 78,771,553	\$ 95,401,493	\$ 112,131,441	\$ 70,626,394	\$ 76,042,627	\$ 95,782,447	\$ 101,458,133
Changes for the year:							
Service cost	3,159,107	4,186,154	4,806,880	2,767,547	2,696,577	5,190,033	6,165,926
Interest Cost	2,717,952	2,087,533	2,474,815 (101,543)	2,535,946	3,006,886	3,579,985	3,037,050
Changes of benefit terms							
Differences between expected and actual experience	(5,581,756)	228,977	(22,118,029)	17,611,940	(10,068,988)	(17,820,490)	(12,741,829)
Changes in assumptions	155,550	(21,131,176)	94,121	20,482,561	1,053,045	(8,726,272)	81,692
Contributions from Members	69,651	66,335	63,269	59,169	64,266	70,276	81,692
Gross Benefit payments	(2,118,688)	(2,067,763)	(1,949,461)	(1,952,116)	(2,468,019)	(2,033,352)	(2,218,525)
Net changes	(1,598,184)	(16,629,940)	(16,729,948)	41,505,047	(5,416,233)	(19,739,820)	(5,675,686)
Balance at 6/30	\$ 77,173,369	\$ 78,771,553	\$ 95,401,493	\$ 112,131,441	\$ 70,626,394	\$ 76,042,627	\$ 95,782,447
Covered Employee Payroll	\$ 23,089,739	\$ 22,636,999	\$ 19,920,274	\$ 22,946,651	\$ 21,364,195	\$ 21,626,860	\$ 22,070,739
State's Proportionate Share of the Total Non-Employer OPEB Liability associated with the College as a percentage of the College's Covered Employee Payroll	334.23%	347.98%	478.92%	488.66%	330.58%	351.61%	433.98%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

MERCER COUNTY COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION - PART III
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PART III
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Change in benefit terms:

The implementation of Chapter 44 Plan and contribution strategy affecting pre-Medicare future and current retirees and dependents who enroll in the New Jersey Educator Health Plan option upon retirement and were not grandfathered under Chapter 78 (fewer than 20 years of service as of July 1, 2011) is reflected for the Fiscal Year Ending June 30, 2022 as a Plan change.

Change in assumptions:

The following assumptions were used in calculating the Net OPEB Liability in their respective accounting periods:

Measurement Date Ending <u>June 30,</u>	Discount <u>Rate</u>
2023	3.65%
2022	3.54%
2021	2.16%
2020	2.21%
2019	3.50%
2018	3.87%

SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S 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**

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, 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 12, 2024. Our report 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 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 the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

SUPLEE, CLOONEY & COMPANY LLC

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

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

Compliance and Other Matters

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

Purpose of This Report

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



CERTIFIED PUBLIC ACCOUNTANTS

December 12, 2024



SUPLEE, CLOONEY & COMPANY LLC

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL
AND STATE FINANCIAL ASSISTANCE PROGRAMS AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

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

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Mercer County Community College's (the "College") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the year ended June 30, 2024. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("Government Auditing Standards"); the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") and New Jersey OMB Circular 15-08. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

SUPLEE, CLOONEY & COMPANY LLC

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

SUPLEE, CLOONEY & COMPANY LLC

Report on Internal Control Over Compliance

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

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

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

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



CERTIFIED PUBLIC ACCOUNTANTS

December 12, 2024

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program Title/Cluster Title	Federal Assistance Listing Number	Additional Award Identification	Pass-through Entity Identifying Number	FY 2024 Expenditures	Passed Through to Subrecipients
US Department of Labor					
H-1B Job Training Grants:					
Passed Through Bergen Community College:					
NJ Healthworks Grant	17.268	N/A	N/A	\$ 55,403	
WIOA Cluster				<u>55,403</u>	
Development:					
WIOA State Set Aside-Bridges to Employing Youth-9 months-FY 2024	17.258	N/A		130,281	
WIOA State Set Aside-Bridges to Employing Youth-3 months-FY 23	17.258	N/A		34,676	
Title II NJ DOL/Workforce		N/A		9,642	
Total Development				<u>174,599</u>	
Total US Department of Labor				<u>230,002</u>	
				\$	
U.S. Department of the Treasury					
US Department of Education:					
Student Financial Aid Cluster (Direct Funding):					
Federal Supplemental Educational Opportunity Grants	84.007	N/A	N/A	\$ 176,800	
Federal Work-Study Program	84.033	N/A	N/A	90,660	
Federal Pell Grant Program	84.063	N/A	N/A	8,551,456	
Federal Direct Student Loans - Subsidized	84.268	N/A	N/A	2,249,123	
Federal Direct Student Loans - Unsubsidized	84.268	N/A	N/A	3,206,858	
Total Student Financial Aid Cluster				<u>14,274,897</u>	
				\$	
Federal Grantor/Pass Through Grantor/Program Title/Cluster Title					
U.S. Department of Education (Continued):					
Higher Education Institutional Aid (Direct Funding)	84.031	84.031A	N/A	\$ 32,815	
Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA):					
Governor's Emergency Education Relief Fund II					
Hunger Free-Campus Grant #1	84.425C			\$ 29,310	
Opportunity Meets Innovation Challenge	84.425C			198,108	
Emergency Food & Shelter Program	97.024			12,842	
Total CRRSAA (GEERF II)				<u>240,260</u>	
				\$	
Career & Technical Education-Basic Grants:					
Passed Through State of NJ Department of Education:					
Carl D. Perkins Vocational and Applied Technology Act	84.048	N/A	05-7116-035	\$ 657,072	
Total Career and Technical Education-Basic Grants				<u>657,072</u>	
				\$	

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program Title/Cluster Title	Federal Assistance Listing Number	Additional Award Identification	Pass-through Entity Identifying Number	FY 2024 Expenditures	Passed Through to Subrecipients
Passed Through New Jersey Department of Education:					
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)-FY 2024	84.334	N/A		\$ 10,542	
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)-FY 2023	84.334	N/A	-	105,811	
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)-FY 2024	84.334	N/A	-	110,254	
Total Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)				<u>226,607</u>	
Adult Education-Basic Grants to States:					
Passed Through State of NJ Department of Labor and Workforce Development:					
Adult Education & Family Literacy:					
Adult - Basic Skills	84.002	N/A	ABS-FY2024	\$ 733,154	
Total Adult Education-Basic Grants to States				<u>733,154</u>	
Twenty-First Century Community Learning Centers:					
21st Century Learning-10 months-FY 2024	84.278	N/A	EK28	\$ 218,324	
21st Century Learning-2 months-FY 2023	84.278	N/A	EK28	64,831	
Total Twenty-First Century Community Learning Centers				<u>283,155</u>	
TRIO Cluster (Direct Funding)					
TRIO - Talent Search	84.044	N/A	N/A	\$ 330,741	
TRIO - Talent Search	84.044	N/A	N/A	65,086	
				<u>395,827</u>	
TRIO - Upward Bound	84.047	N/A	N/A	\$ 364,075	
TRIO - Upward Bound	84.047	N/A	N/A	115,302	
				<u>479,377</u>	
Total TRIO Cluster				<u>875,204</u>	
Total US Department of Education				\$ 17,323,164	

MERCER COUNTY COMMUNITY COLLEGE
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program Title/Cluster Title	Federal Assistance Listing Number	Additional Award Identification	Pass-through Entity Identifying Number	FY 2024 Expenditures	Passed Through to Subrecipients
Passed Through New Jersey Department of Agriculture:					
USDA Specialty Crop Block Grant	10.170	23SCBPNJ1201-000		\$ 2,002	
to Specialty Crop Production Grant				\$ 2,002	
Total Specialty Crop Block Grants					
National Science Foundation:					
New Jersey Department of Education:					
NSF	47.041	N/A	N/A	\$ 56,629	
Total National Science Foundation				\$ 56,629	
Total Federal Awards				\$ 17,611,797	

The Accompanying Notes to the Financial Statements and the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

MERCER COUNTY COMMUNITY COLLEGE
Notes to Schedules of Schedules of Expenditures of Federal
Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2024

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, 2024 financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedules of expenditures of federal awards and state financial assistance 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, 2024.

Note 5: DONATED PERSONAL PROTECTIVE EQUIPMENT (PPE)

The College has not received any donations of Personal Protective Equipment (PPE) related to COVID-19.

Note 6: 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, 2024

Section I – Summary of Auditor’s Results

Financial Statements

- | | | |
|-----|--|---------------|
| (1) | Type of Auditor’s Report Issued: | Unmodified |
| (2) | Internal Control Over Financial Reporting: | |
| | (a) Material weakness identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| (3) | Noncompliance material to basic financial statements noted? | No |

Federal Program(s)

- | | | |
|-----|--|---------------|
| (1) | Internal Control Over Major Federal Programs: | |
| | (a) Material weakness identified? | No |
| | (b) Significant deficiencies identified that are not considered to be material weaknesses? | None reported |
| (2) | Type of Auditor’s Report issued on compliance for major federal program(s)? | Unmodified |
| (3) | Any audit findings disclosed that are required to be reported in accordance with Federal Uniform Guidance? | No |

- | | | |
|-----|--|--------------------|
| (4) | Identification of Federal Program(s): | |
| | <u>Program</u> | <u>CFDA Number</u> |
| | Federal Supplemental Educational Opportunity Grants | 84.007 |
| | Higher Education Institutional Aid | 84.031 |
| | Federal Work-Study Program | 84.033 |
| | Federal Pell Grant Program | 84.063 |
| | Federal Direct Student Loans – Subsidized & Unsubsidized | 84.268 |
| | Adult Education & Family Literacy | 84.002 |
| | TRIO Cluster | |
| | TRIO Talent Search | 84.044 |
| | TRIO Upward Bound | 84.047 |

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

- (5) Program Threshold Determination:
Type A Federal Program Threshold > \$750,000.00
Type B Federal Program Threshold <= \$750,000.00
- (6) Auditee qualified as a low-risk auditee under Federal Uniform Guidance? Yes

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

Section I – Summary of Auditor’s Results (Continued)

State Program(s)

- (1) Internal Control Over Major State Programs:
- (c) Material weakness identified? No
- (d) Significant deficiencies identified that are not considered to be material weaknesses? None reported
- (2) Type of Auditor’s Report issued on compliance for major state program(s)? Unmodified
- (3) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08? No
- (4) Identification of Major State Program(s):
- | <u>Program</u> | <u>Grant Number</u> |
|--|---------------------|
| State Aid Cluster: | |
| New Jersey Stars Program | 100-074-2405-313 |
| Tuition Aid Grants | 100-074-2405-007 |
| Community College Opportunity Grant | 100-074-2405-332 |
| New Jersey Best Grants | 100-074-2405-316 |
| Operational Costs County Colleges | 100-082-2155-015 |
| P.L. 1971 – Chapter 12 – Debt Service | 100-082-2155-016 |
| Employer Contributions – Alternate Benefit Program | 100-082-2155-017 |
- (5) Program Threshold Determination:
Type A State Program Threshold > \$750,000.00
Type B State Program Threshold <= \$750,000.00
- (6) Auditee qualified as a low-risk auditee under New Jersey OMB Circular 15-08? Yes

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

Section II – Financial Statement Audit – Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III – Findings and Questioned Costs Relative to Major Federal and State Programs

Federal Programs – None Reported

State Programs – None Reported

MERCER COUNTY COMMUNITY COLLEGE

Schedule of Prior Year Audit Findings

Federal Programs and State Programs

There were no findings or questioned costs in the prior year.