

ESSEX COUNTY COLLEGE
(A Component Unit of the County of Essex)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Essex County College
Newark, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Essex County College (the College), a component unit of the County of Essex, state of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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 Essex County College as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statement, the College implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, for the year ended June 30, 2018. As a result of the implementation of GASB Statement 75, the College reported a restatement for the change in accounting principle and a summary of the restatement is presented in Note 1. Our auditors' opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Essex County College's basic financial statements. The accompanying supplementary information as presented in the table of contents, which consists of the combining schedule of net position – all funds, combining schedule of revenues, expenses and changes in net position – all funds, schedule of net position – bookstore, concessions, and gym, schedule of revenues, expenses, and changes in fund net position – bookstore, concessions, and gym, and schedules of expenditures of federal awards and state financial assistance and related notes, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB Circular Letter 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 was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The 2017 financial statements of Essex County College were audited by other auditors, whose report dated December 19, 2017, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, on our consideration of Essex County College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Essex County College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 19, 2019

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2018 AND 2017**

Years Ended June 30, 2018 and 2017

As management of Essex County College (the College), we offer readers of the College's financial statements this narrative discussion, overview and analysis of the financial activities of the College for the years ended June 30, 2018 and 2017. We encourage readers to consider the information presented here on financial performance. Management's discussion and Analysis (MD&A) represents the financial performance of the College during the fiscal years ended June 30, 2018 and 2017, with presentation of certain comparative information presented for the year ended June 30, 2016. It is an overview of the College's financial activities and should be read in conjunction with the financial statements and notes, which follow this section. Management has prepared the financial statements and related notes, along with this discussion and analysis.

Financial Highlights – Fiscal Year 2018

Enrollment

During fiscal year 2018, the total credit hours reported to the state were 206,886. This represents a decrease of 11.60% from fiscal year 2017, in which credit hours were 234,045.

The college charged Essex County residents \$126.50 per student credit hour in fiscal year 2018 and \$119.50 per student credit hour in fiscal year 2017.

Non-Essex County residents and foreign students were charged \$253.00 per credit hour for fiscal year 2018 and \$239.00 per credit hour for fiscal year 2017.

Student Fees

The College charged a general student fee of \$32.50 per credit hour for fiscal years 2018 and 2017. In addition, a student activity fee of \$7.50 per credit hour was charged for fiscal years 2018 and 2017. The student activity fee supports solely student and administrative activities.

Student Aid Programs

The College participates in federal and state funded programs. Approximately 57% and 58% of the unduplicated student enrollment received student aid assistance during fiscal years 2018 and 2017, respectively. Federal and state grants expended for student financial aid in 2018 amounted to \$23,061,117 and \$6,275,199, respectively, as compared to \$24,271,602 and \$6,163,918 for 2017.

Financial Highlights – Fiscal Year 2017

Enrollment

During fiscal year 2017, the total credit hours reported to the state were 234,045. This represents a decrease of 7.55% from fiscal year 2016, in which credit hours were 269,789.

The college charged Essex County residents \$119.50 per student credit hour in fiscal year 2017 and \$116.50 per student credit hour in fiscal year 2016.

Non-Essex County residents and foreign students were charged \$239.00 per credit hour for fiscal year 2017 and \$233.00 per credit hour for fiscal year 2016.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Financial Highlights – Fiscal Year 2017 (Continued)

Student Fees

The College charged a general student fee of \$32.50 per credit hour for fiscal year 2017 and \$32 for fiscal year 2016. In addition, a student activity fee of \$7.50 per credit hour was charged for fiscal years 2017 and 2016. The student activity fee supports solely student and administrative activities.

Student Aid Programs

The College participates in federal and state funded programs. Approximately 58% and 49% of the unduplicated student enrollment received student aid assistance during fiscal years 2017 and 2016, respectively. Federal and state grants expended for student financial aid in 2017 amounted to \$24,271,602 and \$6,163,918, respectively, as compared to \$28,098,619 and \$6,785,045 for 2016.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the College's basic financial statements. Since the College comprises a single special-purpose government, no fund level financial statements are presented as part of the basic financial statements.

The College's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. Accordingly, the College's financial statements reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.

In accordance with U.S. GAAP, the College's revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets, deferred outflows of resources, deferred inflows of resources, and liabilities associated with the operation of the College are included in the statements of net position, and depreciation of capital assets is recognized in the statements of revenues, expenses, and changes in net position.

The financial statements provide long-term and short-term information about the College's overall financial status.

The statements of net position report the College's net position and the changes thereto. Net position, the difference between the College's assets, deferred inflows of resources, deferred outflows of resources, and liabilities, over time, may serve as a useful indicator of the College's financial position.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 17 through 54 of this report.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Financial Analysis of the College as a Whole

As noted previously, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2018, the College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$39,852,687, a \$16,638,337 decrease from June 30, 2017. At June 30, 2017, the College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$56,491,024, a \$5,833,853 decrease from June 30, 2016. Our analysis below focuses on the net position and changes in net position of the College's activities.

Approximately 242% for fiscal year 2018 and 171% for fiscal year 2017 of the College's net position reflect its net investment in capital assets (i.e., land, construction in progress, land improvements; buildings and building improvements; equipment and furniture and library books, net of accumulated depreciation), less any related outstanding debt used to acquire these assets. The College uses these capital assets to provide services to students of the College as well as administrative and operating support services. The decrease of \$298,251 in net investment in capital assets in 2018 resulted principally from depreciation of \$3,651,010, offset by an increase in renovation projects and equipment purchases of \$2,621,638. The increase of \$2,467,793 in net investment in capital assets in 2017 resulted principally from renovation projects and equipment purchases of \$5,640,423, offset by depreciation of \$3,471,351 and principal payment on related debt of \$299,177.

An additional portion of the College's net position represents resources subject to external restrictions on how they may be used. Restricted net position represented 24% and 22% of the total net position at June 30, 2018 and 2017, respectively. Restricted net position at June 30, 2018 decreased by \$2,824,652 as a result of capital related expenses and debt service principal payments. Restricted net position at June 30, 2017 increased by \$198,273 as a result of capital related expenses and debt service principal payments.

Unrestricted net position represented (165)% and (93)% of the total net position at June 30, 2018 and 2017, respectively. Unrestricted net position at June 30, 2018 decreased by \$13,515,434, primarily from the other expenses related to salary and benefit increases, OPEB, and the pension expense for PERS and PFRS. Unrestricted net position at June 30, 2017 decreased by \$8,499,919, primarily from the other expenses related to salary and benefit increases, and the pension expense for PERS and PFRS.

Current assets increased at June 30, 2018, due to timing of transactions as the College's net position decreased by \$16,638,337. Current assets decreased at June 30, 2017, due to current year operating results as the College's net position decreased by \$5,833,853.

Current liabilities increased at June 30, 2018 by \$735,385 substantially due to increase in accrued payroll and taxes offset by decreases in other liabilities and unearned revenue – NJEFA. Noncurrent liabilities and deferred outflows of resources decreased in the 2018 fiscal year primarily due to the decrease in the net pension liability and the correlating pension deferrals. Deferred inflows of resources increased as a result of the increase in pension and OPEB deferrals. Current liabilities decreased at June 30, 2017 by \$2,532,970 substantially due to decreases in accounts payable and unearned revenue – NJEFA. Noncurrent liabilities and deferred outflows of resources increased in the 2017 fiscal year due to the increase in the net pension liability and the correlating pension deferrals. Deferred inflows of resources decreased as a result of the decrease in pension deferrals.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Financial Analysis of the College as a Whole (Continued)

Net Position

The following represents assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College at June 30, 2018, 2017, and 2016:

	Year Ended June 30,			% Increase (Decrease)	
	2018	2017	2016	2018/2017	2017/2016
Current and Other Assets	\$ 40,700,442	\$ 39,985,446	\$ 43,461,252	1.8%	(8.0)%
Capital Assets, Net of Depreciation	99,037,042	99,617,725	97,448,653	(0.6)	2.2
Total Assets	139,737,484	139,603,171	140,909,905	0.1	(0.9)
Deferred Outflows of Resources	20,896,452	30,511,977	14,906,824	(31.5)	104.7
Current Liabilities	14,960,225	14,224,840	16,757,810	5.2	(15.1)
Noncurrent Liabilities	84,662,155	99,222,165	75,417,676	(14.7)	31.6
Total Liabilities	99,622,380	113,447,005	92,175,486	(12.2)	23.1
Deferred Inflows of Resources	21,158,869	177,119	1,316,366	11,846.1	(86.5)
Net Position:					
Net Investment in Capital Assets	96,347,526	96,645,777	94,177,984	(0.3)	2.6
Restricted	9,574,523	12,399,175	12,200,902	(22.8)	1.6
Unrestricted	(66,069,362)	(52,553,928)	(44,054,009)	25.7	19.3
Total Net Position	\$ 39,852,687	\$ 56,491,024	\$ 62,324,877	(29.5)%	(9.4)%

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Financial Analysis of the College as a Whole (Continued)

Changes in Net Position

The following represents the College's changes in net position for the years ended June 30, 2018, 2017, and 2016:

	Year Ended June 30,			% Increase (Decrease)	
	2018	2017	2016	2018/2017	2017/2016
OPERATING REVENUES					
Tuition and Fees, Net	\$ 34,725,119	\$ 35,184,711	\$ 38,432,338	(1.3)%	(8.5)%
Grants and Contributions	34,834,353	36,944,351	42,380,226	(5.7)	(12.8)
Other Operating Revenue	5,739,680	6,909,192	7,006,839	(16.9)	(1.4)
Total Operating Revenues	75,299,152	79,038,254	87,819,403	(4.7)	(10.0)
OPERATING EXPENSES					
Total Operating Expenses before Depreciation	109,415,579	117,385,515	116,503,230	(6.8)	0.8
Depreciation	3,202,321	3,471,351	3,556,539	(7.8)	(2.4)
Total Operating Expenses	112,617,900	120,856,866	120,059,769	(6.8)	0.7
OPERATING LOSS	(37,318,748)	(41,818,612)	(32,240,366)	(10.8)	29.7
NONOPERATING REVENUES (EXPENSES), NET	34,796,686	35,984,759	23,411,237	(3.3)	53.7
Other Nonoperating Revenues (Expenses)	-	-	2,500,000	-	(100.0)
Total Nonoperating Revenues (Expenses)	34,796,686	35,984,759	25,911,237	(3.3)	38.9
CHANGES IN NET POSITION	(2,522,062)	(5,833,853)	(6,329,129)	(56.8)	(7.8)
Total Net Position - Beginning of Year	56,491,024	62,324,877	68,654,006	(9.4)	(9.2)
Restatement July 1, 2017, OPEB Liability	(14,116,275)	-	-	-	-
Net Position - Beginning of Year	42,374,749	62,324,877	68,654,006	(32.0)	(9.2)
NET POSITION - END OF YEAR	<u>\$ 39,852,687</u>	<u>\$ 56,491,024</u>	<u>\$ 62,324,877</u>	(29.5)%	(9.4)%

Tuition and fees revenue, net of waivers and appeals, decreased in 2018 by 1.3% primarily due to a decrease of 11.60% in credit hours offset by an increase in the amount the College charged Essex County residents of \$7.00 per credit hour and \$14.00 per credit hour to non-Essex County residents and foreign students. Tuition and fees revenue, net of waivers and appeals, decreased in 2017 by 8% due to a decrease of 23.3% in credit hours.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Financial Analysis of the College as a Whole (Continued)

Revenues

The College had operating, nonoperating, and other revenues, in the amounts of \$110,239,487, \$115,023,013, and \$113,903,951 in 2018, 2017, and 2016 respectively. The following percentages represent the sources of operating, nonoperating, and other revenues that each has contributed over the past three years:

	2018	2017	2016
OPERATING REVENUES			
Tuition and Fees	46.1 %	44.5 %	43.8 %
Federal Grants	35.1	36.6	37.3
State Grants	8.9	8.4	8.1
County and Local Grants	2.2	1.9	2.9
Charges for Services	5.4	6.1	6.5
Other Revenues	2.2	2.5	1.4
Total Operating Revenues	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
NONOPERATING REVENUES			
State Appropriations	31.7 %	46.6 %	49.8 %
County Appropriations	40.1	52.1	50.2
Interest and Investment Income (Loss)	0.4	1.3	-
Total Nonoperating Revenues	<u>72.2 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Expenses

The College expended its resources, in the amounts of \$112,761,549, \$120,995,413, and \$120,233,080 in 2018, 2017, and 2016 among the following categories:

	2018	2017	2016
Instruction	28.3 %	24.7 %	23.8 %
Public Service	4.1	3.5	3.4
Academic Support	2.8	3.2	2.7
Student Services	7.0	7.8	6.8
Institutional Support	18.9	20.3	22.7
Operation of Plant	10.6	10.0	8.8
Scholarships and Fellowships	25.5	27.2	28.7
Depreciation	2.8	3.2	3.0
Interest and Other	-	0.1	0.1
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

The foregoing represents the percentage of each expense category as compared to total expenses. Instruction expenses increased in 2018 as a percentage of total expenses due to an increase in salaries and related health benefits. Institutional support expenses decreased in 2018 as a percentage of total expenses due to pension expenses. Operation of plant expenses decreased in 2018 as a percentage of total expenses due to pension expenses offset by contractual salary increments and corresponding fringes, as well as increases in utilities. Scholarships and fellowships expenses for 2018 decreased as a percentage of total expenses due to a decrease in the number of students qualifying for federal scholarships and grants, which also resulted from the decrease in enrollment.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Financial Analysis of the College as a Whole (Continued)

Expenses (Continued)

Instruction expenses increased in 2017 as a percentage of total expenses due to an increase in salaries and related health benefits. Institutional support expenses decreased in 2017 as a percentage of total expenses due to pension expenses. Operation of plant increased in 2017 as a percentage of total expenses due to contractual salary increments and corresponding fringes, as well as increases in utilities. Scholarships and fellowships expenses for 2017 decreased as a percentage of total expenses due to a decrease in the number of students qualifying for federal scholarships and grants, which also resulted from the decrease in enrollment.

Grants and Contracts

The College continues to qualify for funding to perform specialized instruction and support services.

For fiscal years 2018, 2017, and 2016, the College received the following funding from grants and contracts:

	Year Ended June 30,			% Increase (Decrease)	
	2018	2017	2016	2018/2017	2017/2016
Federal	\$ 3,300,592	\$ 4,500,627	\$ 4,559,675	(26.7)%	(1.3)%
State	1,083,248	1,099,661	926,043	(1.5)	18.7
County and Local	1,686,496	1,397,510	2,474,733	20.7	(43.5)
Total	<u>\$ 6,070,336</u>	<u>\$ 6,997,798</u>	<u>\$ 7,960,451</u>	(13.3)	(12.1)

Funding for grants and contracts for 2018 decreased by 13.3%, principally due to decreased funding received from federal government sources when compared to 2017. Fiscal year 2017 decreased 12.1%, principally due to decreased funding received from county and local sources when compared to 2016.

Capital Assets

Capital assets purchases are funded through awards received from the state of New Jersey, county of Essex, and net position of the College. The following presents the capital assets, net of accumulated depreciation as of June 30, 2018, 2017, and 2016, and percentage increase or decrease from the prior year:

	June 30,			% Increase (Decrease)	
	2018	2017	2016	2018/2017	2017/2016
Land, Nondepreciable	\$ 3,796,647	\$ 3,796,647	\$ 3,796,647	- %	- %
Construction in Progress, Nondepreciable	7,585,141	6,547,082	2,634,858	15.9	148.5
Land Improvements	95,072	115,736	40,200	(17.9)	187.9
Buildings and Building Improvements	83,178,688	85,014,178	86,705,987	(2.2)	(2.0)
Equipment	4,085,081	3,733,275	3,709,399	9.4	0.6
Library Books	296,413	410,807	561,562	(27.8)	(26.8)
Total	<u>\$ 99,037,042</u>	<u>\$ 99,617,725</u>	<u>\$ 97,448,653</u>	(0.6)	2.2

Construction in progress increased due to ongoing capital projects, which include additions to the mega-structure. Buildings and building improvement decreased due to depreciation expense in the current year. The increase in equipment represents purchases being more than depreciation expense.

More detailed information about the College's capital assets is presented in Note 5 to the basic financial statements.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Financial Analysis of the College as a Whole (Continued)

Long-Term Liabilities

The following table summarizes the long-term liabilities at June 30 for fiscal years 2018, 2017, and 2016:

	June 30,			% Increase (Decrease)	
	2018	2017	2016	2018/2017	2017/2016
Bonds Payable, Net	\$ 2,711,282	\$ 3,026,609	\$ 3,331,936	(10.4)%	(9.2)%
Capital Lease Payable	86,324	101,210	115,387	(14.7)	(12.3)
Obligation for Postemployment Benefits other than Pensions	14,942,137	4,651,260	4,193,463	221.2	10.9
Net Pension Liability	67,273,368	91,773,299	68,096,393	(26.7)	34.8
Total	<u>\$ 85,013,111</u>	<u>\$ 99,552,378</u>	<u>\$ 75,737,179</u>	(14.6)	31.4

The decrease in capital lease payable and bonds payable, net is due to the payment of principal on debt during the 2018 fiscal year.

The decrease in the net pension liability is due to the correlating liquidation exceeding any additional pension expense.

Additional information on the College's long-term liabilities can be found in Note 7 to the basic financial statements.

Economic Factors Affecting the College/Future Outlook

The College is substantially funded by tuition, fees, and state and county aid. Tuition and fees can be affected either by a decrease in enrollment or a decrease in the availability of financial aid funds from the federal and state governments. Appropriations from the state and county may remain level or be reduced in a slow or stagnant economy. During the 2018 fiscal year, state aid decreased slightly by \$584,413 as compared to 2017. In addition, credit hours have decreased over the past few years and are not expected to increase significantly over the next few years.

Contacting Essex County College's Management

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College's finances and to show the College's accountability for money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Comptroller and Chief Financial Officer, Office of Comptroller at Essex County College, 303 University Avenue, Newark, New Jersey 07102.

**ESSEX COUNTY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Unrestricted Cash and Cash Equivalents	\$ 16,413,756	\$ 16,602,070
Cash Held by Bond Trustee - NJEFA	1,148,374	1,948,224
Restricted Cash and Cash Equivalents	3,746,307	3,078,056
Investments	2,733,709	2,575,511
Accounts Receivable:		
Tuition and Fees, Net of Allowance of \$3,888,491 and \$3,579,769 in 2018 and 2017, Respectively	813,784	754,955
Grants	1,271,483	1,005,017
State and County	12,403,415	10,373,519
Other, Net of Allowance of \$549,292 and \$854,409 in 2018 and 2017, Respectively	477,964	2,189,979
Inventories	1,430,998	1,387,404
Prepaid Expenses	<u>260,652</u>	<u>70,711</u>
Total Current Assets	40,700,442	39,985,446
NONCURRENT ASSETS		
Capital Assets, Nondepreciable	11,381,789	10,343,729
Capital Assets, Net of Accumulated Depreciation	<u>87,655,253</u>	<u>89,273,996</u>
Total Noncurrent Assets	<u>99,037,042</u>	<u>99,617,725</u>
 Total Assets	 139,737,484	 139,603,171
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	20,754,074	30,356,105
Other Postemployment Benefits Deferrals	7,288	-
Deferred Loss on Refunding	<u>135,090</u>	<u>155,872</u>
Total Deferred Outflows of Resources	20,896,452	30,511,977

See accompanying Notes to Basic Financial Statements.

**ESSEX COUNTY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,472,901	\$ 4,462,030
Accrued Payroll and Taxes	4,493,552	2,559,266
Compensated Absences	6,705	6,705
Unearned Revenue - NJEFA	1,008,825	1,808,675
Unearned Tuition and Fee Revenue	587,443	658,038
Unearned Grant Revenue	129,130	159,745
Other Liabilities	3,910,713	4,240,168
Capital Lease Payable, Current Portion	15,629	14,886
Bonds Payable, Net	335,327	315,327
Total Current Liabilities	<u>14,960,225</u>	<u>14,224,840</u>
NONCURRENT LIABILITIES		
Bonds Payable, Net, Less Current Portion	2,375,955	2,711,282
Capital Lease Payable, Less Current Portion	70,695	86,324
Net Other Postemployment Benefit Liability	14,942,137	4,651,260
Net Pension Liability	67,273,368	91,773,299
Total Noncurrent Liabilities	<u>84,662,155</u>	<u>99,222,165</u>
 Total Liabilities	 99,622,380	 113,447,005
DEFERRED INFLOW OF RESOURCES		
Pension Deferrals	17,318,855	177,119
Other Postemployment Benefits Deferrals	3,840,014	-
Total Deferred Inflows of Resources	<u>21,158,869</u>	<u>177,119</u>
NET POSITION		
Net Investment in Capital Assets	96,347,526	96,645,777
Restricted for:		
Grants, Contract, and Other Governmental Agreements	2,529,877	2,472,540
Capital Outlays	5,942,444	8,873,968
Scholarships	1,102,202	1,052,667
Unrestricted Deficit	<u>(66,069,362)</u>	<u>(52,553,928)</u>
 Total Net Position	 <u>\$ 39,852,687</u>	 <u>\$ 56,491,024</u>

See accompanying Notes to Basic Financial Statements.

ESSEX COUNTY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Tuition and Fees, Net of Waivers and Appeals of \$2,925,457 and \$2,018,676 in 2018 and 2017, Respectively	\$ 34,725,119	\$ 35,184,711
Federal Grants	26,444,397	28,934,238
State Grants	6,703,460	6,612,603
County and Local Grants	1,686,496	1,397,510
Private Contributions	66,513	97,580
Charges for Services	4,103,229	4,808,085
Other Revenues	<u>1,569,938</u>	<u>2,003,527</u>
Total Operating Revenues	75,299,152	79,038,254
OPERATING EXPENSES		
Instruction	31,881,470	31,321,673
Public Service	4,631,941	4,522,443
Academic Support	3,119,434	3,958,130
Student Services	7,827,167	9,258,214
Institutional Support	21,297,022	25,661,830
Plant Operations	11,939,331	12,790,431
Scholarships and Fellowships	28,719,214	29,872,794
Depreciation	<u>3,202,321</u>	<u>3,471,351</u>
Total Operating Expenses	<u>112,617,900</u>	<u>120,856,866</u>
OPERATING LOSS	(37,318,748)	(41,818,612)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	11,039,872	11,588,285
County Appropriations	13,950,000	12,950,000
Interest and Investment Income	128,085	480,703
Unrealized Loss on Investments	158,046	(177,733)
On-Behalf Payment for Other Post Employment Benefits	9,664,332	11,282,051
Interest Expense	<u>(143,649)</u>	<u>(138,547)</u>
Total Nonoperating Revenues (Expenses)	<u>34,796,686</u>	<u>35,984,759</u>
DECREASE IN NET POSITION	(2,522,062)	(5,833,853)
Net Position - Beginning of Year	56,491,024	62,324,877
Restatement July 1, 2017, OPEB Liability	<u>(14,116,275)</u>	<u>-</u>
Net Position - Beginning of Year, Restated	<u>42,374,749</u>	<u>62,324,877</u>
NET POSITION - END OF YEAR	<u><u>\$ 39,852,687</u></u>	<u><u>\$ 56,491,024</u></u>

See accompanying Notes to Basic Financial Statements.

**ESSEX COUNTY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees, Including Chargebacks	\$ 34,595,695	\$ 35,255,929
Tuition Refunds/Scholarships	(28,719,214)	(29,872,794)
Grants Received	35,403,635	41,206,196
Grant Payments	(6,870,186)	(8,647,758)
Restricted Cash and Cash Equivalents	(668,251)	(118,740)
Payments to Suppliers	(25,013,172)	(29,023,713)
Payments to Employees	(34,603,179)	(33,832,703)
Charges for Services	4,103,229	4,808,085
Other Operating Receipts	1,569,938	2,003,527
Net Cash Used by Operating Activities	<u>(20,201,505)</u>	<u>(18,221,971)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	11,039,872	11,588,285
County Appropriations	13,950,000	12,950,000
Net Cash Provided by Noncapital Financing Activities	<u>24,989,872</u>	<u>24,538,285</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(2,621,638)	(5,640,423)
Minor Capital Appropriations - County of Essex	(1,014,948)	199,731
Minor Capital Appropriations - State of New Jersey	(1,014,948)	199,731
Principal Payments	(330,213)	(319,504)
Interest Payments	(143,649)	(138,547)
Other Receipts (Payments)	20,782	20,782
Net Cash Used by Capital and Related Financing Activities	<u>(5,104,614)</u>	<u>(5,678,230)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Sales (Purchases) of Investments	(152)	(427,145)
Interest and Investment Income	128,085	480,703
Net Cash Provided by Investing Activities	<u>127,933</u>	<u>53,558</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(188,314)	691,642
Cash and Cash Equivalents - Beginning of Year	<u>16,602,070</u>	<u>15,910,428</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 16,413,756</u></u>	<u><u>\$ 16,602,070</u></u>

See accompanying Notes to Basic Financial Statements.

**ESSEX COUNTY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (37,318,748)	\$ (41,818,612)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	3,202,321	3,471,351
On-Behalf Payments	9,664,332	11,282,051
Changes in Operating Assets and Liabilities:		
Accounts Receivable	1,386,720	2,376,656
Restricted Cash and Cash Equivalents	(668,251)	(118,740)
Cash Held by Bond Trustee - NJEFA	799,850	1,625,797
Inventories	(43,594)	156,324
Prepaid Expenses	(189,941)	(22,639)
Unearned Revenue - NJEFA	(799,850)	(1,649,960)
Unearned Tuition and Fee Revenue	(70,595)	69,453
Accounts Payable/Accrued Expenses	1,615,702	(1,003,678)
Other Postemployment Benefits	(3,825,398)	457,797
Pension and OPEB Deferrals	30,576,493	(16,765,182)
Net Pension Liability	(24,499,931)	23,676,906
Unearned Grant Revenue	(30,615)	40,505
Net Cash Used by Operating Activities	<u><u>\$ (20,201,505)</u></u>	<u><u>\$ (18,221,971)</u></u>
SIGNIFICANT NONCASH TRANSACTIONS		
Expenses Paid on Behalf of the College	<u><u>\$ 9,664,332</u></u>	<u><u>\$ 11,282,051</u></u>

See accompanying Notes to Basic Financial Statements.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Essex County College (the College) was established in 1966 by the state of New Jersey under State Statute 18A:64A. The board of trustees is the College's ruling body, which establishes the policies and procedures by which the College is governed. The College has no component units that are required to be included within the reporting entity. The College is a component unit of the County of Essex, state of New Jersey.

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities and the accounts are maintained on the accrual basis of accounting. The College's reports are based on all applicable Government Accounting Standards Board (GASB) authoritative literature in accordance with the GASB Codification.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The College reports its financial statements as a business-type activity. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Tuition, county and state appropriations, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Revenue and Expense Classification

The College distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. The principal operating revenues of the College are tuition, fees, charges for services and grants received from federal, state, county, and private sources. Operating expenses include administrative expenses and other expenses related to providing educational services and depreciation.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or other revenue.

Revenue Recognition

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

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants and contribution revenue is comprised mainly of revenues received from grants from the State of New Jersey and the federal government and local sources and are recognized as the related eligibility requirements are met.

Revenue from state and county appropriations, including Chapter 12 and other capital funds, is recognized in the fiscal years during which the state of New Jersey and the County of Essex appropriate the funds to the College.

Net Position

Net position represents the difference between assets, deferred outflows of resource, liabilities, and deferred inflows of resources in the financial statements. Net position is reported as restricted in the financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The components of net position are detailed below:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation attributable to the acquisition, construction, or improvement of those assets and any debt associated with the acquisition of the capital assets.

Restricted:

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

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

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

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

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

Cash and equivalents consist of cash on hand, demand deposits, and short-term, highly-liquid investments that are readily convertible to known amounts of cash and that have original maturities of three months or less at the date of purchase or acquisition.

Cash Held by Bond Trustee – NJEFA

Cash held by bond trustee consists of amounts held on behalf of the College by the New Jersey Educational Facilities Authority (NJEFA) for the Higher Education Equipment Leasing Fund and the Higher Education Technology Infrastructure Fund program.

Investments

Investments consist of various stock donated to the College, certificates of deposit and open-ended mutual funds. Investments are recorded at fair value. Interest income is included in the change in net position in the accompanying statements of revenues, expenses, and changes in net position.

Accounts Receivable

The College grants credit to students, substantially all of whom are county residents. Outstanding credit balances, net of allowance for uncollectible amounts, are reported as tuition and fees accounts receivable.

Allowance for Uncollectible Amounts

The College establishes a reserve for uncollectible receivables for all outstanding balances over 90 days old, partially offset by amounts expected to be subsequently collected based on historical collection data.

Capital Assets

Capital assets include land, construction in progress, land improvements, building and building improvements, equipment and furniture and library books. Capital assets are defined by the College as assets with an initial unit cost of \$500 or more and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed or completed.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Land Improvements	10 Years
Buildings and Building Improvements:	
New Construction	50 to 70 Years
Purchased	25 and 35 Years
Library Books	8 Years
Equipment and Furniture:	
Cafeteria	10 Years
Office	7 Years
Audio and Visual	6 Years
Vehicles	7 Years
Furniture	20 Years
Computer Technology	
Student Labs	4 Years
Administrative	3 to 5 Years

Inventories

Inventories consist primarily of textbooks and merchandise held for resale by the bookstore and is stated at the lower of cost (first-in, first-out method) or market. The costs are recorded as expenses as the inventory is consumed.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid expenses in the financial statements.

Unearned Revenue

Unearned revenue consists primarily of amounts received from the NJEFA funds, which have not yet been earned under the terms of the agreement. Unearned revenue also consists of student tuition and fee revenues received that are related to the period after June 30, 2018 have been deferred to fiscal year 2019.

Contract revenue and amounts received from grants in excess of grant expenses have been classified as unearned grant revenue.

Long-Term Obligations

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

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Dependency

Significant sources of revenue include appropriations for the state of New Jersey and the County of Essex. The College is economically dependent on these appropriations to carry on its operations.

Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the collectability of receivables, capital asset useful lives, depreciation methods, net pension liability, and net OPEB liability.

Compensated Absences

Employees accrue vacation leave based upon time employed subject to certain restrictions at the close of each fiscal year. The College recorded a liability for accrued vacation leave of \$6,705 and \$6,705 as of June 30, 2018 and 2017, respectively. Certain managerial and executive employees may accrue a maximum of 30 days excluding the President and the Executive Vice President/Provost, who have no limitation. Collective bargaining employees must receive approval to accrue vacation leave at the close of the fiscal year excluding the counselors and librarians, who may accrue up to a maximum of 35 days. The College is not obligated to accrue sick leave credits for managerial and executive employees and employees covered by collective bargaining agreements.

Chargeback

Chargeback to other counties represents the amount the college charges the other counties in which out-of-county students reside for their portion of the College's operating expenses, as provided in the laws and by the criteria and procedures specified by the State of New Jersey Commission on Higher Education.

On-Behalf Payments – OPEB

The College has recorded a revenue and expense for payments made to the School Employees' Health Benefit Program (SEHBP), by the state of New Jersey (the State) on behalf of certain employees of the College. For the fiscal year ended June 30, 2018, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, whereby the State is responsible for the employer contributions and the total OPEB liability resulting from a special funding situation. Therefore, for the fiscal years ended June 30, 2018 and 2017, the College has reported its proportionate share of the collective OPEB expense and revenue for the State's OPEB expense.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the College has three items that qualify for reporting in this category: deferred amounts related to pensions, OPEB, and the deferred loss of the refunding of debt. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The College has two items that qualifies for reporting in this category: deferred amounts related to pensions and OPEB.

Recently Adopted Accounting Standards

The College has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 requires the College to report the liabilities, expense, deferred outflows of resources, and deferred inflows of resources related to the College's single employer postemployment health benefits plan for the surviving spouse of a retiree that has satisfied the plan eligibility requirements. The July 1, 2017 balance of this other postemployment benefit liability, known as OPEB liabilities, and related deferred outflows of resources and deferred inflows of resources are reported in the statement of revenues, expenses, and changes in net position as a restatement to the 2017 line item, "Net Position – Beginning of Year." The plan did not provide sufficient information to restate the June 30, 2017 financial statements.

	2018
Net Position - Beginning of Year, as Previously Stated	<u>\$ 56,491,024</u>
July 1, 2017 Balance of the Net Other Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>14,116,275</u>
Net Position - Beginning of Year, as Restated	<u><u>\$ 42,374,749</u></u>

In addition to the single employer plan above, the College participates in the New Jersey School Employees' Health Benefit Program (SEHBP), whereby the State is responsible for the employer contributions and the total OPEB liability resulting from a special funding situation. For the fiscal years ended June 30, 2018 and 2017, the College has reported its proportionate share of the collective OPEB expense and revenue for the State's OPEB expense. As a result, certain reclassifications have been made to the 2017 amounts to conform to the 2018 presentation, to reflect the payments made on behalf of the College that were previously not recognized.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards (Continued)

	<u>As Previously Reported</u>	<u>Reclassification</u>
Statements of Revenues, Expenses, and Changes in Net Position as of June 30, 2017:		
Instructional	\$ 27,124,750	\$ 31,321,673
Public Service	3,822,956	4,522,443
Academic Support	3,518,130	3,958,130
Student Services	8,558,727	9,258,214
Institutional Support	22,277,215	25,661,830
Plant Operations and Maintenance	10,928,892	12,790,431
Total Operating Expenses	109,574,815	120,856,866
On-Behalf Payments:		
Other Post Employment Benefits	-	11,282,051
Total Nonoperating Revenues	24,702,708	35,984,759
Decrease in Net Position	(5,833,853)	(5,833,853)
Statements of Cash Flows as of June 30, 2017:		
Operating Loss	(30,536,561)	(41,818,612)
On-Behalf Payments	-	11,282,051

New Accounting Pronouncements

The GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2018. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for legally enforceable liabilities associated with the retirement of tangible capital assets. The College has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The GASB has also issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The College has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The College has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. This statement clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The College has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

The GASB has issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2019. The objective of this statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. The College has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Major Equity Interests*, which is effective for fiscal years beginning after December 15, 2018. This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This statement also provides guidance for reporting component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measureable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. The College has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

NOTE 2 SUPPORT OF THE COLLEGE

The state supports the College's education and general operations through funding based upon the formula developed under the provisions of P.L. 1981 C.329.

Additional support is provided by the County of Essex and from tuition income. The annual tuition income for 2018, based on 24 semester credit hours, payable by a full-time, in-county student is \$3,024; an out-of-county and out-of-state student is required to pay \$6,072. The annual tuition income for 2018, based on 24 semester credit hours, payable by a full-time, in-county student is \$2,868; an out-of-county and out-of-state student is required to pay \$5,736.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 SUPPORT OF THE COLLEGE (CONTINUED)

The Board of School Estimate (consisting of three members of the Board of Chosen Freeholders and two members of the College's board of trustees) adopts a budget for each fiscal year ending June 30 and levies the amount necessary to be raised during that fiscal year by the County of Essex Board of Chosen Freeholders. The County generates the necessary revenue through local property taxes.

In addition, the provisions of New Jersey Statutes Annotated (N.J.S.A.) 18A:64A-20 provide for additional funding of the College's general operations by the Board of School Estimate, if an emergency or unanticipated need arises.

NOTE 3 STUDENT FINANCIAL AID

The College receives financial assistance from the state of New Jersey and the federal government in the form of grants and scholarship aid. Entitlement to the fund is generally conditional upon compliance with terms and conditions of the related agreements and applicable regulations, including the expenditure of funds for eligible purposes.

During fiscal year 2018, the College expended student assistance in the form of New Jersey Tuition Aid Grant (TAG) and Education Opportunity Fund (EOF) Programs in the amounts of \$4,477,179 and \$1,728,113, respectively, and other New Jersey student assistance grants of \$69,907, for a grand total of \$6,275,199. The College also expended student assistance from the U.S. Department of Education for Pell grants of \$22,319,010, Supplemental Educational Opportunity (SEOG) grants of \$250,000, and Federal Work Study of \$492,107, for a grand total of \$23,061,117.

During fiscal year 2017, the College expended student assistance in the form of New Jersey Tuition Aid Grant (TAG) and Education Opportunity Fund (EOF) Programs in the amounts of \$4,305,975 and \$1,749,912, respectively, and other New Jersey student assistance grants of \$108,031, for a grand total of \$6,163,918. The College also expended student assistance from the U.S. Department of Education for Pell grants of \$23,529,495, Supplemental Educational Opportunity (SEOG) grants of \$250,000, and Federal Work Study of \$492,107, for a grand total of \$24,271,602.

NOTE 4 CASH AND EQUIVALENTS AND INVESTMENTS

Cash and equivalents consist primarily of cash on deposit with banks and short-term certificates of deposit.

A portion of the cash and equivalents balance is restricted by third parties for various grants and scholarships. At June 30, 2018 and 2017, \$3,922,905 and \$3,078,056, respectively, represented cash and equivalents that are restricted for these purposes. In addition, the College had \$1,148,374 and \$1,948,224 in cash held by bond trustee – NJEFA at June 30, 2018 and 2017, respectively.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 4 CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

Additionally, the College deposits public funds in public depositories protected from loss under the provisions of the New Jersey Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. established 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 GUDPA. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to 5% 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 full amount of their deposits to the government units.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public fund; or

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

At June 30, 2018, the College's carrying value of its deposits and cash on hand was \$12,236,523 and the bank balance was \$13,036,118. Of the bank balance, \$792,416 was covered by federal depository insurance and \$11,345,166 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with GUDPA.

At June 30, 2017, the College's carrying value of its deposits and cash on hand was \$12,515,396 and the bank balance was \$12,824,529. Of the bank balance, \$792,384 was covered by federal depository insurance and \$12,032,145 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with GUDPA.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the College.

The College does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The College's deposits were fully collateralized by funds and held by the financial institution, but not in the name of the College. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Investments

The College has limited the investment of assets to obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks, which are members of the Federal Reserve System, investments in New Jersey Cash Management Fund (NJCMF) and direct and general obligations of any state, which meets the minimum requirements of its policy.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the College's deposits and investments may not be returned to it. The College does not have a policy for custodial credit risk for its investments.

The College participates in the State of New Jersey Cash Management Fund (NJCMF) where in amounts also contributed by other state entities are combined into a large-scale investment program. The NJCMF is administered by the State of New Jersey, Department of the Treasury. It invests pooled monies from various state and non-state agencies in primarily short-term investments. These investments include: U.S. Treasuries, short-term commercial paper, U.S. agency bonds, corporate bonds, and certificates of deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty.

The carrying amount of cash and equivalents in the State of New Jersey Cash Management Fund as of June 30, 2018 and 2017 was \$9,212,512 and \$9,089,463, respectively, which represented the amount on deposit with the fund.

These amounts are collateralized in accordance with Chapter 64 of title 18A of New Jersey Statutes. All investments in the NJCMF are governed by the regulations of the Investment Council, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 4 CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Risk: The College does not have an investment policy regarding the management of credit risk. GASB requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The College does not have a policy to limit interest rate risk; however, its practice is typically to invest in investments with short maturities.

Concentration of Credit Risk: This is the risk associated with the amount of investments the college has with any one issuer. The College places no limit on the amount the College may invest in any one issuer.

The College categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The College has the following recurring fair value measurements as of June 30:

	2018	2017
Corporate Stock (U.S. Equities) - Level 1 Inputs	\$ 473,633	\$ 428,697
Mutual Funds - Level 1 Inputs	2,260,076	2,146,814
Total Investments	<u>\$ 2,733,709</u>	<u>\$ 2,575,511</u>

The U.S. equities and open-end mutual fund portfolios consist of donations made by individuals many year ago that have been maintained within the donated investment portfolio to further the mission of the College and stock distributions from companies that provided group term life insurance but changed from mutual to stock companies.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 CAPITAL ASSETS

The following is a summarization of changes in capital assets for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets, Not Being Depreciated:				
Land	\$ 3,796,647	\$ -	\$ -	\$ 3,796,647
Construction in Progress	6,547,082	1,038,059	-	7,585,141
Total Capital Assets, Not Being Depreciated	10,343,729	1,038,059	-	11,381,788
Capital Assets Being Depreciated:				
Land Improvements	1,424,292	-	-	1,424,292
Buildings and Building Improvements	126,585,489	-	-	126,585,489
Equipment and Furniture	43,338,344	1,583,579	-	44,921,923
Library Books	7,052,927	-	-	7,052,927
Total Capital Assets Being Depreciated	178,401,052	1,583,579	-	179,984,631
Less Accumulated Depreciation for:				
Land Improvements	1,308,556	20,664	-	1,329,220
Buildings and Building Improvements	41,571,311	1,835,490	-	43,406,801
Equipment and Furniture	39,605,069	1,231,773	-	40,836,842
Library Books	6,642,120	114,394	-	6,756,514
Total Accumulated Depreciation	89,127,056	3,202,321	-	92,329,377
Net Capital Assets	<u>\$ 99,617,725</u>	<u>\$ (580,683)</u>	<u>\$ -</u>	<u>\$ 99,037,042</u>

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 CAPITAL ASSETS (CONTINUED)

The following is a summarization of changes in capital assets for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets, Not Being Depreciated:				
Land	\$ 3,796,647	\$ -	\$ -	\$ 3,796,647
Construction in Progress	2,634,858	4,275,156	(362,932)	6,547,082
Total Capital Assets, Not Being Depreciated	6,431,505	4,275,156	(362,932)	10,343,729
Capital Assets Being Depreciated:				
Land Improvements	1,328,092	96,200	-	1,424,292
Buildings and Building Improvements	126,021,048	564,441	-	126,585,489
Equipment and Furniture	42,270,786	1,067,558	-	43,338,344
Library Books	7,052,927	-	-	7,052,927
Total Capital Assets Being Depreciated	176,672,853	1,728,199	-	178,401,052
Less Accumulated Depreciation for:				
Land Improvements	1,287,892	20,664	-	1,308,556
Buildings and Building Improvements	39,315,061	2,256,250	-	41,571,311
Equipment and Furniture	38,561,387	1,043,682	-	39,605,069
Library Books	6,491,365	150,755	-	6,642,120
Total Accumulated Depreciation	85,655,705	3,471,351	-	89,127,056
Net Capital Assets	<u>\$ 97,448,653</u>	<u>\$ 2,532,004</u>	<u>\$ (362,932)</u>	<u>\$ 99,617,725</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$3,202,321 and \$3,471,351, respectively. Commitments outstanding on construction and other projects amounted to \$724,145 and \$1,387,330 as of June 30, 2018 and 2017, respectively.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 ACCOUNTS RECEIVABLE – COUNTY OF ESSEX AND STATE OF NEW JERSEY

The College was awarded \$0 and \$1,250,000 in capital funding by the County of Essex for fiscal years 2018 and 2017, respectively, as part of the Chapter 12 program. It is the practice of the College to request reimbursement only for expenses made and not anticipated. Accordingly, the College was reimbursed \$448,733 for award years 2012 through 2017 during fiscal year 2018. The following balances remain available from the County of Essex for minor capital awards not including the state portion of Chapter 12 funds:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2017	1,166,030
2016	1,250,000
2015	1,369,318
2014	1,187,935
2013	141,539
2012	1,529,514
Total	<u>\$ 6,644,336</u>

In addition to the County funds, there is a balance of \$5,750,194 available from the state of New Jersey for Chapter 12 funding.

NOTE 7 LONG-TERM LIABILITIES

2006 Series Bonds

In September 2006, the ECIA, on behalf of the College, issued \$4,690,000 of Guaranteed Revenue Bonds, Series 2006, to redeem \$4,760,000 of the \$5,485,000 Series 1996. Net proceeds from the sale of the bonds were deposited to an escrow account amounted to \$4,980,964. Principal and interest for these defeased securities will be paid through the bond escrow fund. At June 30, 2018, \$2,580,000 of debt remains outstanding. The bonds are secured by certain revenues of the College as defined in the original loan agreement and are additionally secured by a full, unconditional, and irrevocable guaranty of the County in accordance with a guaranty ordinance adopted by the Essex County Board of Freeholders.

At June 30, 2018, the bonds payable principal balance for the Refunding Bonds, Series 2006, is \$2,580,000. The loan agreement has a 30-year term and will be fully satisfied on December 1, 2024. The annual rate of interest chargeable to the College is 5.25%. Fiscal year principal and interest payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 315,000	\$ 127,181	\$ 442,181
2020	330,000	110,250	440,250
2021	345,000	92,531	437,531
2022	370,000	73,763	443,763
2023	390,000	53,813	443,813
2024-2025	830,000	44,099	874,099
Total	<u>\$ 2,580,000</u>	<u>\$ 501,637</u>	<u>\$ 3,081,637</u>

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Equipment Leasing Fund – Capital Lease Payable

In January 2014, the College, along with other colleges and universities, entered into a lease agreement with the New Jersey Educational Facilities Authority (NJEFA), as lessor, to issue bonds to finance the costs of acquiring and installing higher education equipment for lease to the College.

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

The total amount of equipment to be financed is \$640,967. The College's basic rent as set forth in the loan schedule is equal to approximately 28% of the debt service on the bonds, consisting of principal of \$139,498 and interest of \$39,962. In addition, the College is required to pay program expenses and administrative fees over the life of the lease.

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

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

As of June 30, 2018, the capital lease payable principal balance is \$86,324. The agreement is for a ten-year term and will be fully satisfied on May 1, 2023. The annual rate of interest chargeable to the College is 5%. Fiscal year principal and interest payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 15,629	\$ 4,316	\$ 19,945
2020	16,407	3,535	19,942
2021	17,218	2,714	19,932
2022	18,079	1,854	19,933
2023	18,991	950	19,941
Total	<u>\$ 86,324</u>	<u>\$ 13,369</u>	<u>\$ 99,693</u>

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Bonds Payable:					
Series 2006	\$ 2,875,000	\$ -	\$ 295,000	\$ 2,580,000	\$ 315,000
Unamortized Bond Premium	151,609	-	20,327	131,282	20,327
Total Bonds Payable	<u>\$ 3,026,609</u>	<u>\$ -</u>	<u>\$ 315,327</u>	<u>\$ 2,711,282</u>	<u>\$ 335,327</u>
Capital Lease Payable	<u>\$ 101,210</u>	<u>\$ -</u>	<u>\$ 14,886</u>	<u>\$ 86,324</u>	<u>\$ 15,629</u>

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Bonds Payable:					
Series 2006	\$ 3,160,000	\$ -	\$ 285,000	\$ 2,875,000	\$ 295,000
Unamortized Bond Premium	171,936	-	20,327	151,609	20,327
Total Bonds Payable	<u>\$ 3,331,936</u>	<u>\$ -</u>	<u>\$ 305,327</u>	<u>\$ 3,026,609</u>	<u>\$ 315,327</u>
Capital Lease Payable	<u>\$ 115,387</u>	<u>\$ -</u>	<u>\$ 14,177</u>	<u>\$ 101,210</u>	<u>\$ 14,886</u>

NOTE 8 COMMITMENTS AND CONTINGENCIES

The College is involved in certain legal proceedings, the resolution and impact on the financial statements of which, individually or in the aggregate, in the opinion of management as advised by legal counsel, would not be significant to the accompanying financial statements.

The College purchases commercial insurance to insure against loss. There have been no significant reductions in insurance coverage from the prior year and there have been no settlements in the current or prior three years that exceeded insurance coverage.

The College has awarded various contracts at a cost of \$25,000 for gasoline for the fleet of vehicles, continued dental coverage at a cost of \$628,000, solid waste management at a cost of \$165,000, and preventative maintenance agreement at a cost of \$1,145,000. In addition, contracts were awarded for the licensing and maintenance of information technology software in the amount of \$261,000. Insurance agreements were approved for workers' compensation, comprehensive general liability, and student athlete insurance at a cost of \$671,000. Other major professional contracts were awarded at a cost of \$891,000.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

In 2014, the College, along with other colleges and universities, was awarded multiple grants under the state of New Jersey's Building our Future Bond Act (\$14,993,738) as well as the NJEFA's Higher Education Technology Infrastructure Fund (\$3,413,535). The College did not incur any debt with respect to these new grant agreements, however, the College will be required to provide matching funds equal to 25% for the Building our Future Bond Act grant and matching funds equal to the grant amount for the Higher Education Technology Infrastructure Fund. The College has designated unrestricted net position in the amount of \$2,670,490 as of June 30, 2018 to meet its local matching obligation.

The College receives support from federal and state of New Jersey grant programs, primarily student financial assistance. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2018, management estimates that adjustments, if any, as a result of any such audits would not have a material adverse effect on the College's financial statements.

NOTE 9 LEASES

On February 26, 1990, the College leased land to a corporation for the construction of a 600-car parking garage. The 15-year lease expired in 2005 and the renewal option extended the lease an additional 15 years. The remaining renewal options can extend the lease an additional 120 years. Rent revenue received is included in unearned revenue and is being amortized over the life of the lease. The College receives rent of 2.5% of net parking revenues, subject to offset against a cumulative base amount of \$1,000,000 of revenue for the term of the initial 15-year lease.

Pursuant to this agreement, the College, in September 2018 and September 2017, received payments of \$9,500 and \$9,500, respectively, representing additional rent for the twelve-month periods ending April 30, 2018 and 2017. The College received base rent for the kitchen facilities of \$55,000 for fiscal years 2018 and 2017, respectively.

This contract does not include a provision for additional rent based on sales in excess of a specific volume.

The College also received \$166,024 and \$157,261 in rent and commissions for space allocated to vendors for vending machines for fiscal years 2018 and 2017, respectively.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 PENSION

The College participates in the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). The Division of Pensions and Benefits within the Department of Treasury, State of New Jersey (State) is the administrator of the funds and charges the College annually for its respective contributions. The following collective bargaining groups are covered under the PERS and PFRS plans: faculty, administrators, professionals, office workers, physical plant, and security.

The plans provide retirement and disability benefits, annual cost of living adjustments and benefits to plan members and beneficiaries. The plans are cost sharing multi-employer defined benefit plans and as such do not maintain separate records for each participating entity in the state and, therefore, the actuarial data for the College is not available. The Division of Pensions and Benefits issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the state of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

The College also participates in an Alternative Benefit Program (ABP) which is a defined contribution pension plan and was established pursuant to P.L. 1969, c. 242 (N.J.S.A. 18A:66-167 et seq.). The ABP provides retirement, death and disability, and medical benefits to qualified members under which the Division of Pensions and Benefits makes the employer's contribution for the College. The contributions made by the Division on behalf of the College for the year ended June 30, 2018 amounted to \$1,029,259 as compared to \$1,066,930 for fiscal year 2017. In addition, the Division reimbursed the College for contributions made for adjunct faculty for fiscal years 2018, 2017, and 2016 in the amounts of \$297,831, \$229,133, and \$235,583, respectively.

The Division is not required to contribute the employer's contribution for nonacademic job titles for members enrolled in the Alternative Benefit Program. Accordingly, the College's contributions amounted to \$97,556, \$104,663, and \$109,655 for the years ended June 30, 2018, 2017, and 2016, respectively.

The College is required by contract with certain managerial and executive employees to contribute to specific pension plans. The College's contributions for the years ended June 30, 2018, 2017, and 2016, amounted to \$27,893, \$1,287, and \$28,502, respectively.

Public Employee Retirement System (PERS)

The Public Employee Retirement System is a cost-sharing, multi-employer defined benefit pension plan as defined in GASB Statement No. 68. The plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS plan are as follows:

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Plan Membership and Contributing Employers – Substantially all full-time employees of the state of New Jersey or any county, municipality, school district, or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	170,124	166,637
Inactive Plan Members Entitled to but not yet Receiving Benefits	650	703
Active Plan Members	<u>254,685</u>	<u>259,161</u>
Total	<u><u>425,459</u></u>	<u><u>426,501</u></u>

Significant Legislation – For the State contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven-year period beginning in the fiscal year ended June 30, 2012. For fiscal year 2018, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2016 actuarial valuation.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

Specific Contribution Requirements and Benefit Provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. PERS members were required to contribute 6.64% as of July 2012 of their annual covered salary (increased to 6.78%, 6.92%, 7.06%, 7.20%, 7.34%, and 7.50% each July from 2013 through 2018). The College is required to contribute at an actuarially determined rate. The rate for the FY 17/18 was 7.20% through June 2018. The College's actuarially determined contributions to PERS for the years ended June 30, 2018, 2017, and 2016 were \$2,593,299, \$2,619,812, and \$2,673,344, respectively, equal to the required contributions for each year. The contribution requirements of the plan members and the College are established and may be amended by the state of New Jersey. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Specific Contribution Requirements and Benefit Provisions (Continued)

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
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 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 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 tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members 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 retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

At June 30, 2018 and 2017, the College reported a liability of \$65,164,398 and \$89,124,330, respectively, for its proportionate share of the net pension liability. 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 governmental entities, actuarially determined. At June 30, 2017, the College's proportion was 0.2799350208%, which was a decrease of 0.0209865214 from its proportion measured as of June 30, 2016.

For the years ended June 30, 2018 and 2017, the College recognized full accrual pension expense of \$4,677,181 and \$9,294,282, respectively, in the financial statements. At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 PENSION (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Specific Contribution Requirements and Benefit Provisions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2018:</u>		
Changes in Assumptions	\$ 13,128,381	\$ 13,080,249
Difference between Expected and Actual Experience	1,534,397	-
Changes in Proportionate Share	2,241,333	3,740,527
Net Difference between Projected and Actual		
Investment Earnings on Pension Plan Investments	443,726	-
College Contributions Subsequent to the		
Measurement Date	<u>2,578,787</u>	<u>-</u>
Total	<u>\$ 19,926,624</u>	<u>\$ 16,820,776</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2017:</u>		
Changes in Assumptions	\$ 18,461,801	\$ -
Difference between Expected and Actual Experience	1,657,442	-
Changes in Proportionate Share	3,026,727	-
Net Difference between Projected and Actual		
Investment Earnings on Pension Plan Investments	3,398,392	-
College Contributions Subsequent to the		
Measurement Date	<u>2,619,812</u>	<u>-</u>
Total	<u>\$ 29,164,174</u>	<u>\$ -</u>

A balance of \$2,578,787 is reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 1,699,275
2020	1,699,273
2021	1,600,402
2022	(2,585,031)
2023	(1,886,858)
Thereafter	-
Total	<u>\$ 527,061</u>

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Actuarial Assumptions – The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases 2026:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.65%

Mortality Rates – Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back four years for males and females. For local employees, mortality tables are set back two years for males and seven years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-200 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale.

Long-Term Rate of Return – In accordance with state statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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 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.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

Asset Class	June 30, 2017	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.50 %	1.00 %
High Yield Bonds	2.50	6.82
Risk Mitigation Strategies	5.00	5.51
Broad U.S. Equities	30.00	8.19
Developed Foreign Markets	11.50	9.00
Emerging Market Equities	6.50	11.64
Private Equity	2.00	10.63
Hedge Funds / Absolute Return	1.00	6.60
Real Estate (Property)	3.50	18.44
Buyouts/Venture Capital	8.25	13.08
U.S. Treasuries	3.00	1.87
Investment Grade Credit	10.00	3.78
Global Debt ex U.S.	5.00	7.10
REIT	6.25	9.23
Total	100.00 %	

Asset Class	June 30, 2016	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00 %	0.87 %
Mortgages	2.00	0.02
High Yield Bonds	2.00	4.56
Inflation-Indexed Bonds	1.50	3.44
Broad U.S. Equities	26.00	8.53
Developed Foreign Markets	13.25	6.83
Emerging Market Equities	6.50	9.95
Private Equity	9.00	12.40
Hedge Funds / Absolute Return	12.50	4.68
Real Estate (Property)	2.00	6.91
Commodities	0.50	5.45
U.S. Treasuries	1.50	1.74
Investment Grade Credit	8.00	1.79
Global Debt ex U.S.	5.00	(0.25)
REIT	5.25	5.63
Total	100.00 %	

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the College's proportionate share of the PERS net pension liability calculated using the discount rate of 5.00% as of June 30, 2017 and 3.98% as of June 30, 2016, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.00% in 2017 and 2.98% in 2016) or one percentage point higher (6.00% in 2017 and 4.98% in 2016) than the current rate.

	2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
College's Proportionate Share of the Net Pension Liability (Asset)	\$ 80,840,858	\$ 65,164,398	\$ 52,103,964
	2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
College's Proportionate Share of the Net Pension Liability (Asset)	\$ 109,211,464	\$ 89,124,330	\$ 72,540,659

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, the fiduciary net position of PERS and additions to or deductions from PERS's fiduciary net position have been determined on the same basis as they are reported in the PERS's financial statements. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about PERS' fiduciary net position is available in the PERS Comprehensive Annual Financial Report, which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Police and Firemen's Retirement System (PFRS)

The Police and Firemen's Retirement System is a cost-sharing, multi-employer defined benefit pension plan as defined in GASB Statement No. 68. The plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS plan are as follows:

Plan Membership and Contributing Employers – Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017 and 2016:

	2018	2017
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	43,011	41,824
Inactive Plan Members Entitled to but not yet Receiving Benefits	47	51
Active Plan Members	40,789	40,359
Total	<u>83,847</u>	<u>82,234</u>

In addition to the State, who is the sole payer of regular employer contributions to the fund, PFRS's contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program (ERIP) and who are legally responsible to continue to pay towards their incurred liability.

Significant Legislation – For the State contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the state to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven-year period beginning in the fiscal year ended June 30, 2012. For state fiscal year 2018, the state was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2016 actuarial valuation.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

Specific Contribution Requirements and Benefit Provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. College contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Police and Firemen's Retirement System (PFRS) (Continued)

Specific Contribution Requirements and Benefit Provisions (Continued)

The College's contribution to the PFRS plan was reduced also by the Pension Security Legislation Act of 1997 and Chapter 44, P.L. 2001 signed into law on March 29, 2001. Accordingly, contributions for the PFRS plan for the years end June 30, 2018, 2017, and 2016, amounted to \$114,771, \$120,901, and \$113,064, respectively.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

At June 30, 2018 and 2017, the College reported a liability of \$2,108,970 and \$2,648,969, respectively, for its proportionate share of the net pension liability. 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 governmental entities, actuarially determined. At June 30, 2017, the College's proportion was 0.0136608450%, which was a decrease of 0.0002062433 from its proportion measured as of June 30, 2016.

For the years ended June 30, 2018 and 2017, the College recognized full accrual pension expense of \$260,213 and \$357,999, respectively, in the financial statements. At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Police and Firemen's Retirement System (PFRS) (Continued)

Specific Contribution Requirements and Benefit Provisions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2018:</u>		
Changes in Assumptions	\$ 260,060	\$ 345,388
Difference between Expected and Actual Experience	13,682	12,378
Changes in Proportionate Share	398,693	140,313
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	40,244	-
College Contributions Subsequent to the Measurement Date	114,771	-
Total	<u>\$ 827,450</u>	<u>\$ 498,079</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2017:</u>		
Changes in Assumptions	\$ 366,904	\$ -
Difference between Expected and Actual Experience	-	17,364
Changes in Proportionate Share	518,518	159,755
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	185,608	-
College Contributions Subsequent to the Measurement Date	120,901	-
Total	<u>\$ 1,191,931</u>	<u>\$ 177,119</u>

A balance of \$114,771 is reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 92,667
2020	92,666
2021	106,139
2022	(28,557)
2023	(48,315)
Thereafter	-
Total	<u>\$ 214,600</u>

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions – The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2010 to June 30, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases 2026:		
Through 2026	2.10-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

Long-Term Rate of Return – In accordance with state statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Police and Firemen's Retirement System (PFRS) (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 and 2016 are summarized in the following tables:

Asset Class	June 30, 2017	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.50 %	1.00 %
High Yield Bonds	2.50	6.82
Risk Mitigation Strategies	5.00	5.51
Broad U.S. Equities	30.00	8.19
Developed Foreign Markets	11.50	9.00
Emerging Market Equities	6.50	11.64
Private Equity	2.00	10.63
Hedge Funds / Absolute Return	1.00	6.60
Real Estate (Property)	3.50	18.44
Buyouts/Venture Capital	8.25	13.08
U.S. Treasuries	3.00	1.87
Investment Grade Credit	10.00	3.78
Global Debt ex U.S.	5.00	7.10
REIT	6.25	9.23
Total	100.00 %	

Asset Class	June 30, 2016	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00 %	0.87 %
Mortgages	2.00	1.67
High Yield Bonds	2.00	4.56
Inflation-Indexed Bonds	1.50	3.44
Broad U.S. Equities	26.00	8.53
Developed Foreign Markets	13.25	6.83
Emerging Market Equities	6.50	9.95
Private Equity	9.00	12.40
Hedge Funds / Absolute Return	12.50	4.68
Real Estate (Property)	2.00	6.91
Commodities	0.50	5.45
U.S. Treasuries	1.50	1.74
Investment Grade Credit	8.00	1.79
Global Debt ex U.S.	5.00	(0.25)
REIT	5.25	5.63
Total	100.00 %	

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Police and Firemen's Retirement System (PFRS) (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.14% and 5.55% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.14% as of June 30, 2017 and 5.55% as of June 30, 2016, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.14% in 2017 and 4.55% in 2016) or one percentage point higher (7.14% in 2017 and 6.55% in 2016) than the current rate.

	2017		
	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
College's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,778,742	\$ 2,108,970	\$ 1,558,676
	2016		
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
College's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,415,651	\$ 2,648,969	\$ 2,023,786

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, the fiduciary net position of PFRS and additions to or deductions from PFRS's fiduciary net position have been determined on the same basis as they are reported in the PFRS's financial statements. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about PFRS' fiduciary net position is available in the PFRS Comprehensive Annual Financial Report, which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 10 PENSION (CONTINUED)

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation – Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the state if certain circumstances occurred. The amount contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and the state is treated as a nonemployer contributing entity. The nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the College as of June 30, 2017 and 2016 are 0.0136608450% and 0.0138670883%, respectively, and the nonemployer contributing entities' contribution for the years ended June 30, 2017 and 2016 was \$11,812 and \$8,524, respectively. The State's proportionate share of the net pension liability attributable to the College for the years ended June 30, 2017 and 2016 was \$236,222 and \$222,448, respectively.

NOTE 11 POST-RETIREMENT HEALTH COVERAGE

Other postemployment benefits (OPEB) are benefits, such as healthcare benefits, that are paid in the period after employment and that are provided separately from a pension plan. OPEB does not include termination benefits or termination payments for sick leave.

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired state employees and retired educational employees.

SEHBP

At June 30, 2018, the College did not report a liability related to the School Employees' Health Benefit Program (SEHBP) due to a special funding situation. The state of New Jersey (the State) is responsible for the employer contributions and the total OPEB liability resulting from a special funding situation. Therefore, for the fiscal year ended June 30, 2018, the College has reported its proportionate share of the collective OPEB expense and revenue for the State's OPEB expense and is not required to record its share of the unfunded OPEB liability but instead, that liability is recorded by the State. The amount recognized by the College as its proportionate share of the OPEB liability, the related State support, and the total portion of the OPEB liability that was associated with the College were as follows:

State's Proportionate Share of the OPEB Liability	\$ 118,799,279
College's Proportionate Share of the OPEB Liability	-
Total	<u>\$ 118,799,279</u>

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (CONTINUED)

SEHBP (Continued)

The total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2016.

For the year ended June 30, 2018, the College recognized OPEB expense of \$9,664,332 and revenue of \$9,664,332 for support provided by the State. Due to the special funding situation noted above related to the SEHBP, the College did not report deferred outflows of resources and deferred inflows of resources related to the SEHBP.

Plan Description

The School Employees' Health Benefit Program (SEHBP) is a multi-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*.

The SEHBP provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers. The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for the SEHBP. The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14- 17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: Teachers' Pensions 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 post-retirement 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. The SEHBP does not issue a stand-alone financial report but is reported in the State's Comprehensive Annual Financial Report (CAFR). The CAFR is an audited financial statement and is available at: <https://www.nj.gov/treasury/omb/publications/archives.shtml>.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (CONTINUED)

SEHBP (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	TPAF/ABP	PERS	PFRS
Salary Increases:	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
Through 2026	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

- Inflation of 2.50%
- Healthcare cost trend assumptions - For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.
- The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher
- Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post-retirement mortality rates were based on the RP-2014 Headcount- Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount- Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.
- The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods from July 1, 2012 to June 30, 2015, July 1, 2010 to June 30, 2013, and July 1, 2011 to June 30, 2014 for TPAF, PFRS, and PERS, respectively.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (CONTINUED)

In addition to the postemployment health benefit plan offered by the State, the College provides a single employer postemployment health benefits plan for the surviving spouse of a retiree that has satisfied the plan eligibility requirements. GASB has established guidelines for reporting costs associated with "other postemployment benefits" (OPEB). OPEB costs are calculated based on plan benefits (other than pensions), that the retired employees and their spouses have accrued as a result of their respective years of employment service.

Plan Description

The College's postemployment retirement healthcare benefit plan provides health benefits to all surviving spouses of a retiree that has satisfied the plan eligibility requirements. To be considered eligible for the plan, the retiree must have attained 25 years of service, the last 15 of which must be with the College, and reached the age of 55. Retirees that have retired due to ordinary or accidental disability do not have to meet the years of service requirement. The College is currently providing benefits for sixteen surviving spouses under this plan.

The plan is a comprehensive health benefits plan, which pays for hospital services, doctor expenses and other medical related necessities, which include prescription drugs, and mental health/substance abuse services, subject to provisions and limitations. The College administers the plan through the state of New Jersey, Department of the Treasury, Division of Pensions and Benefits, and has the authority to establish and amend the benefits provisions offered. The plan is not a separate entity or trust and does not issue stand-alone financial statements.

Funding Policy

The cost of retiree health care coverage is provided through a 0.2% base salary reduction from the members of the Faculty and Administrative collective bargaining groups. These base salary reductions are then transmitted to the restricted fund to pay for the monthly invoices received from the state of New Jersey for the surviving spouses of former retirees. The annual cost for the state invoices amounted to \$107,497 and \$78,011 for fiscal years 2018 and 2017, respectively. The College pays 100% of the cost of the surviving spouses' Medicare Part B premium. The cost for these premiums amounted to \$13,833 and \$13,351 for fiscal years 2018 and 2017, respectively.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Inflation of 2.30%.
- Healthcare cost trend rate of 5.8% in 2017 and 5.7% in 2018, with rates gradually decreasing to 3.9% in 2075 and later.
- Average career salary growth of 3.5% per year.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

- Projected benefits based on estimates of future years of service and projected health benefit costs.
- Mortality rates based on the RP-2000 Male and Female Combined Healthy Mortality Tables or the RP-2000 Male and Female Disabled Retiree
- Mortality Tables, as appropriate, adjusted to ensure sufficient margin improvement in certain age ranges.
- Participant data based on census information as of July 1, 2016.

The assumptions include a discount rate of 3.87%, an annual healthcare cost trend rate of 5.9% for medical and prescription drugs grading down to an ultimate rate of 3.9%. The investment return assumption (discount rate) is determined by the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that are being partially funded. The target asset allocation and long-term expected real rate of return for the College is not disclosed due to the plan asset amounts being immaterial.

The following presents the College's net OPEB liability at June 30, 2018, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.9% decreasing to 2.9%) or one percentage point higher (6.9% decreasing to 4.9%) than the current healthcare cost trend rates (5.9% decreasing to 3.9%).

Sensitivity of the College's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate				
	1% Decrease (4.9% decreasing to 2.9%)	Healthcare Cost Trend Rates (5.9% decreasing to 3.9%)	1% Increase (6.9% decreasing to 4.9%)	
2018	\$ 12,722,934	\$ 14,942,137	\$ 19,012,954	

The following presents the College's net OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current healthcare cost trend rates (3.87%).

Sensitivity of the College's Net OPEB Liability to Changes in the Discount Rate				
	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%	
2018	\$ 12,182,206	\$ 14,942,137	\$ 19,783,936	

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference between Projected and Actual Investment Earnings	\$ 7,288	\$ -
Changes in Assumptions	<u>-</u>	<u>3,840,014</u>
Total	<u>\$ 7,288</u>	<u>\$ 3,840,014</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amortization</u>
2019	\$ (681,354)
2020	(681,354)
2021	(681,354)
2022	(682,540)
2023	(683,473)
Thereafter	<u>(422,651)</u>
Total	<u>\$ (3,832,726)</u>

NOTE 12 STATE UNEMPLOYMENT INSURANCE

The College pays for State Unemployment Insurance by the benefit reimbursement method. Under the benefit reimbursement method, the College is required to maintain a designated fund consisting of worker and employer contributions for the specific purpose of reimbursing the Employment Security Agency for unemployment benefits paid to former employees. Employee contributions are used to fund workers' health care, unemployment and workforce programs.

Claims incurred for the year ended June 30, 2018 amounted to \$157,693 as compared to \$475,726 for fiscal year 2017.

For fiscal years 2018 and 2017, the College did not charge unemployment claims exclusive of grant credits, to the designated fund. Based on current experience, the College elected to make no contribution to the fund for fiscal year 2018. At June 30, 2018 and 2017, net position in the College's unemployment fund was \$830,775 and \$806,370, respectively.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 13 ACTIONS OF THE MIDDLE STATES COMMISSION ON HIGHER EDUCATION

On June 21, 2018, the Middle States Commission on Higher Education (the Commission) accepted the monitoring report of March 1, 2018, and noted the visit by the Commission's representatives. In addition, the Commission removed probation status, as the College is in compliance with Standard 3 (Institutional Resources) and Standard 4 (Leadership and Governance) and reaffirmed full accreditation status. The Commission requested a monitoring report, due April 1, 2019, demonstrating (1) sustainability of implemented corrective measures for Standard 3 and 4, and further evidence of (2) clearly documented and communicated planning and improvement process that provide for constituent participation, (3) financial planning and budget process that are aligned with mission, goals, and objectives and are evidence based, (4) assessment of the effectiveness of planning, resource allocation, institutional renewal, and availability of resources, and (5) periodic assessment of the effectiveness of governance, leadership, and administration. The next evaluation visit is scheduled for 2022-23.

As of June 30, 2018, the College is fully accredited by the Middle States Commission on Higher Education.

NOTE 14 RESTRICTED AND UNRESTRICTED NET POSITION

Net position is restricted by third parties for the following purposes at June 30:

	2018	2017
Grants, Contracts, Governmental Agreements and Other	\$ 2,529,877	\$ 2,472,540
Capital Outlays - Chapter 12 Funding	5,942,444	8,873,968
Scholarships	1,102,202	1,052,667
Total	<u>\$ 9,574,523</u>	<u>\$ 12,399,175</u>

Unrestricted net position at June 30 is comprised of the following:

	2018	2017
Designated:		
Capital Outlays - State Bond Projects	\$ 2,670,490	\$ 2,654,477
Scholarships	3,831,086	3,831,086
Retirement of Bond Indebtedness	2,619,639	2,719,932
Undesignated:		
Cumulative Impact of GASBs 68/71 on Net Position	(66,531,707)	(64,335,026)
Cumulative Impact of GASB 45/75 on Net Position	(18,815,100)	(4,651,260)
Undesignated Other	10,156,230	7,226,863
Total	<u>\$ (66,069,362)</u>	<u>\$ (52,553,928)</u>

ESSEX COUNTY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF SEHBP OPEB LIABILITY AND CONTRIBUTIONS
JUNE 30, 2018 AND 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2018</u>
College's Proportionation of the OPEB Liability	0.0%
College's Proportionate Share of the OPEB Liability	\$ -
State's Proportionate Share of the OPEB Liability of the College	118,007,652
Total	<u>\$ 118,007,652</u>
College's Covered Employee Payroll	\$ 27,015,480
College's Proportionate Share of the OPEB Liability as a Percentage of its Covered Employee Payroll	22.89%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%

	<u>2017</u>	<u>2018</u>
Contractually Required Contribution	\$ 11,282,051	\$ 9,664,332
Contributions in Relation to the Contractually Required Contribution	<u>11,282,051</u>	<u>9,664,332</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
College's Covered-Employee Payroll	\$ 28,351,642	\$ 27,015,480
Contributions as a Percentage of Covered-Employee Payroll	39.79%	35.77%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

ESSEX COUNTY COLLEGE
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2018 AND 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Measurement Year Ending June 30, 2018
Total OPEB Liability:	
Service Cost	\$ 243,542
Interest	581,518
Benefit Payments	(129,423)
Assumption Changes	<u>(1,886,075)</u>
Net Change in Total Pension Liability	(1,190,438)
Total OPEB Liability - Beginning	<u>16,308,235</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 15,117,797</u></u>
Plan Fiduciary Net Position:	
Contribution - Employer	\$ 129,423
Net Investment Income	2,283
Benefit Payments	<u>(129,423)</u>
Net Change in Plan Fiduciary Net Position	2,283
Plan Fiduciary Net Position - Beginning	<u>173,377</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 175,660</u></u>
Net OPEB Liability (a-b)	<u><u>\$ 14,942,137</u></u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	1.16 %
Covered Payroll	\$ 28,815,026
Net OPEB Liability as a Percentage of Covered Payroll	0.61 %

* Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

ESSEX COUNTY COLLEGE
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2018 AND 2017
(SEE INDEPENDENT AUDITORS' REPORT)

Measurement Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2018	\$ 129,423	\$ 129,423	\$ -	\$ 28,815,026.00	0.45%

* Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

ESSEX COUNTY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST TEN FISCAL YEARS*

Year Ended June 30,	College's Proportion of the Net Pension Liability (Asset) Local Group (a)	College's Proportionate Share of the Net Pension Liability (Asset) (b)	College's Covered Payroll (c)	College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) Local Group
2018	0.2799350208 %	\$ 65,164,398	\$ 17,753,061	367.06 %	48.10 %
2017	0.3009215420	89,124,330	18,716,496	476.18	40.14
2016	0.2959678807	66,438,858	20,731,354	320.48	47.93
2015	0.2826643339	52,922,494	20,429,420	259.05	48.62

* Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016, to 5.00 % as of June 30, 2017.

**ESSEX COUNTY COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
LAST TEN FISCAL YEARS***

Year Ended June 30,	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	College's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2018	\$ 2,578,787	\$ 2,578,787	\$ -	\$ 17,753,061	14.53 %
2017	2,619,812	2,619,812	-	18,716,496	14.00
2016	2,673,344	2,673,344	-	20,172,950	13.25
2015	2,544,530	2,544,530	-	20,731,354	12.27

* Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

**ESSEX COUNTY COLLEGE
SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)
LAST TEN FISCAL YEARS***

Year Ended June 30,	College's Proportion of the Net Pension Liability (Asset) Local Group (a)	College's Proportionate Share of the Net Pension Liability (Asset) (b)	College's Covered Payroll (c)	College's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) Local Group
2018	0.0136608450 %	\$ 2,108,970	\$ 296,633	710.97 %	58.60 %
2017	0.0138670883	2,648,969	270,194	980.40	52.01
2016	0.0099512722	1,657,535	321,980	514.79	56.31
2015	0.0118202912	1,486,883	305,353	486.94	62.14

* Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2016 to 6.14% as of June 30, 2017.

**ESSEX COUNTY COLLEGE
SCHEDULE OF COLLEGE CONTRIBUTIONS
POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)
LAST TEN FISCAL YEARS***

Year Ended June 30,	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	College's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2018	\$ 114,771	\$ 114,771	\$ -	\$ 296,633	38.69 %
2017	120,901	120,901	-	270,194	44.75
2016	113,064	113,064	-	321,980	35.12
2015	80,889	80,889	-	305,353	26.49

* Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

ESSEX COUNTY COLLEGE
COMBINING SCHEDULE OF NET POSITION – ALL FUNDS
JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	General Fund	Grants and Contracts	Scholarship and Student Grants in Aid	Capital Outlays	Retirement of Bond Indebtedness	Bookstore	Concessions and Gym	Other	Combining Total
ASSETS									
Unrestricted Cash and Cash Equivalents	\$ 13,060,320	\$ -	\$ -	\$ -	\$ 3,336,167	\$ 17,269	\$ -	\$ -	\$ 16,413,756
Cash Held by Bond Trustee - NJEFA	1,148,374	-	-	-	-	-	-	-	1,148,374
Restricted Cash and Cash Equivalents	-	-	2,337,718	1,232,156	-	-	-	176,433	3,746,307
Investments	2,543,833	-	13,384	64	-	-	-	176,428	2,733,709
Accounts Receivable:									
Tuition and Fees, Net	813,784	-	-	-	-	-	-	-	813,784
Grants	-	1,169,200	102,283	-	-	-	-	-	1,271,483
State and County	-	-	8,885	12,394,530	-	-	-	-	12,403,415
Other, Net	362,816	-	-	-	-	73,975	-	41,173	477,964
Internal Balances	(5,469,890)	(492,467)	2,511,590	(2,418,339)	(716,528)	6,047,556	(2,721,929)	3,260,007	-
Inventories	-	-	-	-	-	1,415,061	15,937	-	1,430,998
Prepaid Expenses	261,643	215	-	-	-	(1,206)	-	-	260,652
Capital Assets, Nondepreciable	11,381,789	-	-	-	-	-	-	-	11,381,789
Capital Assets, Net of Accumulated Depreciation	87,655,253	-	-	-	-	-	-	-	87,655,253
Total Assets	111,757,922	676,948	4,973,860	11,208,411	2,619,639	7,552,655	(2,705,992)	3,654,041	139,737,484
DEFERRED OUTFLOWS OF RESOURCES									
Pension Deferrals	20,754,074	-	-	-	-	-	-	-	20,754,074
Other Postemployment Benefits Deferrals	-	-	-	-	-	-	-	7,288	7,288
Deferred Loss on Refunding	-	-	-	135,090	-	-	-	-	135,090
Total Deferred Outflows of Resources	20,754,074	-	-	135,090	-	-	-	7,288	20,896,452
LIABILITIES									
Accounts Payable	4,014,017	429,682	(18,344)	1,613	-	11,007	148	34,778	4,472,901
Accrued Payroll and Taxes	4,321,009	118,136	4,984	-	-	16,042	3,648	29,733	4,493,552
Accrued Compensated Absences	6,705	-	-	-	-	-	-	-	6,705
Unearned Revenue - NJEFA	1,008,825	-	-	-	-	-	-	-	1,008,825
Unearned Tuition and Fee Revenue	587,443	-	-	-	-	-	-	-	587,443
Unearned Grant Revenue	-	129,130	-	-	-	-	-	-	129,130
Other Liabilities	3,468,692	-	53,932	17,672	-	369,078	1,253	86	3,910,713
Bonds Payable, Net	-	-	-	2,711,282	-	-	-	-	2,711,282
Capital Lease Payable	86,324	-	-	-	-	-	-	-	86,324
Net Other Postemployment Benefit Liability	-	-	-	-	-	-	-	14,942,137	14,942,137
Net Pension Liability	67,273,368	-	-	-	-	-	-	-	67,273,368
Total Liabilities	80,766,383	676,948	40,572	2,730,567	-	396,127	5,049	15,006,734	99,622,380
DEFERRED INFLOW OF RESOURCES									
Pension Deferrals	17,318,855	-	-	-	-	-	-	-	17,318,855
Other Postemployment Benefits Deferrals	-	-	-	-	-	-	-	3,840,014	3,840,014
Total Deferred Inflows of Resources	17,318,855	-	-	-	-	-	-	3,840,014	21,158,869
NET POSITION									
Net Investment in Capital Assets	96,347,526	-	-	-	-	-	-	-	96,347,526
Restricted	-	-	1,102,202	5,942,444	-	-	-	2,529,877	9,574,523
Unrestricted (Deficit)	(61,920,768)	-	3,831,086	2,670,490	2,619,639	7,156,528	(2,711,041)	(17,715,296)	(66,069,362)
Total Net Position	\$ 34,426,758	\$ -	\$ 4,933,288	\$ 8,612,934	\$ 2,619,639	\$ 7,156,528	\$ (2,711,041)	\$ (15,185,419)	\$ 39,852,687

ESSEX COUNTY COLLEGE
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – ALL FUNDS
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	General Fund	Grants and Contracts	Scholarship and Student Grants in Aid	Capital Outlays	Retirement of Bond Indebtedness	Bookstore	Concessions and Gym	Other	Combining Total
OPERATING REVENUES									
Tuition and Fees, Net	\$ 34,725,119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,725,119
Federal Grants	82,688	3,300,592	23,061,117	-	-	-	-	-	26,444,397
State Grants	-	1,083,248	5,620,212	-	-	-	-	-	6,703,460
County and Local Grants	-	1,686,496	-	-	-	-	-	-	1,686,496
Private Contributions	-	-	66,513	-	-	-	-	-	66,513
Charges for Services	-	-	-	-	-	2,709,905	25,913	1,367,411	4,103,229
Other Revenues	1,537,668	-	-	-	-	62	-	32,208	1,569,938
Total Operating Revenues	36,345,475	6,070,336	28,747,842	-	-	2,709,967	25,913	1,399,619	75,299,152
OPERATING EXPENSES									
Instruction	28,155,528	3,713,854	12,088	-	-	-	-	-	31,881,470
Public Service	4,539,470	92,471	-	-	-	-	-	-	4,631,941
Academic Support	2,841,984	277,450	-	-	-	-	-	-	3,119,434
Student Services	4,595,562	1,970,551	-	-	-	-	-	1,261,054	7,827,167
Institutional Support	18,167,713	16,010	-	-	-	2,924,626	83,412	105,261	21,297,022
Plant Operations	11,939,331	-	-	-	-	-	-	-	11,939,331
Scholarships and Fellowships	-	-	28,719,214	-	-	-	-	-	28,719,214
Depreciation	3,202,321	-	-	-	-	-	-	-	3,202,321
Debt Service:									
Principal	(309,886)	-	-	309,886	-	-	-	-	-
Capital Outlay:									
Capital Expenses	(2,621,638)	-	-	2,621,638	-	-	-	-	-
Total Operating Expenses	70,510,385	6,070,336	28,731,302	2,931,524	-	2,924,626	83,412	1,366,315	112,617,900
OPERATING INCOME (LOSS)	(34,164,910)	-	16,540	(2,931,524)	-	(214,659)	(57,499)	33,304	(37,318,748)
NONOPERATING REVENUES (EXPENSES)									
State Appropriations	11,039,872	-	-	-	-	-	-	-	11,039,872
County Appropriations	13,950,000	-	-	-	-	-	-	-	13,950,000
Interest and Investment Income	31,372	-	33,284	16,013	43,356	-	-	4,060	128,085
Unrealized Loss on Investments	145,690	-	(289)	-	-	-	-	12,645	158,046
On-Behalf Payment for Other Post Employment Benefits	9,664,332	-	-	-	-	-	-	-	9,664,332
Interest Expense	-	-	-	-	(143,649)	-	-	-	(143,649)
Total Nonoperating Revenues (Expenses)	34,831,266	-	32,995	16,013	(100,293)	-	-	16,705	34,796,686
CHANGE IN NET POSITION	666,356	-	49,535	(2,915,511)	(100,293)	(214,659)	(57,499)	50,009	(2,522,062)
Net Position - Beginning of Year	33,760,402	-	4,883,753	11,528,445	2,719,932	7,371,187	(2,653,542)	(1,119,153)	56,491,024
Restatement July 1, 2017, OPEB Liability	-	-	-	-	-	-	-	(14,116,275)	(14,116,275)
Net Position - Beginning of Year, Restated	33,760,402	-	4,883,753	11,528,445	2,719,932	7,371,187	(2,653,542)	(15,235,428)	42,374,749
NET POSITION - END OF YEAR	<u>\$ 34,426,758</u>	<u>\$ -</u>	<u>\$ 4,933,288</u>	<u>\$ 8,612,934</u>	<u>\$ 2,619,639</u>	<u>\$ 7,156,528</u>	<u>\$ (2,711,041)</u>	<u>\$ (15,185,419)</u>	<u>\$ 39,852,687</u>

**ESSEX COUNTY COLLEGE
SCHEDULE OF NET POSITION
BOOKSTORE, CONCESSIONS, AND GYM
JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>Bookstore</u>	<u>Concessions and Gym</u>	<u>Total</u>
ASSETS			
Unrestricted Cash and Cash Equivalents	\$ 17,269	\$ -	\$ 17,269
Accounts Receivable, Net	73,975	-	73,975
Inventories	1,415,061	15,937	1,430,998
Internal Balances	6,047,556	(2,721,929)	3,325,627
Prepaid Expenses	(1,206)	-	(1,206)
Total Assets	<u>7,552,655</u>	<u>(2,705,992)</u>	<u>4,846,663</u>
LIABILITIES			
Accounts Payable	11,007	148	11,155
Accrued Payroll	16,042	3,648	19,690
Other Liabilities	369,078	1,253	370,331
Total Liabilities	<u>396,127</u>	<u>5,049</u>	<u>401,176</u>
NET POSITION			
Unrestricted Assets (Deficit)	<u>7,156,528</u>	<u>(2,711,041)</u>	<u>4,445,487</u>
Total Net Position	<u><u>\$ 7,156,528</u></u>	<u><u>\$ (2,711,041)</u></u>	<u><u>\$ 4,445,487</u></u>

ESSEX COUNTY COLLEGE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BOOKSTORE, CONCESSIONS AND GYM
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Bookstore	Concessions and Gym	Total
OPERATING REVENUES			
Charges for Services	\$ 2,709,905	\$ 25,913	\$ 2,735,818
Other Revenues	62	-	62
Total Operating Revenues	<u>2,709,967</u>	<u>25,913</u>	<u>2,735,880</u>
			-
OPERATING EXPENSES			
Cost of Goods Sold	2,082,599	737	2,083,336
Salaries	297,462	68,166	365,628
Employee Benefits	121,918	14,509	136,427
General Supplies and Materials	177	-	177
Other Direct Expenses	422,470	-	422,470
Total Operating Expenses	<u>2,924,626</u>	<u>83,412</u>	<u>3,008,038</u>
			-
CHANGE IN NET POSITION	(214,659)	(57,499)	(272,158)
			-
Net Position - Beginning of Year	<u>7,371,187</u>	<u>(2,653,542)</u>	<u>4,717,645</u>
			-
NET POSITION - END OF YEAR	<u><u>\$ 7,156,528</u></u>	<u><u>\$ (2,711,041)</u></u>	<u><u>\$ 4,445,487</u></u>

ESSEX COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Grant Period	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION					
Student Financial Assistance Cluster					
Federal Work-Study Program - P033A002560	84.033	N/A		07/01/2017 - 06/30/2018	\$ 492,107
Federal Pell Grant Program - P063P002345	84.063	N/A		07/01/2017 - 06/30/2018	22,319,010
Federal Supplemental Educational Opportunity Grants - P007A002560	84.007	N/A		07/01/2017 - 06/30/2018	250,000
Total Student Financial Assistance Cluster					23,061,117
Trio-Cluster					
Browns Grant - V - 191D150022-17	84.042A	N/A		09/01/2016 - 08/31/2017	185,876
Browns Grant - V - 191D150022-18	84.042A	N/A		09/01/2017 - 08/31/2018	137,578
Total Trio-Cluster					323,454
PBI Grant - P031P110026-16	84.031P	N/A		10/01/2015 - 09/30/2017	78,166
Passed Through New Jersey Department of Education:					
Carl Perkins Voc. Ed. Grant - PKPP7130-17	84.048A	216000928		07/01/17 - 06/30/18	380,405
Adult Basic Education:					
ABE Grant Level I & II - ABS-FY16006	84.048A	216000928		07/01/17 - 06/30/18	1,661,820
ABE Grant Level III - ABS-FY16006	84.002	216000928		07/01/17 - 06/30/18	10,670
Total Adult Basic Education					1,672,490
Total Passed Through NJ Department of Education					2,052,895
Total U.S. Department of Education					25,515,632
US. NATIONAL SCIENCE FOUNDATION					
Research and Development Cluster:					
Garden State - Louis Stokes Alliance for Minority Participation Grant - HRD-0902132-17	47.076	N/A		07/01/2016 - 06/30/2017	1,630
Garden State - Louis Stokes Alliance for Minority Participation Grant - HRD-0902132-18	47.076	N/A		07/01/2017 - 06/30/2018	9,870
Total U.S. National Science Foundation					11,500
Passed Through Rutgers University:					
Essex Peer Tutoring Grant	43.008	Unavailable		09/01/2017 - 08/31/2018	66,967
Essex STEM Bio Chemical Grant	43.008	Unavailable		09/01/2017 - 08/31/2018	14,849
Total Passed Through Rutgers University					81,816
U.S. DEPARTMENT OF LABOR					
Passed Through:					
New Jersey Department of Labor and Workforce Development Trade Adjustment Assistance Community College and Career Training:					
Newark Area Industry Linked Information Technology Leveraging, Integrating, Networking and Coordinating Supplies	17.282	216000928		10/01/13 - 09/30/17	124,879
New Jersey Prep Health Tech - TC-26459-14-60-A-34	17.282	216000928		10/01/13 - 09/30/17	17,198
New Jersey Prep Health Tech - TC-26459-15-60-A-34	17.282	216000928		10/01/16 - 09/30/17	59,019
Total Development Trade Adjustment Assistance Community College and Career Training					141,512
Training to Empower, Advance, and Maintain (TEAM)	17.270	216000928		07/01/15 - 09/30/18	56,406
Transportation Logistic Division Talent Network Grant - TLD	17.285	216000928		07/01/16 - 09/30/17	56,832
Total U.S. Department of Labor - Passed Through					455,846

ESSEX COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Grant Period	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through New Jersey Commission on Higher Education:					
Day Care Center - Child Care Food Program - 03-15-160	10.558	21600928		07/01/16 - 06/30/17	<u>\$ 62,377</u>
Total U.S. Department of Agriculture - Passed Through					<u>62,377</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed Through New Jersey Department of Human Services					
Child Development Center - CC10129	93.667	216000928		07/01/15 - 06/30/2016	<u>297,015</u>
Total U.S. Department of Health and Human Services - Passed Through					<u>297,015</u>
Total Direct Awards					<u>23,474,237</u>
Total Pass-Through Programs					<u>2,949,949</u>
Total Federal Grant Expenditures					<u><u>\$ 26,424,186</u></u>

ESSEX COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2018

Funding Source/ State Contract No./Program	Grant/Account or Other I.D. Number	Grant Period	Grant Amount	Total Reported Expenditures	Total Cash Received
STATE STUDENT FINANCIAL AID CLUSTER					
Higher Education Student Assistance Authority:					
Tuition Aid Grant	100-074-2405-007	07/01/17 - 06/30/18	\$ 4,477,179	\$ 4,477,179	\$ 4,477,179
Urban Scholars Program	100-074-2405-278	07/01/17 - 06/30/18	6,000	6,000	6,000
NJ STARS	100-074-2405-313	07/01/17 - 06/30/18	51,819	51,819	51,819
Total Higher Education Student Assistance Authority			4,534,998	4,534,998	4,534,998
New Jersey Commission on Higher Education:					
Educational Opportunity Fund	100-050-5400-177, 100-074-2601-001, and 100-074-2401-001	07/01/17 - 06/30/18	657,001	657,001	657,001
Educational Opportunity Fund Article III - Winter	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/17 - 06/30/18	47,030	42,973	42,973
Educational Opportunity Fund Article III	100-050-5400-177, 100-074-2601-001, and 100-074-2401-001	07/01/17 - 06/30/18	975,807	975,807	975,807
Educational Opportunity Fund Article III - Summer	100-050-5400-177, 100-074-2601-001, and 100-074-2401-001	07/01/17 - 06/30/18	52,332	52,332	43,447
Gear Up Scholarships	100-074-2400-026	07/01/17 - 06/30/18	12,088	12,088	12,088
Total NJ Commission on Higher Education			1,744,258	1,740,201	1,731,316
Total State Student Financial Aid Cluster			6,279,256	6,275,199	6,266,314
NEW JERSEY COMMISSION ON HIGHER EDUCATION					
State Aid for College Assistance	100-082-2155-015	07/01/17 - 06/30/18	11,039,872	11,039,872	11,039,872
College Readiness New Grant	100-074-2400-055	07/01/17 - 06/30/18	60,885	60,885	60,885
Total NJ Commission on Higher Education			11,100,757	11,100,757	11,100,757
NEW JERSEY DEPARTMENT OF LAW AND PUBLIC SAFETY					
Law Enforcement Officers Training and Equipment Fund	Not available	07/01/16 - 06/30/17	60,717	45,757	-
Law Enforcement Officers Training and Equipment Fund	Not available	07/01/17 - 06/30/18	52,418	-	52,418
Total NJ Department of Law and Public Safety			113,135	45,757	52,418
NEW JERSEY DEPARTMENT OF HUMAN SERVICES					
Division of Youth and Family Services	18ANG-M	07/01/17 - 06/30/18	91,971	91,971	91,971
Total NJ Department of Human Services			91,971	91,971	91,971
NEW JERSEY DEPARTMENT OF AGRICULTURE					
Youth Enrichment Program Summer Food	2017-07-1103	07/08/17 - 08/15/18	10,969	10,969	10,969
Total NJ Department of Agriculture			10,969	10,969	10,969

ESSEX COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
JUNE 30, 2018

Funding Source/ State Contract No./Program	Grant/Account or Other I.D. Number	Grant Period	Grant Amount	Total Reported Expenditures	Total Cash Received
NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS					
Uniform Construction Code Grant	8015-100-022-8015 036	07/01/17 - 06/30/18	9,896	9,896	-
Total NJ Department of Community Affairs			9,896	9,896	-
NEW JERSEY DEPARTMENT OF TREASURY					
Alternate Benefit Program	100-082-2155-017	07/01/17 - 06/30/18	1,029,259	1,029,259	1,029,259
Total NJ Department of Treasury			1,029,259	1,029,259	1,029,259
NEW JERSEY DIVISION OF HIGHWAY TRAFFIC SAFETY					
Comprehensive Traffic Safety Program	CP-18-08-01-02	10/01/16 - 09/30/17	75,000	11,091	11,091
Comprehensive Traffic Safety Program	CP-18-08-01-02	10/01/17 - 09/30/18	218,853	206,747	14,839
Total NJ Division of Highway Traffic Safety			293,853	217,838	25,930
NEW JERSEY OFFICE OF THE SECRETARY OF HIGHER EDUCATION					
Building Our Future Bond Act - Foundation for Instruction	021-05	4/29/13 - project completion	3,073,220	1,122,221	708,782
Building Our Future Bond Act - Information Commons	021-03	4/29/13 - project completion	4,836,050	105,364	91,069
Total New Jersey Office of the Secretary of Higher Education			7,909,270	1,227,585	799,851
Total State Grant Expenditures			<u>\$ 26,838,366</u>	<u>\$ 20,009,231</u>	<u>\$ 19,377,469</u>

ESSEX COUNTY COLLEGE
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2018

NOTE 1 BASIS OF PRESENTATION

The information in these schedules is presented in accordance with the requirements of 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the purposes of these schedules, federal awards and state financial assistance include any assistance provided by a federal and state agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations, and other noncash assistance. Because these schedules present only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position, changes in net position and other changes of the College in conformity with accounting principles generally accepted in the United States of America. The accounting practices followed by the College in preparing the accompanying schedules are as follows:

Expenditures for direct costs are recognized as incurred using the accrual method of accounting contained in the U.S. Office of Management and Budget (OMB) *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards). Under the Uniform Guidance for Federal Awards, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 3 ALTERNATE BENEFIT PROGRAM

During the year ended June 30, 2018, the State of New Jersey, Department of Treasury made payments on behalf of the College to the Alternate Benefit Program of \$1,029,259. These benefits are reimbursed by the State of New Jersey at the rate of 8% for faculty and staff involved in the student instruction process, all other disbursements for other staff are reflected in the accompanying basic financial statements for the year ended June 30, 2018. The June 30, 2018 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of state financial assistance.

NOTE 4 SUBRECIPIENTS

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the University did not provide federal awards to subrecipients.

NOTE 5 INDIRECT COST RATE

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



**INDEPENDENT AUDITORS' 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
Essex County College
Newark, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Essex County College (the College), a component unit of the County of Essex, State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Essex County College's basic financial statements, and have issued our report thereon dated March 19, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-003, which we consider to be significant deficiencies.

Compliance and Other Matters

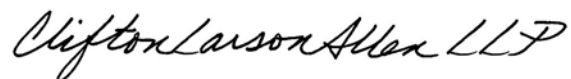
As part of obtaining reasonable assurance about whether Essex County College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

Essex County College's Responses to Findings

The College's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 19, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE FOR FEDERAL AWARDS AND
NEW JERSEY OMB CIRCULAR LETTER 15-08**

Board of Trustees
Essex County College
Newark, New Jersey

Report on Compliance for Each Major Federal Program

We have audited Essex County College's (the College), a component unit of the County of Essex, State of New Jersey, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the year ended June 30, 2018. Essex County College's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, Essex County 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and the State of New Jersey Circular 15-08 and which are described in the accompanying schedule of findings and questioned costs as items 2018-004 through 2018-006. Our opinion on the major federal and state programs is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of New Jersey Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-004 through 2018-006, which we consider to be significant deficiencies.

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

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
March 19, 2019

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Part 200 of the Uniform Guidance or NJ OMB 15-08? x yes _____ no

Identification of Major Federal Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063 84.048A 84.002	Student Financial Assistance Cluster Vocational Education - Perkins Adult Basic Education

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

\$ 792,726

Auditee qualified as low-risk auditee? _____ yes x no

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors' Results (Continued)

State Awards

1. Internal control over major state programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Part 200 of the Uniform Guidance or NJ OMB 15-08? x yes _____ no

Identification of Major Federal Programs

<u>GMIX/Program Number(s)</u>	<u>Name of State Program or Cluster</u>
100-082-2155-015	State Aid for College Assistance
100-050-5400-177, 100-074-2601-001	
100-074-2401-001	Educational Opportunity Fund
CP-18-08-01-02	Comprehensive Traffic Safety Program

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

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

2018 – 001 – Financial Reporting

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: The College did not maintain a general ledger that was in agreement with the College's underlying accounting records. Balances in the general ledger were not examined or reconciled to detailed analyses on an ongoing and timely basis.

Criteria or specific requirement: Timely and accurate financial reporting is an important element of the College's control environment. Financial reporting provides the foundation for financial analysis, a critical component needed to be able to respond timely to financial related issues.

Context: Management's preparation and review of the financial statements and related supporting schedules in regards to various accounts were not performed timely and consistently.

Effect: Financial records for the year ended June 30, 2018 were not finalized until several months after fiscal year-end. A large number of adjusting journal entries were needed to ensure completeness and accuracy of the financial statements.

Cause: Management's preparation and review of the financial statements and related supporting schedules in regards to various accounts were not performed timely and consistently.

Repeat Finding: Yes

Recommendation: We suggest that the College maintain a general ledger that is reconciled monthly to underlying accounting records and prior year audited financials. The College should also strengthen controls to ensure accurate and timely posting of the financial activity for the fiscal period so that actions can be taken and informed decisions can be made in a timely manner.

Views of responsible officials and planned corrective actions: See corrective action plan attached.

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018 – 002 – Construction in Progress (CIP)

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Criteria or specific requirement: Internal controls are critical to ensure accurate financial reporting. These would include, but are not limited to, reconciling and tracking activities monthly for capital assets and CIP projects.

Condition: CIP projects were being depreciated before the project was completed or placed in service and should not have been capitalized.

Cause: The College did not have a procedure in place to review CIP projects to determine if projects or expenditures are correctly classified.

Effect: Due to the error noted above, adjustments to the depreciation schedule were made.

Repeat Finding: No

Recommendation: We recommend that the College review all CIP projects periodically throughout the year to ensure proper classification of capital assets that are still in progress or completed at year-end and that capital assets are being depreciated accurately on a timely basis.

Views of responsible officials and planned corrective actions: See corrective action plan attached.

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings (Continued)

2018 – 003 – Uniform Grant Guidance Policies and Procedures

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting and Compliance, Other Matters

Condition: It was noted that the College has not implemented formal, written policies and procedures to align with the Uniform Grant Guidance requirements.

Criteria or specific requirement: The Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance) became effective for grants or incremental funding made on or after December 26, 2014. Entities are now required to have written policies and procedures in place over certain compliance requirements. Compliance requirements that have been significantly affected due to the changes in Uniform Guidance include allowable costs, procurement, and sub recipient monitoring.

Context: The College does not have formal written policies and procedures to align with the Uniform Grant Guidance requirements which could cause the College to be in noncompliance with certain federal awards they receive.

Effect: The College could potentially be in noncompliance with certain policies and procedures.

Cause: The College does not have formal written policies and procedures to align with the Uniform Grant Guidance requirements which could cause the College to be in noncompliance with certain federal awards they receive.

Repeat Finding: No

Recommendation: We recommend the College document and, where applicable, implement policies and procedures that are aligned with Uniform Grant Guidance to limit the risk for noncompliance.

Views of responsible officials and planned corrective actions: See corrective action plan attached.

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

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

2018 – 004 – Return of Title IV Semester Days

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.033, 84.063

Award Period: July 1, 2017 – June 30, 2018

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 668.22(f)(i) states the percentage of the payment period completed is calculated by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date.

Condition: For twenty-three of the twenty-seven students, it was noted during our testing of Return of Title IV (R2T4) calculations that the College was using an inaccurate semester start and end date in its calculations for the Fall 2 and Spring 2 terms as per the College's Academic Calendar. The sample size tested was a statistically valid sample.

Questioned costs: None noted.

Context: A majority of these errors arose due to using the incorrect start and end dates for the Fall 2 and Spring 2 terms but was using the Fall 1 and Spring 1 term start and end dates.

Cause: Incorrect enrollment dates were used in the calculation due to an error in the entering the dates into the Banner system, resulting in incorrect dates being used.

Effect: The students' return of funds calculation was not performed correctly and the return of funds back to the federal government was for the incorrect amount.

Repeat Finding: No

Recommendation: We recommend the College review the R2T4 requirements and implement procedures to ensure the R2T4 calculations are using the correct amount of term days and are accurately completed.

Views of responsible officials and planned corrective actions: See corrective action plan attached.

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal and State Programs (Continued)

2018 – 005 – Credit Balance

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.033, 84.063

Award Period: July 1, 2017 – June 30, 2018

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 668.164(e) states, Whenever an institution disburses title IV program funds by crediting a student's account and the total amount of all title IV program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but

(1) No later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

(2) No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

Condition: During our testing of 40 students, we noted one instance where the student did not have the credit balance refunded within the 14-day period. The sample size tested was a statistically valid sample.

Questioned costs: None noted

Context: During our testing of forty students whose accounts had a credit balance resulting from federal funds during the year, we noted that one student did not have the credit balance refunded within the 14 day period.

Cause: The student's check reimbursement was not processed on a timely basis.

Effect: The College did not refund students within 14 days for credit balances that arose from federal funds as required by Federal regulations.

Repeat Finding: No

Recommendation: We recommend that the College put a process in place to refund student credit balances that arose from federal funds within 14 days.

Views of responsible officials and planned corrective actions: See corrective action plan attached.

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal and State Programs (Continued)

2018 – 006 – Period of Performance

State agency: New Jersey Office of the Secretary of Higher Education

State program title: Building Our Future Bond Act

CSFA Number: 021-03, 021-05

Award Period: April 29, 2013 – project completion

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

Criteria or specific requirement: The Schedule of Expenditure for State Aid (SESA) is to reflect the costs incurred for the grant in the period July 1, 2017 through June 30, 2018 (fiscal year 2018).

Condition: During our testing, we noted that the SESA amount for Building Our Future Bond Act grant included costs that were incurred in fiscal year 2017 which were not reported on the prior year SESA.

Questioned costs: None noted.

Context: During our testing, we noted one out of eight expenditures where the cost was incurred in fiscal year 2017.

Cause: SESA amount in prior year did not reflect the amount of cost incurred but the amount reimbursed during the year.

Effect: The SESA does not reflect the correct amount of cost incurred during the fiscal year.

Repeat Finding: No

Recommendation: We recommend that the College reports the cost incurred for the fiscal year on the SESA.

Views of responsible officials and planned corrective actions: See corrective action plan attached.



Investment advisory services are offered through CliftonLarsonAllen
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ESSEX COUNTY COLLEGE

303 University Avenue, Newark, NJ 07102

JULIO W. IZQUIERDO
*Vice President of Business Operations and
Chief Financial Officer*

Essex County College respectfully submits the following corrective action for the year ended June 30, 2017.

Audit period: July 1, 2016 – June 30, 2017

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2017-001 Significant Deficiency in Internal Control

Recommendation: We suggest that the College maintain a general ledger that is reconciled monthly to underlying accounting records. The College should also strengthen controls to ensure accurate and timely posting of the financial activity for the fiscal period so that actions can be taken and informed decisions can be made in a timely manner.

Action taken in response to finding:

The College developed a monthly general ledger reconciliation process and checklist to ensure the general ledger accounts balances are accurate and complete. The finance team utilizes Banner General Ledger Account Analysis tool to complete account reconciliations on a monthly basis. The College has implemented the proper internal controls and review process to ensure the general ledger account reconciliations are completed on a monthly basis.



ESSEX COUNTY COLLEGE

303 University Avenue, Newark, NJ 07102

JULIO W. IZQUIERDO

*Vice President of Business Operations and
Chief Financial Officer*

Essex County College respectfully submits the following corrective action plan for the year ended June 30, 2018.

Audit period: July 1, 2017 – June 30, 2018

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2018-001 Financial Reporting

Recommendation: We suggest that the College maintain a general ledger that is reconciled monthly to underlying accounting records and prior year audited financials. The College should also strengthen controls to ensure accurate and timely posting of the financial activity for the fiscal period so that actions can be taken and informed decisions can be made in a timely manner.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding:

The College will develop a process to create a monthly trial balance ensuring beginning balances correspond or are reconcilable to the prior year annual report. Additionally, reconciliations will be performed on a monthly basis to ensure general ledger balances correspond to underlying financial record.

Name(s) of the contact person(s) responsible for corrective action: Julio Izquierdo

Planned completion date for corrective action plan: June 2019

2018-002 Construction in Progress

Recommendation: We recommend that the College review all CIP projects periodically throughout the year to ensure proper classification of capital assets that are still in progress or completed at year end and that capital assets are being depreciated accurately on a timely basis.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding:

The college will create and maintain a listing of all CIP projects indicating percentage of completion, and timely transfer to competed status once complete.

Name(s) of the contact person(s) responsible for corrective action: Julio Izquierdo

Planned completion date for corrective action plan: June 2019

FINDINGS—FINANCIAL STATEMENT AUDIT (CONTINUED)

SIGNIFICANT DEFICIENCY (CONTINUED)

2018-003 Uniform Grant Guidance Policies and Procedures

Recommendation: We recommend the College document and, where applicable, implement policies and procedures that are aligned with Uniform Grant Guidance to limit the risk for noncompliance.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding:

The College will review current policies and procedures to ensure the thresholds and requirements of the Uniform Guidance are met. Any policies requiring update will be brought to the board of Trustees for immediate action.

Name(s) of the contact person(s) responsible for corrective action: Julio Izquierdo

Planned completion date for corrective action plan: June 2019

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF EDUCATION

2018-004 Student Financial Assistance Cluster – CFDA No. 84.007, 84.033, 84.063

Recommendation: We recommend the College review the Return of Title IV (R2T4) requirements and implement procedures to ensure the R2T4 calculations are using the correct amount of term days and are accurately completed.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

The College is reviewing its procedures relating to the management of withdrawals and dismissals. Along with changes made by the College's Financial Aid Office to revise the published policy for Return of Title IV Funds (R2T4) – aligning it with current regulatory language in 34 CFR 668.22 – The College seeks to impart compliant efficiency in the management of withdrawals, and adjustments to student aid for students who withdraw or are dismissed from the College.

Name(s) of the contact person(s) responsible for corrective action: •

- Financial Aid: David Smedley

Planned completion date for corrective action plan: June 2019

2018-005 Student Financial Assistance Cluster – CFDA No. 84.007, 84.033, 84.063

Recommendation: We recommend that the College put a process in place to refund student credit balances that arose from federal funds within 14 days.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

Procedures will be implemented to strengthen the communication between the financial aid office and the bursar's office to ensure timing of Title IV funds awarded coincide with student disbursement for credit balances.

Name(s) of the contact person(s) responsible for corrective action: •

- Bursar: Darlene Miller, Bursar

Planned completion date for corrective action plan: June 2019

FINDINGS—STATE AWARD PROGRAMS AUDITS

NEW JERSEY OFFICE OF THE SECRETARY OF HIGHER EDUCATION

2018-006 Building Our Future Bond Act – CSFA No. 021-03, 021-05

Recommendation: We recommend that the College reports the cost incurred for the fiscal year on the Schedule of Expenditure for State Aid (SESA).

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The staff will be trained and procedures will be developed to ensure the SESA has expenditures when incurred, not when reimbursed.

Name(s) of the contact person(s) responsible for corrective action:

- Julio Izquierdo

Planned completion date for corrective action plan: June 2019

If the Department of Education or the Office of the Secretary of Higher Education has questions regarding this plan, please call Julio Izquierdo at 973-877-3259