

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2021 AND 2020



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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 years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinion.

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, 2021 and 2020, and the respective changes in financial position and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

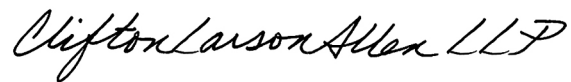
Other Information

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 – concessions and gym, schedule of revenues, expenses, and changes in net position – concessions and gym, and schedules of expenditures of federal awards and expenditures of 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 and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2022, 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 results 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
April 21, 2022

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Years Ended June 30, 2021 and 2020

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, 2021 and 2020. 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, 2021 and 2020, with presentation of certain comparative information presented for the year ended June 30, 2019. 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 2021

Enrollment

During fiscal year 2021, the total credit hours reported to the state were 143,619. This represents a decrease of 16.3% from fiscal year 2020, in which credit hours were 171,677.

The College charged Essex County residents \$126.50 per student credit hour in fiscal year 2021 and 2020.

Non-Essex County residents and foreign students were charged \$253.00 per credit hour for fiscal year 2021 and 2020.

Student Fees

The College charged a general student fee of \$32.50 per credit hour for fiscal years 2021 and 2020. In addition, a student activity fee of \$7.50 per credit hour was charged for fiscal years 2021 and 2020. The student activity fee solely supports student and administrative activities. Due to COVID-19, the college refunded part of the student activity fee.

Student Aid Programs

The College participates in federal and state funded programs. Approximately 75% and 52% of the unduplicated student enrollment received student aid assistance during fiscal years 2021 and 2020, respectively. Federal and state grants expended for student financial aid in 2021 amounted to \$16,021,806 and \$6,785,475, respectively, as compared to \$22,424,167 and \$6,293,784 for 2020.

Financial Highlights – Fiscal Year 2020

Enrollment

During fiscal year 2020, the total credit hours reported to the state were 171,677. This represents a decrease of 3.85% from fiscal year 2019, in which credit hours were 178,544.

The college charged Essex County residents \$126.50 per student credit hour in fiscal years 2020 and 2019.

Non-Essex County residents and foreign students were charged \$253.00 per credit hour for fiscal years 2020 and 2019.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Financial Highlights – Fiscal Year 2020 (Continued)

Student Fees

The College charged a general student fee of \$32.50 per credit hour for fiscal years 2020 and 2019. In addition, a student activity fee of \$7.50 per credit hour was charged for fiscal years 2020 and 2019. The student activity fee solely supports student and administrative activities.

Student Aid Programs

The College participates in federal and state funded programs. Approximately 52% and 56% of the unduplicated student enrollment received student aid assistance during fiscal years 2020 and 2019, respectively. Federal and state grants expended for student financial aid in 2020 amounted to \$22,424,167 and \$6,293,784, respectively, as compared to \$20,065,662 and \$4,914,712 for 2019.

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 is considered a single special-purpose government engaged in only business-type activities, 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 and statement of revenue, expenses and changes in net position report the College's net position and the changes thereto. Net position, the difference between the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 18 through 55 of this report.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

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, 2021, the College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$61,815,998, a \$19,924,402 increase from June 30, 2020. At June 30, 2020, the College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,891,596, a \$7,001,471 increase from June 30, 2019. Our analysis below focuses on the net position and changes in net position of the College's activities.

Approximately 151.4% for fiscal year 2021 and 221.1% for fiscal year 2020 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 increase of \$991,381 in net investment in capital assets in 2021 resulted principally from depreciation of \$3,395,640, offset by an increase in renovation projects and equipment purchases of \$4,387,021. The decrease of \$2,152,255 in net investment in capital assets in 2020 resulted principally from depreciation of \$3,503,836, offset by an increase in renovation projects and equipment purchases of \$3,506,995, and the sale of the police academy which decreased net investment capital by \$2,155,414.

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 10.6% and 25.4% of the total net position at June 30, 2021 and 2020, respectively. Restricted net position at June 30, 2021 decreased by \$4,119,403 as a result of further spending on planned capital projects and debt service principal payments. Restricted net position at June 30, 2020 decreased by \$3,637,981 as a result of capital related expenses and debt service principal payments.

Unrestricted net position represented (62.0)% and (146.5)% of the total net position at June 30, 2021 and 2020, respectively. Unrestricted net position at June 30, 2021 increased by \$23,052,424, primarily from COVID-19 pandemic related funding and decreases in other expenses related to salary and benefit costs, OPEB, and the pension expense for PERS and PFRS. Unrestricted net position at June 30, 2020 increased by \$12,791,707, primarily from proceeds received from the sale of the police academy, the other expenses related to salary and benefit increases, OPEB, and the pension expense for PERS and PFRS.

Current assets increased at June 30, 2021, due to timing of transactions as the College's net position increased by \$19,924,402. Current assets increased at June 30, 2020, due to timing of transactions as the College's net position increased by \$7,001,471.

Current liabilities decreased at June 30, 2021 by \$970,721 substantially due to decrease in accounts payable. Noncurrent liabilities and deferred outflows of resources decreased in the 2021 fiscal year primarily due to the decrease in the net pension liability and the correlating pension deferrals. Current liabilities increased at June 30, 2020 by \$7,699,937 substantially due to increase in unearned grant revenue. Noncurrent liabilities, deferred inflows, and deferred outflows of resources decreased in the 2020 fiscal year primarily due to the decrease in the net pension liability and the correlating pension deferrals.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

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, 2021, 2020, and 2019:

	Year Ended June 30,			Percent Increase (Decrease)	
	2021	2020	2019	2021 / 2020	2020 / 2019
Current and Other Assets	\$ 72,267,821	\$ 57,826,554	\$ 45,767,818	25.0 %	26.3 %
Capital Assets, Net of Depreciation	95,222,605	94,592,983	97,091,190	0.7	(2.6)
Total Assets	167,490,426	152,419,537	142,859,008	9.9	6.7
Deferred Outflows of Resources	11,172,176	12,868,928	14,818,061	(13.2)	(13.2)
Current Liabilities	32,484,215	33,454,936	25,754,999	(2.9)	29.9
Noncurrent Liabilities	56,242,051	62,389,430	68,916,368	(9.9)	(9.5)
Total Liabilities	88,726,266	95,844,366	94,671,367	(7.4)	1.2
Deferred Inflows of Resources	28,120,338	27,552,503	28,115,577	2.1	(2.0)
Net Position:					
Net Investment in Capital Assets	93,597,977	92,606,596	94,758,851	1.1	(2.3)
Restricted	6,535,419	10,654,822	14,292,803	(38.7)	(25.5)
Unrestricted	(38,317,398)	(61,369,822)	(74,161,529)	(37.6)	(17.2)
Total Net Position	\$ 61,815,998	\$ 41,891,596	\$ 34,890,125	47.6	20.1

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

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, 2021, 2020, and 2019:

	Year Ended June 30,			Percent Increase (Decrease)	
	2021	2020	2019	2021 / 2020	2020 / 2019
OPERATING REVENUES					
Tuition and Fees, Net	\$ 24,358,292	\$ 29,454,497	\$ 30,253,239	(17.3)%	(2.6)%
Grants and Contributions	55,340,822	35,302,950	30,865,601	56.8	14.4
Other Operating Revenue	2,429,814	3,386,688	5,711,458	(28.3)	(40.7)
Total Operating Revenues	82,128,928	68,144,135	66,830,298	20.5	2.0
OPERATING EXPENSES					
Total Operating Expenses before Depreciation					
Depreciation	86,359,067	85,250,313	99,861,403	1.3	(14.6)
Depreciation	3,395,640	3,503,836	3,661,838	(3.1)	(4.3)
Total Operating Expenses	89,754,707	88,754,149	103,523,241	1.1	(14.3)
OPERATING LOSS	(7,625,779)	(20,610,014)	(36,692,943)	(63.0)	(43.8)
NONOPERATING REVENUES (EXPENSES), NET	27,550,181	27,611,485	29,519,405	(0.2)	(6.5)
CHANGES IN NET POSITION	19,924,402	7,001,471	(7,173,538)	184.6	(197.6)
Net Position - Beginning of Year	41,891,596	34,890,125	42,063,663	20.1	(17.1)
NET POSITION - END OF YEAR	<u>\$ 61,815,998</u>	<u>\$ 41,891,596</u>	<u>\$ 34,890,125</u>	47.6	20.1

Tuition and fees revenue, net of waivers and appeals, decreased in 2021 by 17.3% due to decrease of 16.3% in credit hours and no increase in Tuition and Fees. Tuition and fees revenue, net of waivers and appeals, decreased in 2020 by 2.6% due to decrease of 3.9% in credit hours and no increase in Tuition and Fees.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Financial Analysis of the College as a Whole (Continued)

Revenues

The College had operating, nonoperating, and other revenues in the amounts of \$109,774,810, \$95,866,325, and \$96,477,339 in 2021, 2020, and 2019, respectively. The following percentages represent the sources of operating, nonoperating, and other revenues that each has contributed over the past three years:

	2021	2020	2019
OPERATING REVENUES			
Tuition and Fees	29.7 %	43.2 %	45.3 %
Federal Grants	56.4	37.2	34.7
State Grants	9.2	12.3	9.2
County and Local Grants	1.8	2.3	2.3
Charges for Services	1.3	2.2	6.1
Other Revenues	1.6	2.8	2.4
Total Operating Revenues	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
NONOPERATING REVENUES			
State Appropriations	29.1 %	34.5 %	35.7 %
County Appropriations	51.5	49.6	46.4
Interest and Investment Income (Loss)	0.1	0.5	0.8
Unrealized (Loss) Gain on Investments	2.5	(0.2)	0.3
Special Funding for Other Postemployment Benefits	17.2	2.6	17.2
Gain on Sale of Asset	-	13.4	-
Total Nonoperating Revenues (Expenses)	<u>100.3 %</u>	<u>100.4 %</u>	<u>100.4 %</u>

Federal grants increased in 2021 as a result of COVID-19 pandemic related funding. Tuition and Fees decreased in 2021 due to the decline in enrollment.

Expenses

The College expended its resources, in the amounts of \$89,850,608, \$88,864,854, and \$103,650,877, in 2021, 2020, and 2019 among the following categories:

	2021	2020	2019
OPERATING EXPENSES			
Instruction	21.9 %	24.1 %	24.7 %
Public Service	2.1	3.0	4.0
Academic Support	2.5	3.6	2.9
Student Services	16.6	12.7	8.2
Institutional Support	20.4	14.5	22.6
Operation of Plant	7.9	9.3	10.1
Scholarships and Fellowships	24.7	29.0	23.9
Depreciation	3.8	3.9	3.5
Total Operating Expenses	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
NONOPERATING REVENUES			
Interest Expense	(0.3)%	(0.4)%	(0.4)%
Total Nonoperating Revenue (Expenses)	<u>(0.3)%</u>	<u>(0.4)%</u>	<u>(0.4)%</u>

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Financial Analysis of the College as a Whole (Continued)

Expenses (Continued)

The foregoing represents the percentage of each expense category as compared to total expenses. Instruction, Public Service, Academic Support, Student Services, Operation of Plant decreased, and Institutional Support increased, due to COVID-19 pandemic related decreases in enrollment and associated costs. Scholarships and Fellowships also decreased due to decline in enrollment.

Instruction expenses decreased in 2020 as a percentage of total expenses due to a decrease in salaries and related health benefits. Institutional support expenses decreased in 2020 as a percentage of total expenses due to pension expenses. Operation of plant expenses decreased in 2020 as a percentage of total expenses due to pension and OPEB expenses. Scholarships and fellowships expenses for 2020 increased as a percentage of total expenses due to an increase in the number of students qualifying for federal scholarships and grants.

Grants and Contracts

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

For fiscal years 2021, 2020, and 2019, the College received the following funding from grants and contracts:

	Year Ended June 30,			Percent Increase (Decrease)	
	2021	2020	2019	2021 / 2020	2020 / 2019
Federal	\$ 46,305,067	\$ 25,354,479	\$ 23,206,845	82.6 %	9.3 %
State	7,596,524	8,413,757	6,117,837	(9.7)	37.5
County and Local	1,439,231	1,534,714	1,540,919	(6.2)	(0.4)
Total	<u>\$ 55,340,822</u>	<u>\$ 35,302,950</u>	<u>\$ 30,865,601</u>	56.8	14.4

Funding for grants and contracts for 2021 increased by 56.8%, principally due to COVID-19 pandemic related funding received from federal government sources when compared to 2020. Funding for grants and contracts for 2020 increased by 14.4%, principally due to the introduction of the COVID-19 pandemic related grant programs in 2020.

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, 2021, 2020, and 2019, and percentage increase or decrease from the prior year:

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Financial Analysis of the College as a Whole (Continued)

Capital Assets (Continued)

	June 30,			Percent Increase (Decrease)	
	2021	2020	2019	2021 / 2020	2020 / 2019
Land, Nondepreciable	\$ 2,516,647	\$ 2,516,647	\$ 3,796,647	- %	(33.7)%
Construction in Progress, Nondepreciable	621,795	1,205,912	49,318	(48.4)	2345.2
Land Improvements	120,508	149,350	167,882	(19.3)	(11.0)
Buildings and Building Improvements	88,558,116	87,000,007	88,877,496	1.8	(2.1)
Equipment	3,275,948	3,619,611	4,013,334	(9.5)	(9.8)
Library Books	129,591	101,456	186,513	27.7	(45.6)
Total	<u>\$ 95,222,605</u>	<u>\$ 94,592,983</u>	<u>\$ 97,091,190</u>	0.7	(2.6)

Construction in progress decreased due to completion of capital projects, which include additions to the mega-structure. The decrease in equipment represents purchases being less than depreciation expense.

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

Long-Term Liabilities

The following table summarizes the long-term liabilities at June 30 for fiscal years 2021, 2020, and 2019:

	June 30,			Percent Increase (Decrease)	
	2021	2020	2019	2021 / 2020	2020 / 2019
Bonds Payable	\$ 1,660,301	\$ 2,025,628	\$ 2,375,955	(18.0)%	(14.7)%
Capital Lease Payable	37,067	54,285	70,692	(31.7)	(23.2)
Obligation for Postemployment Benefits other than Pensions	16,318,244	15,130,336	14,335,022	7.9	5.5
Net Pension Liability	38,634,845	45,561,726	52,501,433	(15.2)	(13.2)
Total	<u>\$ 56,650,457</u>	<u>\$ 62,771,975</u>	<u>\$ 69,283,102</u>	(9.8)	(9.4)

The decrease in capital lease payable and bonds payable, net is due to the payment of principal on debt during the 2021 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.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020**

Economic Factors Affecting the College/Future Outlook

The College is substantially funded by tuition, fees, federal, 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 2021 fiscal year, state appropriations decreased by \$1,505,020 as compared to 2020. In addition, credit hours have decreased over the past few years and are not expected to increase significantly over the next few years.

Lastly, the COVID-19 pandemic presented many challenges to the College including the method of educational delivery and food service. Management believes that the College is taking appropriate actions to mitigate the negative financial impact of these challenges. The full impact of COVID-19 is unknown and cannot be reasonably estimated.

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 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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Unrestricted Cash and Cash Equivalents	\$ 23,860,843	\$ 18,129,441
Cash Held by Bond Trustee - NJEFA	538,917	570,902
Restricted Cash and Cash Equivalents	3,452,984	4,136,907
Investments	3,454,487	2,763,746
Accounts Receivable:		
Tuition and Fees, Net of Allowance of \$3,377,988 and \$3,510,955 in 2021 and 2020, Respectively	789,008	781,712
Grants	7,090,484	1,419,214
State and County	27,465,041	24,677,233
Other, Net of Allowance of \$353,976 and \$221,009 in 2021 and 2020, Respectively	5,555,521	5,289,573
Inventories	15,937	15,937
Prepaid Expenses	44,599	41,889
Total Current Assets	<u>72,267,821</u>	<u>57,826,554</u>
NONCURRENT ASSETS		
Capital Assets, Nondepreciable	3,138,442	3,722,559
Capital Assets, Net of Accumulated Depreciation	<u>92,084,163</u>	<u>90,870,424</u>
Total Noncurrent Assets	<u>95,222,605</u>	<u>94,592,983</u>
 Total Assets	 167,490,426	 152,419,537
DEFERRED OUTFLOWS OF RESOURCES		
Pension Deferrals	6,519,788	8,721,068
Other Postemployment Benefits Deferrals	4,579,644	4,054,334
Deferred Loss on Refunding	<u>72,744</u>	<u>93,526</u>
Total Deferred Outflows of Resources	<u>11,172,176</u>	<u>12,868,928</u>

See accompanying Notes to Basic Financial Statements.

**ESSEX COUNTY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 6,128,418	\$ 7,008,787
Accrued Payroll and Taxes	4,035,455	4,201,977
Compensated Absences	6,705	6,705
Unearned Revenue - NJEFA	538,916	570,902
Unearned Tuition and Fee Revenue	317,963	146,066
Unearned Grant Revenue	20,296,595	20,310,223
Other Liabilities	751,757	827,731
Capital Lease Payable	18,079	17,218
Bonds Payable	390,327	365,327
Total Current Liabilities	<u>32,484,215</u>	<u>33,454,936</u>
NONCURRENT LIABILITIES		
Bonds Payable	1,269,974	1,660,301
Capital Lease Payable	18,988	37,067
Net Other Postemployment Benefit Liability	16,318,244	15,130,336
Net Pension Liability	38,634,845	45,561,726
Total Noncurrent Liabilities	<u>56,242,051</u>	<u>62,389,430</u>
 Total Liabilities	 88,726,266	 95,844,366
DEFERRED INFLOW OF RESOURCES		
Pension Deferrals	25,105,378	24,624,700
Other Postemployment Benefits Deferrals	3,014,960	2,927,803
Total Deferred Inflows of Resources	<u>28,120,338</u>	<u>27,552,503</u>
NET POSITION		
Net Investment in Capital Assets	93,597,977	92,606,596
Restricted for:		
Grants, Contract, and Other Governmental Agreements	4,393,358	4,096,166
Capital Outlays	1,065,686	5,428,748
Scholarships	1,076,375	1,129,908
Unrestricted Deficit	<u>(38,317,398)</u>	<u>(61,369,822)</u>
 Total Net Position	 <u>\$ 61,815,998</u>	 <u>\$ 41,891,596</u>

See accompanying Notes to Basic Financial Statements.

ESSEX COUNTY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Tuition and Fees, Net of Waivers and Appeals of \$2,344,481 and \$2,532,479 in 2021 and 2020, Respectively	\$ 24,358,292	\$ 29,454,497
Federal Grants	46,305,067	25,354,479
State Grants	7,596,524	8,413,757
County and Local Grants	1,439,231	1,534,714
Private Contributions	67,443	62,366
Charges for Services	1,090,894	1,510,753
Other Revenues	1,271,477	1,813,569
Total Operating Revenues	<u>82,128,928</u>	<u>68,144,135</u>
OPERATING EXPENSES		
Instruction	19,641,574	21,381,898
Public Service	1,922,332	2,652,130
Academic Support	2,284,403	3,154,357
Student Services	14,885,694	11,229,478
Institutional Support	18,354,304	12,861,769
Plant Operations	7,120,768	8,249,051
Scholarships and Fellowships	22,149,992	25,721,630
Depreciation	3,395,640	3,503,836
Total Operating Expenses	<u>89,754,707</u>	<u>88,754,149</u>
OPERATING LOSS	(7,625,779)	(20,610,014)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	8,010,829	9,515,849
County Appropriations	14,200,000	13,700,000
Interest and Investment Income	19,128	147,859
Unrealized (Loss) Gain on Investments	690,691	(65,429)
Special Funding for Other Postemployment Benefits	4,725,233	729,325
Interest Expense	(95,700)	(110,705)
Gain on Sale of Asset	-	3,694,586
Total Nonoperating Revenues (Expenses)	<u>27,550,181</u>	<u>27,611,485</u>
INCREASE IN NET POSITION	19,924,402	7,001,471
Net Position - Beginning of Year	<u>41,891,596</u>	<u>34,890,125</u>
NET POSITION - END OF YEAR	<u><u>\$ 61,815,998</u></u>	<u><u>\$ 41,891,596</u></u>

See accompanying Notes to Basic Financial Statements.

**ESSEX COUNTY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees, Including Chargebacks	\$ 24,522,893	\$ 28,038,143
Tuition Refunds/Scholarships	(22,149,992)	(25,721,630)
Grants Received	49,723,367	44,974,444
Grant Payments	(9,653,493)	(6,074,911)
Payments to Suppliers	(21,314,536)	(25,126,041)
Payments to Employees	(33,434,490)	(36,514,592)
Charges for Services	1,090,894	1,510,753
Other Operating Receipts	1,271,477	1,813,569
Net Cash Used by Operating Activities	<u>(9,943,880)</u>	<u>(17,100,265)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	8,010,829	9,515,849
County Appropriations	14,200,000	13,700,000
Net Cash Provided by Noncapital Financing Activities	<u>22,210,829</u>	<u>23,215,849</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(4,025,262)	(3,161,043)
Proceeds from Sale of Assets	-	5,850,000
Minor Capital Appropriations - County of Essex	(1,393,904)	(1,169,972)
Minor Capital Appropriations - State of New Jersey	(1,393,904)	(1,169,973)
Principal Payments, Net	(362,218)	(346,407)
Interest Payments, Net	(95,245)	(110,250)
Net Cash Used by Capital and Related Financing Activities	<u>(7,270,533)</u>	<u>(107,645)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchases of Investments	(50)	(221)
Interest and Investment Income	19,128	147,859
Net Cash Provided by Investing Activities	<u>19,078</u>	<u>147,638</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,015,494	6,155,577
Cash and Cash Equivalents - Beginning of Year	<u>22,837,250</u>	<u>16,681,673</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 27,852,744</u></u>	<u><u>\$ 22,837,250</u></u>

See accompanying Notes to Basic Financial Statements.

**ESSEX COUNTY COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (7,625,779)	\$ (20,610,014)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	3,395,640	3,503,836
On-Behalf Payments	4,725,233	729,325
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(5,944,514)	(3,657,429)
Prepaid Expenses	(2,710)	29,007
Unearned Revenue - NJEFA	(31,986)	(238,047)
Unearned Tuition and Fee Revenue	171,897	(1,436,034)
Accounts Payable/Accrued Expenses	(1,122,865)	500,923
Other Postemployment Benefits	1,187,908	795,314
Pension Deferrals	2,681,958	5,007,168
OPEB Deferrals	(438,153)	(3,641,891)
Net Pension Liability	(6,926,881)	(6,939,707)
Unearned Grant Revenue	(13,628)	8,857,284
Net Cash Used by Operating Activities	<u>\$ (9,943,880)</u>	<u>\$ (17,100,265)</u>
SIGNIFICANT NONCASH TRANSACTIONS		
Special Funding for Other Postemployment Benefits	<u>\$ 4,725,233</u>	<u>\$ 729,325</u>

See accompanying Notes to Basic Financial Statements.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 AND 2020**

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 is recognized in the fiscal years during which the state of New Jersey and the county of Essex appropriate the funds to the College. For Chapter 12 and other capital funds, the College sets up a receivable and related unearned revenue. Revenue for these funds is recognized when liability for projects is incurred.

Net Position

Net position represents the difference between assets, deferred outflows of resources, 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. The College does not have any nonexpendable restricted net position.

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, 2021 AND 2020**

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 acquisition 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, 2021 AND 2020**

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. The College entered into an agreement with Follett Higher Education Group for the operation of campus stores on the Newark and West Caldwell campuses. The agreement began on March 16, 2019, and extends annually until its expiration on March 31, 2024.

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, 2021 have been deferred to fiscal year 2022.

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, 2021 AND 2020**

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 as of June 30, 2021 and 2020. Certain managerial and executive employees may accrue a maximum of 30 days excluding the President, 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.

Special Funding Situation Portion of OPEB

A special funding situation exists when a nonemployer entity (the State) is legally responsible for making contributions directly to an OPEB plan that is used to provide OPEB to the employees of another entity (the College) and the nonemployer (the State) is the entity with a legal obligation to make contributions directly to an OPEB plan. Therefore, for the fiscal years ended June 30, 2021 and 2020, 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, 2021 AND 2020**

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.

New Accounting Standards

GASB has issued several accounting standards that are required to be adopted by the College in future years. The College is evaluating the impact of the adoption of these standards on its financial statements as discussed below.

In June 2017, GASB issued Statement No. 87, *Leases*. 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 determined that, although Statement No. 87 will change the way it accounts for its operating leases, it will have little, if any, effect on its net position or results of operations. The provisions in Statement No. 87 are effective for reporting periods beginning after June 15, 2021.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and should no longer be capitalized as part of the cost of an asset. The College has determined that the effect of Statement No. 89 on its financial statements will vary from year to year, depending upon the amount of new debt incurred for capital assets. The provisions of Statement No. 89 are effective for reporting periods beginning after December 15, 2020.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of Statement No. 93 is to address accounting and financial reporting implications that result from the replacement of LIBOR. The College is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 93 are effective for the fiscal year ending June 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of Statement No 94 is to address issues related to situations in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset. In addition, it addresses an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining or operating a nonfinancial asset. The College is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 94 are effective for the fiscal years beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The objective of Statement No 96 is to provide the capitalization criteria for outlays other than subscription payments including implementation costs of a SBITA and the required note disclosures. The College is evaluating the impact of the adoption of this standard on its financial statements. The provisions in Statement No. 96 are effective for the fiscal years beginning after June 15, 2022.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 2021 and 2020, based on 24 semester credit hours, payable by a full-time, in-county student is \$3,036; an out-of-county and out-of-state student is required to pay \$6,072.

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 funds 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 2021, 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 \$3,551,032 and \$1,694,456, respectively, and other New Jersey student assistance grants of \$1,539,987, for a grand total of \$6,785,475. The College also expended student assistance from the U.S. Department of Education for Pell grants of \$15,279,614, Supplemental Educational Opportunity (SEOG) grants of \$640,000, and Federal Work Study of \$102,192 for a grand total of \$16,021,806.

During fiscal year 2020, 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 \$4,077,998 and \$1,832,264 respectively, and other New Jersey student assistance grants of \$1,022,205, for a grand total of \$6,932,467. The College also expended student assistance from the U.S. Department of Education for Pell grants of \$18,875,607, Supplemental Educational Opportunity (SEOG) grants of \$300,000, and Federal Work Study of \$450,000 for a grand total of \$19,625,607.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 and 2020, \$3,452,984 and \$4,136,907, respectively, represented cash and equivalents that are restricted for these purposes. In addition, the College had \$538,917 and \$570,902 in cash held by bond trustee – NJEFA at June 30, 2021 and 2020, respectively.

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 governmental 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%.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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, 2021, the College's carrying value of its deposits and cash on hand was \$18,283,086 and the bank balance was \$20,286,454. Of the bank balance, \$750,000 was covered by federal depository insurance, \$19,223,989 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with GUDPA and \$312,465 was collateralized by other securities held by the banking institution.

At June 30, 2020, the College's carrying value of its deposits and cash on hand was \$13,273,396 and the bank balance was \$15,678,066. Of the bank balance, \$793,490 was covered by federal depository insurance and \$14,570,702 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with GUDPA.

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 nonstate 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.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The carrying amount of cash and equivalents in the State of New Jersey Cash Management Fund as of June 30, 2021 and 2020 was \$9,569,658 and \$9,563,854, 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.

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:

	2021	2020
Corporate Stock (U.S. Equities) - Level 1 Inputs	\$ 503,925	\$ 364,294
Mutual Funds - Level 1 Inputs	2,950,562	2,399,452
Total Investments	<u>\$ 3,454,487</u>	<u>\$ 2,763,746</u>

The U.S. equities and open-end mutual fund portfolios consist of donations made by individuals many years 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, 2021 AND 2020

NOTE 5 CAPITAL ASSETS

The following is a summarization of changes in capital assets for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Deletions	Adjustments	Balance June 30, 2021
Capital Assets, Not Being Depreciated:					
Land	\$ 2,516,647	\$ -	\$ -	\$ -	\$ 2,516,647
Construction in Progress	1,205,912	417,612	-	(1,001,729)	621,795
Total Capital Assets, Not Being Depreciated	3,722,559	417,612	-	(1,001,729)	3,138,442
Capital Assets Being Depreciated:					
Land Improvements	1,532,322	-	-	-	1,532,322
Buildings and Building Improvements	131,730,447	2,810,646	-	1,001,729	135,542,822
Equipment and Furniture	46,713,654	699,604	(1,640)	-	47,411,618
Library Books	7,052,927	97,400	-	-	7,150,327
Total Capital Assets Being Depreciated	187,029,350	3,607,650	(1,640)	1,001,729	191,637,089
Less Accumulated Depreciation for:					
Land Improvements	1,382,972	28,842	-	-	1,411,814
Buildings and Building Improvements	44,730,440	2,254,266	-	-	46,984,706
Equipment and Furniture	43,094,043	1,043,267	(1,640)	-	44,135,670
Library Books	6,951,471	69,265	-	-	7,020,736
Total Accumulated Depreciation	96,158,926	3,395,640	(1,640)	-	99,552,926
Net Capital Assets	<u>\$ 94,592,983</u>	<u>\$ 629,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,222,605</u>

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 CAPITAL ASSETS (CONTINUED)

The following is a summarization of changes in capital assets for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Adjustments	Balance June 30, 2020
Capital Assets, Not Being Depreciated:					
Land	\$ 3,796,647	\$ -	\$ (1,280,000)	\$ -	\$ 2,516,647
Construction in Progress	49,318	1,156,594	-	-	1,205,912
Total Capital Assets, Not Being Depreciated	3,845,965	1,156,594	(1,280,000)	-	3,722,559
Capital Assets Being Depreciated:					
Land Improvements	1,523,722	19,570	(10,970)	-	1,532,322
Buildings and Building Improvements	134,582,425	1,134,461	(3,986,439)	-	131,730,447
Equipment and Furniture	45,863,236	850,418	-	-	46,713,654
Library Books	7,052,927	-	-	-	7,052,927
Total Capital Assets Being Depreciated	189,022,310	2,004,449	(3,997,409)	-	187,029,350
Less Accumulated Depreciation for:					
Land Improvements	1,355,840	27,132	-	-	1,382,972
Buildings and Building Improvements	45,704,929	2,147,506	(3,121,995)	-	44,730,440
Equipment and Furniture	41,849,902	1,244,141	-	-	43,094,043
Library Books	6,866,414	85,057	-	-	6,951,471
Total Accumulated Depreciation	95,777,085	3,503,836	(3,121,995)	-	96,158,926
Net Capital Assets	<u>\$ 97,091,190</u>	<u>\$ (342,793)</u>	<u>\$ (2,155,414)</u>	<u>\$ -</u>	<u>\$ 94,592,983</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$3,395,640 and \$3,503,836, respectively. Commitments outstanding on construction and other projects amounted to approximately \$2,650,000 and \$1,980,000 as of June 30, 2021 and 2020, respectively.

In July 2019, the College sold the Police Academy to the County of Essex. This included the land, land improvement, and building and building improvements. The College received proceeds of \$5,850,000 which will be paid over 4 years. The College received \$-0- and \$1,500,000 out of the \$5,850,000 in 2021 and 2020, respectively. The College recorded a receivable of \$4,350,000 as of June 30, 2021 and 2020.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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

The College was awarded \$6,330,000 and \$3,600,000 in capital funding by the County of Essex for fiscal years 2021 and 2020, 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 \$1,802,212 for award years 2011 through 2020 during fiscal year 2021. 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>
2021	\$ 3,665,000
2020	1,800,000
2019	3,550,043
2018	1,584,017
2017	606,159
2016	1,081,016
2014	472,246
2013	978,244
2012	97,228
2011	594,301
Total	<u>\$ 14,428,254</u>

In addition to the County funds, there is a balance of \$12,785,655 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, 2021, \$1,590,000 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.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

2006 Series Bonds (Continued)

At June 30, 2021, the bonds payable principal balance for the Refunding Bonds, Series 2006, is \$1,590,000. 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>
2022	\$ 370,000	\$ 73,763	\$ 443,763
2023	390,000	53,813	443,813
2024	405,000	32,944	437,944
2025	425,000	11,156	436,156
Total	<u>\$ 1,590,000</u>	<u>\$ 171,676</u>	<u>\$ 1,761,676</u>

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, 2021, the capital lease payable principal balance is \$37,067. The agreement is for a 10-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>
2022	\$ 18,079	\$ 1,854	\$ 19,933
2023	18,988	950	19,938
Total	<u>\$ 37,067</u>	<u>\$ 2,804</u>	<u>\$ 39,871</u>

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Bonds Payable:					
Series 2006	\$ 1,935,000	\$ -	\$ 345,000	\$ 1,590,000	\$ 370,000
Unamortized Bond Premium	90,628	-	20,327	70,301	20,327
Total Bonds Payable	<u>\$ 2,025,628</u>	<u>\$ -</u>	<u>\$ 365,327</u>	<u>\$ 1,660,301</u>	<u>\$ 390,327</u>
Capital Lease Payable	<u>\$ 54,285</u>	<u>\$ -</u>	<u>\$ 17,218</u>	<u>\$ 37,067</u>	<u>\$ 18,079</u>

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Bonds Payable:					
Series 2006	\$ 2,265,000	\$ -	\$ 330,000	\$ 1,935,000	\$ 345,000
Unamortized Bond Premium	110,955	-	20,327	90,628	20,327
Total Bonds Payable	<u>\$ 2,375,955</u>	<u>\$ -</u>	<u>\$ 350,327</u>	<u>\$ 2,025,628</u>	<u>\$ 365,327</u>
Capital Lease Payable	<u>\$ 70,692</u>	<u>\$ -</u>	<u>\$ 16,407</u>	<u>\$ 54,285</u>	<u>\$ 17,218</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 noncapital contracts at an approximate remaining commitment of \$1,530,000 as of June 30, 2021. The contracts are for various services such as dental insurance coverage, workers' compensation, comprehensive general liability coverage, student athlete insurance coverage as well as other subscription and professional services.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 \$2,409,829 as of June 30, 2021 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, 2021, 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 May 2021 and May 2020, received payments of \$47,714 and \$45,928, respectively, representing additional rent for the twelve-month periods ending April 30, 2021 and 2020.

The College also had various agreements with third parties to provide food service and vending at the campus cafeteria. These agreements were either terminated or not renewed in 2021 and 2020 due to the pandemic as the cafeteria remained closed during year ended June 30, 2021. In relation to these agreements, the College received base rent for the kitchen facilities of \$0 and \$20,000 for fiscal years 2021 and 2020, respectively, as well as \$11,833 and \$109,250 in rent and commissions for space allocated to vendors for vending machines for fiscal years 2021 and 2020, respectively.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 multiemployer 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, 2021 amounted to \$822,538 as compared to \$914,826 for fiscal year 2020. In addition, the Division reimbursed the College for contributions made for adjunct faculty for fiscal years 2021, 2020, and 2019 in the amounts of \$262,825, \$274,357, and \$298,148, 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 \$100,335, \$113,928, and \$110,794 for the years ended June 30, 2021, 2020, and 2019, 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, 2021, 2020, and 2019, amounted to \$6,566, \$24,943, and \$25,123, respectively.

Public Employee Retirement System (PERS)

The Public Employee Retirement System is a cost-sharing, multiemployer 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, 2021 AND 2020**

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:

	2021	2020
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	182,492	178,748
Inactive Plan Members Entitled to but not yet Receiving Benefits	942	609
Active Plan Members	249,045	252,598
Total	<u>432,479</u>	<u>431,955</u>

Specific Contribution Requirements and Benefit Provisions - The contribution requirements of plan members are determined by state statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.50% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.0% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012, and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Annually, employer contributions to the PERS are actuarially determined and include the College's normal contribution plus any accrued liability, which ensures adequate funding for future pension system liability. The amount of contributions recognized by PERS from the College as of June 30, 2021, 2020, and 2019 were \$2,472,639, \$2,386,312, and \$2,572,024, 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, 2021 AND 2020**

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, 2021 and 2020, the College reported a liability of \$36,859,355 and \$44,204,458, 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, 2020, the College's proportion was 0.2260286108%, which was a decrease of 0.0192986909 from its proportion measured as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the College recognized full accrual pension expense of \$1,658,283 and \$573,596, respectively, in the financial statements. At June 30, 2021 and 2020, 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, 2021 AND 2020**

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, 2021:</u>		
Changes in Assumptions	\$ 1,195,759	\$ 15,433,361
Difference between Expected and Actual Experience	671,148	130,351
Changes in Proportionate Share	100,689	8,838,095
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	1,259,882	-
College Contributions Subsequent to the Measurement Date	2,610,762	-
Total	<u>\$ 5,838,240</u>	<u>\$ 24,401,807</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2020:</u>		
Changes in Assumptions	\$ 4,413,958	\$ 15,343,158
Difference between Expected and Actual Experience	793,409	195,275
Changes in Proportionate Share	670,545	7,601,849
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	-	697,781
College Contributions Subsequent to the Measurement Date	2,472,642	-
Total	<u>\$ 8,350,554</u>	<u>\$ 23,838,063</u>

A balance of \$2,610,792 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>
2022	\$ (7,877,270)
2023	(7,179,098)
2024	(4,215,090)
2025	(1,597,361)
2026	(305,510)
Total	<u>\$ (21,174,329)</u>

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 PENSION (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Actuarial Assumptions - The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018. This actuarial valuation used the following actuarial assumptions, applied to the June 30, 2020 measurement date:

- Actuarial cost method is entry age normal, level percent of pay.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation rate:
 - Price 2.75%
 - Wage 3.25%
- Investment return of 7.00%, including inflation.
- Salary increases of 2.00 – 6.00% based on years of service through 2026, and 3.00 – 7.00% based on years of service thereafter.
- Asset Valuation using fair (market) value.
- Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from generational basis. Mortality improvement is based on Scale MP-2020.

Long-Term Rate of Return - In accordance with state statute, the long-term expected rate of return on pension plan investments was determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table below.

PERS's policy in regard to the allocation of invested plan assets is established and may be amended by the PERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021 and 2020.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 PENSION (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Long-Term Rate of Return (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, 2021 and 2020 are summarized in the following table:

Asset Class	June 30, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	4.00 %	0.50 %
U.S. Treasuries	5.00	1.94
Investment Grade Credit	8.00	2.67
High Yield Bonds	2.00	5.95
Private Credit	8.00	7.59
Real Assets	3.00	9.73
Real Estate	8.00	9.56
U.S. Equity	27.00	7.71
Non-U.S. Developed Markets Equity	13.50	8.57
Emerging Markets Equity	5.50	10.23
Private Equity	13.00	11.42
Risk Mitigation Strategies	3.00	3.40
Total	100.00 %	

Asset Class	June 30, 2020	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00 %	2.00 %
U.S. Treasuries	5.00	2.68
Investment Grade Credit	10.00	4.25
High Yield Bonds	2.00	5.37
Private Credit	6.00	7.92
Real Assets	2.50	9.31
Real Estate	7.50	8.33
U.S. Equity	28.00	8.26
Non-U.S. Developed Markets Equity	12.50	9.00
Emerging Markets Equity	6.50	11.37
Private Equity	12.00	10.85
Risk Mitigation Strategies	3.00	4.67
Total	100.00 %	

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 PENSION (CONTINUED)

Public Employee Retirement System (PERS) (Continued)

Discount Rate - The discount rate used to measure the total PERS pension liability was 7.00% and 6.28% as of June 30, 2020 and 2019, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30, 2020 and 2019, respectively, and a municipal bond rate of 2.21% and 3.50% as of June 30, 2020 and 2019, 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 based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the Collection 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 7.00% as of June 30, 2021 and 6.28% as of June 30, 2020, 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 (6.00% in 2021 and 5.28% in 2020) or one percentage point higher (8.00% in 2021 and 7.28% in 2020) than the current rate.

	2021		
	Current		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
College's Proportionate Share of the Net Pension Liability (Asset)	\$ 46,399,779	\$ 36,859,355	\$ 28,764,045

	2020		
	Current		
	1% Decrease (5.28%)	Discount Rate (6.28%)	1% Increase (7.28%)
College's Proportionate Share of the Net Pension Liability (Asset)	\$ 55,837,413	\$ 44,204,458	\$ 34,402,045

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/financial-reports.shtml.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 PENSION (CONTINUED)

Police and Firemen's Retirement System (PFRS)

The Police and Firemen's Retirement System is a cost-sharing, multiemployer 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Inactive Plan Members or Beneficiaries Currently		
Receiving Benefits	45,537	44,567
Inactive Plan Members Entitled to but not yet		
Receiving Benefits	65	42
Active Plan Members	<u>42,520</u>	<u>42,295</u>
Total	<u><u>88,122</u></u>	<u><u>86,904</u></u>

In addition to the State, who is the sole payor 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.

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, 2021 AND 2020**

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, 2021, 2020, and 2019, amounted to \$153,508, \$111,373, and \$112,029, 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 10 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, 2021 and 2020, the College reported a liability of \$1,775,490 and \$1,357,268, 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, 2020, the College's proportion was 0.0137407810%, which was an increase of 0.0026500153% from its proportion measured as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the College recognized full accrual pension expense of \$171,919 and \$120,015, respectively, in the financial statements. At June 30, 2021 and 2020, 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, 2021 AND 2020

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, 2021:</u>		
Changes in Assumptions	\$ 4,468	\$ 475,998
Difference between Expected and Actual Experience	17,900	6,372
Changes in Proportionate Share	407,278	221,201
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	104,105	-
College Contributions Subsequent to the Measurement Date	156,767	-
Total	<u>\$ 690,518</u>	<u>\$ 703,571</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2020:</u>		
Changes in Assumptions	\$ 46,507	\$ 438,657
Difference between Expected and Actual Experience	11,457	8,593
Changes in Proportionate Share	159,042	320,996
Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments	-	18,391
College Contributions Subsequent to the Measurement Date	153,508	-
Total	<u>\$ 370,514</u>	<u>\$ 786,637</u>

A balance of \$156,767 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>
2022	\$ (94,858)
2023	(114,614)
2024	(34,215)
2025	34,863
2026	39,004
Total	<u>\$ (169,820)</u>

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 PENSION (CONTINUED)

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

Actuarial Assumptions – The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2020	June 30, 2019
Inflation Rate	2.75%	2.75%
Salary Increases 2026:		
Through 2026	3.25-15.25% Based on Years of Service	3.25-15.25% Based on Years of Service
Thereafter	3.25-15.25% Based on Years of Service	3.25-15.25% Based on Years of Service
Investment Rate of Return	7.00%	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

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, 2020) 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, 2021 AND 2020**

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, 2021 and 2020 are summarized in the following tables:

Asset Class	June 30, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	4.00 %	0.50 %
U.S. Treasuries	5.00	1.94
Investment Grade Credit	8.00	2.67
High Yield Bonds	2.00	5.95
Risk Mitigation Strategies	3.00	3.40
Private Credit	8.00	7.59
Real Assets	3.00	9.73
Real Estate (Property)	8.00	9.56
U.S. Equity	27.00	7.71
Non-U.S. Developed Markets Equity	13.50	8.57
Emerging Markets Equity	5.50	10.23
Private Equity	13.00	11.42
Total	100.00 %	

Asset Class	June 30, 2020	
	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00 %	2.00 %
U.S. Treasuries	5.00	2.68
Investment Grade Credit	10.00	4.25
High Yield Bonds	2.00	5.37
Risk Mitigation Strategies	3.00	4.67
Private Credit	6.00	7.92
Real Assets	2.50	9.31
Real Estate (Property)	7.50	8.33
U.S. Equity	28.00	8.26
Non-U.S. Developed Markets Equity	12.50	9.00
Emerging Markets Equity	6.50	11.37
Private Equity	12.00	10.85
Total	100.00 %	

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 PENSION (CONTINUED)

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

Discount Rate - The discount rate used to measure the total PFRS pension liability was 7.00% and 6.28% as of June 30, 2020 and 2019, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% as of June 30, 2020 and 2019, respectively, and a municipal bond rate of 2.21% and 3.50% as of June 30, 2020 and 2019, 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 based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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 7.00% as of June 30, 2021 and 6.85% as of June 30, 2020, 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 (6.00% in 2021 and 5.85% in 2020) or one percentage point higher (8.00% in 2021 and 7.85% in 2020) than the current rate.

	2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
College's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,361,036	\$ 1,775,490	\$ 1,289,149
	2020		
	1% Decrease (5.85%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
College's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,834,532	\$ 1,357,268	\$ 962,263

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, 2021 AND 2020**

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, 2020 and 2019 are 0.0137407810% and 0.0110907657%, respectively, and the nonemployer contributing entities' contribution for the years ended June 30, 2020 and 2019 was \$21,203 and \$14,440, respectively. The State's proportionate share of the net pension liability attributable to the College for the years ended June 30, 2020 and 2019 was \$275,548 and \$214,315, 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, 2021 and 2020, 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, 2021 and 2020, 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:

	2021	2020
State's Proportionate Share of the OPEB Liability	\$ 133,868,594	\$ 85,724,908
College's Proportionate Share of the OPEB Liability	-	-
Total	<u>\$ 133,868,594</u>	<u>\$ 85,724,908</u>

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (CONTINUED)

SEHBP (Continued)

The total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the College recognized OPEB expenses of \$4,725,233 and \$729,325, respectively and revenues of \$4,725,233 and \$729,325, respectively 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 multiple-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 www.state.nj.us/treasury/pensions/financial-reports.shtml.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (CONTINUED)

SEHBP (Continued)

Actuarial Assumptions and Other Inputs (Continued)

	TPAF/ABP	PERS	PFRS
Salary Increases:	1.55 - 4.45%	2.00 - 6.00%	3.25 - 15.25%
Through 2026	Based on Years of Service	Based on Years of Service	Based on Years of Service
Thereafter	1.55 - 4.45%	3.00 - 7.00%	Applied to all future years
	Based on Years of Service	Based on Years of Service	

- Inflation of 2.50%
- Healthcare cost trend assumptions - For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2021 through 2022 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.
- The discount rate for June 30, 2020 and 2019 was 2.21% and 3.50%, 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.
- Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Post-retirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.
- The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 to June 30, 2018, July 1, 2014 to June 30, 2018, and July 1, 2013 to June 30, 2018 for TPAF, PERS and PFRS, respectively.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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 20 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 \$107,605 and \$100,271 for fiscal years 2021 and 2020, respectively. The College pays 100% of the cost of the surviving spouses’ Medicare Part B premium. The cost for these premiums amounted to \$3,086 and \$12,482 for fiscal years 2021 and 2020, respectively.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 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 2.50%.
- Healthcare cost trend rate of 5.4% in 2021, with rates gradually decreasing to 4.04% by 2075.
- Average career salary growth of 3.5% per year (including 1.3% wage inflation).

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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-2014 projected fully generationally using MP-2020 mortality improvement scale.
- Participant data based on census information as of June 30, 2020.

The assumptions include a discount rate of 2.16%. 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, 2021, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.4% decreasing to 3.04%) or one percentage point higher (6.4% decreasing to 5.04%) than the current healthcare cost trend rates (5.4% decreasing to 4.04%).

Sensitivity of the College's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (4.4% Decreasing to 3.04%)	Healthcare Cost Trend Rates (5.4% Decreasing to 4.04%)	1% Increase (6.4% Decreasing to 5.04%)
2021	\$ 13,488,959	\$ 16,318,244	\$ 21,517,081

The following presents the College's net OPEB liability at June 30, 2020, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.4% decreasing to 2.84%) or one percentage point higher (6.4% decreasing to 4.84%) than the current healthcare cost trend rates (5.4% decreasing to 3.84%).

Sensitivity of the College's Net OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1% Decrease (4.4% Decreasing to 2.84%)	Healthcare Cost Trend Rates (5.4% Decreasing to 3.84%)	1% Increase (6.4% Decreasing to 4.84%)
2020	\$ 11,756,671	\$ 15,130,336	\$ 19,808,286

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

The following presents the College's net OPEB liability as of June 30, 2021, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current discount rate (2.16%).

Sensitivity of the College's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.16%	Current Rate 2.16%	1% Increase 3.16%
2021	\$ 20,975,668	\$ 16,318,244	\$ 13,826,249

The following presents the College's net OPEB liability as of June 30, 2020, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate (2.21%).

Sensitivity of the College's Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
2020	\$ 19,131,052	\$ 15,130,336	\$ 12,148,079

At June 30, 2021, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Projected and Actual Investment Earnings	\$ 9,605	\$ -
Difference between Expected and Actual Experience	-	2,171,217
Changes in Assumptions	4,570,039	843,743
Total	<u>\$ 4,579,644</u>	<u>\$ 3,014,960</u>

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 11 POST-RETIREMENT HEALTH COVERAGE (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

At June 30, 2020, 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	\$ -	\$ -
Difference between Expected and Actual Experience	-	1,823,477
Changes in Assumptions	4,054,334	1,104,326
Total	<u>\$ 4,054,334</u>	<u>\$ 2,927,803</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>
2022	\$ 68,192
2023	67,258
2024	66,681
2025	264,492
2026	517,787
Thereafter	580,274
Total	<u>\$ 1,564,684</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, 2021 amounted to \$77,578 as compared to \$36,426 for fiscal year 2020.

For fiscal years 2021 and 2020, 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 2021. At June 30, 2021 and 2020, net position in the College's unemployment fund was \$840,004 and \$835,810, respectively.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 RESTRICTED AND UNRESTRICTED NET POSITION

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

	2021	2020
Grants, Contracts, Governmental Agreements and Other	\$ 4,393,358	\$ 4,096,166
Capital Outlays - Chapter 12 Funding	1,065,686	5,428,748
Scholarships	1,076,375	1,129,908
Total	<u>\$ 6,535,419</u>	<u>\$ 10,654,822</u>

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

	2021	2020
Designated:		
Scholarships	\$ 3,811,989	\$ 3,811,989
Retirement of Bond Indebtedness	2,409,829	2,503,426
Undesignated:		
Cumulative Impact of GASB 68/71 on Net Position	(57,220,435)	(61,465,358)
Cumulative Impact of GASB 45/75 on Net Position	(14,753,560)	(14,003,805)
Undesignated Other	27,434,779	7,783,926
Total	<u>\$ (38,317,398)</u>	<u>\$ (61,369,822)</u>

NOTE 14 SUBSEQUENT EVENTS

On August 30, 2021, the College entered into an agreement for dining services with the Dining Partnership Group LLC (DPG). The initial contract period is set for 60 months with an option to renew for a second five year term of 60 months. DPG shall provide full operations as of January 1, 2022 or such other date as both parties mutually agree.

ESSEX COUNTY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF SEHBP OPEB LIABILITY AND CONTRIBUTIONS
JUNE 30, 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

SEHBP - LOCAL EDUCATION GROUP:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
College's Proportion of the OPEB Liability	0.0%	0.0%	0.0%	0.0%
College's Proportionate Share of the OPEB Liability	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the OPEB Liability of the College	133,868,594	85,724,908	90,905,061	118,799,279
Total	<u>\$ 133,868,594</u>	<u>\$ 85,724,908</u>	<u>\$ 90,905,061</u>	<u>\$ 118,799,279</u>
College's Covered Employee Payroll	\$ 22,466,557	\$ 25,654,143	\$ 26,334,688	\$ 27,015,480
College's Proportionate Share of the OPEB Liability as a Percentage of its Covered Employee Payroll	16.78%	29.93%	28.97%	22.74%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%

* 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 CHANGES IN EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2021 AND 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Measurement Year Ending June 30, 2021	Measurement Year Ending June 30, 2020	Measurement Year Ending June 30, 2019	Measurement Year Ending June 30, 2018
Total OPEB Liability:				
Service Cost	\$ 458,225	\$ 362,149	\$ 241,162	\$ 243,542
Interest	346,856	520,107	592,521	581,518
Benefit Payments	(116,938)	(100,800)	(97,629)	(129,423)
Changes of benefit terms	-	(3,634,777)	-	-
Expected and Actual Experience	(809,566)	(81,313)	(2,453,260)	-
Assumption Changes	1,309,442	3,723,736	1,105,082	(1,886,075)
Net Change in Total Pension Liability	1,188,019	789,102	(612,124)	(1,190,438)
Total OPEB Liability - Beginning	15,294,775	14,505,673	15,117,797	16,308,235
Total OPEB Liability - Ending (a)	<u>\$ 16,482,794</u>	<u>\$ 15,294,775</u>	<u>\$ 14,505,673</u>	<u>\$ 15,117,797</u>
Plan Fiduciary Net Position:				
Contribution - Employer	\$ 116,938	\$ 100,800	\$ 97,629	\$ 129,423
Net Investment Income	111	2,748	3,951	2,283
Administrative Expenses	-	(8,960)	(8,960)	-
Benefit Payments	(116,938)	(100,800)	(97,629)	(129,423)
Net Change in Plan Fiduciary Net Position	111	(6,212)	(5,009)	2,283
Plan Fiduciary Net Position - Beginning	164,439	170,651	175,660	173,377
Plan Fiduciary Net Position - Ending (b)	<u>\$ 164,550</u>	<u>\$ 164,439</u>	<u>\$ 170,651</u>	<u>\$ 175,660</u>
Net OPEB Liability (a-b)	<u>\$ 16,318,244</u>	<u>\$ 15,130,336</u>	<u>\$ 14,335,022</u>	<u>\$ 14,942,137</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	1.00 %	1.08 %	1.18 %	1.16 %
Covered Payroll	\$ 25,529,244	\$ 24,333,609	\$ 27,983,567	\$ 28,815,026
Net OPEB Liability as a Percentage of Covered Payroll	63.92 %	62.18 %	51.23 %	51.86 %

* 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, 2021 AND 2020
(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	44.92%
2019	\$ 97,629	\$ 97,629	\$ -	\$ 27,983,567	34.89%
2020	\$ 100,800	\$ 100,800	\$ -	\$ 24,333,609	41.42%
2021	\$ 116,938	\$ 116,938	\$ -	\$ 25,529,244	45.81%

* 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
2021	0.2260286108 %	\$ 36,859,355	\$ 14,734,859	250.15 %	58.32 %
2020	0.2453273017	44,204,458	16,374,010	269.97	56.27
2019	0.2585783610	50,912,884	16,080,307	316.62	53.60
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 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020.

**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)
2021	\$ 2,601,792	\$ 2,601,792	\$ -	\$ 14,734,859	17.66 %
2020	2,472,642	2,472,642	-	16,374,010	15.10
2019	2,391,562	2,391,562	-	16,080,307	14.87
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
2021	0.0137407810 %	\$ 1,775,490	\$ 198,179	895.90 %	63.52 %
2020	0.0110907657	1,357,268	391,441	346.74	65.00
2019	0.0117365093	1,588,549	354,426	448.20	62.48
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 6.85% as of June 30, 2019 to 7.00% as of June 30, 2020.

**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)
2021	\$ 156,767	\$ 156,767	\$ -	\$ 198,179	79.10 %
2020	153,508	153,508	-	391,441	39.22
2019	112,029	112,029	-	354,426	31.61
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, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	General Fund	Grants and Contracts	Scholarship and Student Grants in Aid	Capital Outlays	Retirement of Bond Indebtedness	Concessions and Gym	Other	Combining Total
ASSETS								
Unrestricted Cash and Cash Equivalents	\$ 20,395,339	\$ -	\$ -	\$ -	\$ 3,465,504	\$ -	\$ -	\$ 23,860,843
Cash Held by Bond Trustee - NJEFA	538,917	-	-	-	-	-	-	538,917
Restricted Cash and Cash Equivalents	-	-	1,807,920	1,281,999	-	-	363,065	3,452,984
Investments	3,440,955	-	13,467	65	-	-	-	3,454,487
Accounts Receivable:								
Tuition and Fees, Net	789,008	-	-	-	-	-	-	789,008
Grants	5,829,172	791,196	470,116	-	-	-	-	7,090,484
State and County	-	196,809	54,323	27,213,909	-	-	-	27,465,041
Other, Net	5,405,143	-	109,067	-	-	-	41,311	5,555,521
Internal Balances	5,443,308	(482,148)	2,572,291	(6,942,432)	(1,055,675)	(2,843,712)	3,308,368	-
Inventories	-	-	-	-	-	15,937	-	15,937
Prepaid Expenses	38,955	5,600	-	-	-	-	44	44,599
Capital Assets, Nondepreciable	3,138,442	-	-	-	-	-	-	3,138,442
Capital Assets, Net of Accumulated Depreciation	92,084,163	-	-	-	-	-	-	92,084,163
Total Assets	137,103,402	511,457	5,027,184	21,553,541	2,409,829	(2,827,775)	3,712,788	167,490,426
DEFERRED OUTFLOWS OF RESOURCES								
Pension Deferrals	6,519,788	-	-	-	-	-	-	6,519,788
Other Postemployment Benefits Deferrals	-	-	-	-	-	-	4,579,644	4,579,644
Deferred Loss on Refunding	-	-	-	72,744	-	-	-	72,744
Total Deferred Outflows of Resources	6,519,788	-	-	72,744	-	-	4,579,644	11,172,176
LIABILITIES								
Accounts Payable	5,256,484	388,560	59,649	385,563	-	1,337	36,825	6,128,418
Accrued Payroll and Taxes	3,858,325	149,664	1,769	-	-	1,767	23,930	4,035,455
Accrued Compensated Absences	6,705	-	-	-	-	-	-	6,705
Unearned Revenue - NJEFA	538,916	-	-	-	-	-	-	538,916
Unearned Tuition and Fee Revenue	132,954	-	-	-	-	-	185,009	317,963
Unearned Grant Revenue	-	212,375	(400)	20,084,620	-	-	-	20,296,595
Other Liabilities	607,634	-	77,802	17,672	-	48,563	86	751,757
Bonds Payable	-	-	-	1,660,301	-	-	-	1,660,301
Capital Lease Payable	37,067	-	-	-	-	-	-	37,067
Net Other Postemployment Benefit Liability	-	-	-	-	-	-	16,318,244	16,318,244
Net Pension Liability	38,634,845	-	-	-	-	-	-	38,634,845
Total Liabilities	49,072,930	750,599	138,820	22,148,156	-	51,667	16,564,094	88,726,266
DEFERRED INFLOWS OF RESOURCES								
Pension Deferrals	25,105,378	-	-	-	-	-	-	25,105,378
Other Postemployment Benefits Deferrals	-	-	-	-	-	-	3,014,960	3,014,960
Total Deferred Inflows of Resources	25,105,378	-	-	-	-	-	3,014,960	28,120,338
NET POSITION								
Net Investment in Capital Assets	95,185,534	-	-	(1,587,557)	-	-	-	93,597,977
Restricted	-	-	1,076,375	1,065,686	-	-	4,393,358	6,535,419
Unrestricted (Deficit)	(25,740,652)	(239,142)	3,811,989	-	2,409,829	(2,879,442)	(15,679,980)	(38,317,398)
Total Net Position	\$ 69,444,882	\$ (239,142)	\$ 4,888,364	\$ (521,871)	\$ 2,409,829	\$ (2,879,442)	\$ (11,286,622)	\$ 61,815,998

ESSEX COUNTY COLLEGE
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – ALL FUNDS
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	General Fund	Grants and Contracts	Scholarship and Student Grants in Aid	Capital Outlays	Retirement of Bond Indebtedness	Concessions and Gym	Other	Combining Total
OPERATING REVENUES								
Tuition and Fees, Net	\$ 24,358,292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,358,292
Federal Grants	15,798,414	6,785,469	23,721,184	-	-	-	-	46,305,067
State Grants	390,589	1,131,736	6,074,199	-	-	-	-	7,596,524
County and Local Grants	-	1,439,231	-	-	-	-	-	1,439,231
Private Contributions	47,111	-	20,332	-	-	-	-	67,443
Charges for Services	-	14,455	-	-	-	117	1,076,322	1,090,894
Other Revenues	911,596	-	-	359,881	-	-	-	1,271,477
Total Operating Revenues	41,506,002	9,370,891	29,815,715	359,881	-	117	1,076,322	82,128,928
OPERATING EXPENSES								
Instruction	17,072,957	2,559,787	-	8,830	-	-	-	19,641,574
Public Service	1,822,511	99,821	-	-	-	-	-	1,922,332
Academic Support	2,134,465	149,938	-	-	-	-	-	2,284,403
Student Services	3,821,438	2,636,929	7,720,874	-	-	-	706,453	14,885,694
Institutional Support	14,117,874	4,175,032	-	-	-	-	61,398	18,354,304
Plant Operations	7,120,768	-	-	-	-	-	-	7,120,768
Scholarships and Fellowships	-	-	22,149,992	-	-	-	-	22,149,992
Depreciation	3,395,640	-	-	-	-	-	-	3,395,640
Debt Service:								
Principal	(345,000)	-	-	345,000	-	-	-	-
Capital Outlay:								
Capital Expenses	(4,025,262)	-	-	4,025,262	-	-	-	-
Total Operating Expenses	45,115,391	9,621,507	29,870,866	4,379,092	-	-	767,851	89,754,707
OPERATING INCOME (LOSS)	(3,609,389)	(250,616)	(55,151)	(4,019,211)	-	117	308,471	(7,625,779)
NONOPERATING REVENUES (EXPENSES)								
State Appropriations	8,010,829	-	-	-	-	-	-	8,010,829
County Appropriations	14,200,000	-	-	-	-	-	-	14,200,000
Interest and Investment Income	14,481	-	1,655	694	2,103	-	195	19,128
Unrealized Loss on Investments	690,728	-	(37)	-	-	-	-	690,691
Special Funding for Other Postemployment Benefits	4,725,233	-	-	-	-	-	-	4,725,233
Interest Expense	-	-	-	-	(95,700)	-	-	(95,700)
Total Nonoperating Revenues (Expenses)	27,641,271	-	1,618	694	(93,597)	-	195	27,550,181
CHANGE IN NET POSITION	24,031,882	(250,616)	(53,533)	(4,018,517)	(93,597)	117	308,666	19,924,402
Net Position - Beginning of Year	45,413,000	11,474	4,941,897	3,496,646	2,503,426	(2,879,559)	(11,595,288)	41,891,596
NET POSITION - END OF YEAR	<u>\$ 69,444,882</u>	<u>\$ (239,142)</u>	<u>\$ 4,888,364</u>	<u>\$ (521,871)</u>	<u>\$ 2,409,829</u>	<u>\$ (2,879,442)</u>	<u>\$ (11,286,622)</u>	<u>\$ 61,815,998</u>

**ESSEX COUNTY COLLEGE
SCHEDULE OF NET POSITION
CONCESSIONS AND GYM
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)**

	Concessions and Gym
ASSETS	
Inventories	\$ 15,937
Internal Balances	<u>(2,843,712)</u>
Total Assets	<u>(2,827,775)</u>
LIABILITIES	
Accounts Payable	1,337
Accrued Payroll	1,767
Other Liabilities	<u>48,563</u>
Total Liabilities	<u>51,667</u>
NET POSITION	
Unrestricted Deficit	<u>(2,879,442)</u>
Total Net Position	<u><u>\$ (2,879,442)</u></u>

ESSEX COUNTY COLLEGE
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
CONCESSIONS AND GYM
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Concessions and Gym
OPERATING REVENUES	
Charges for Services	\$ 117
Other Revenues	<u>-</u>
Total Operating Revenues	117
 CHANGE IN NET POSITION	 117
Net Position - Beginning of Year	<u>(2,879,559)</u>
NET POSITION - END OF YEAR	<u><u>\$ (2,879,442)</u></u>

**ESSEX COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing 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	\$ -	07/01/2020 - 06/30/2021	\$ 102,192
Federal Pell Grant Program - P063P002345	84.063	N/A	-	07/01/2020 - 06/30/2021	15,279,614
Federal Supplemental Educational Opportunity Grant - P007A002560	84.007	N/A	-	07/01/2020 - 06/30/2021	640,000
Federal Perkins Loan Program	84.038	N/A	-	07/01/2020 - 06/30/2021	815,718
Total Student Financial Assistance Cluster					<u>16,837,524</u>
Office of Elementary and Secondary Education (OESE) Education Stabilization Fund:					
COVID-19, Student Emergency Aid Portion of the Higher Education Emergency Relief Fund (HEERF) authorized by Section 18004(a)(1) of the CARES Act	84.425E	N/A	-	04/23/2020 - 04/22/2021	7,699,378
COVID-19, Institutional Portion of the Higher Education Emergency Relief Fund (HEERF) authorized by Section 18004(a)(1) of the CARES Act	84.425F	N/A	-	05/06/2020 - 05/05/2021	12,482,263
COVID-19, Minority Serving Institutions of the Higher Education Emergency Relief Fund (HEERF) authorized by Section 18004(a)(2) of the CARES Act	84.425L	N/A	-	06/02/2020 - 06/01/2021	2,600,819
Passed Through the Office of the N.J. Secretary of Higher Education:					
COVID-19, Governors Emergency Education Relief Fund (GEERF)	84.425C	N/A	-	07/01/2020 - 09/30/2021	847,105
Total OESE Education Stabilization Fund					<u>23,629,565</u>
Passed Through New Jersey Department of Education:					
Carl Perkins Voc. Ed. Grant - PKPP7130-19	84.048A	216000928	-	07/01/2020 - 06/30/2021	492,704
Passed Through New Jersey Department of Education:					
Adult Basic Education - ABE Grant Level I & II - ABS-FY20006	84.002	216000928	-	07/01/2020 - 06/30/2021	<u>1,962,384</u>
Total U.S. Department of Education					42,922,177
U.S. DEPARTMENT OF TRANSPORTATION					
Passed Through Office of the N.J. Secretary of Higher Education:					
COVID-19, Coronavirus Relief Fund (CRF) Grant	21.019	N/A	-	07/01/2020 - 06/30/2021	1,450,611
COVID-19, Coronavirus Relief Fund II (CRF II) Grant	21.019	N/A	-	07/01/2020 - 06/30/2021	1,662,337
Total Coronavirus Relief Fund					<u>3,112,948</u>
Total U.S. Department of Transportation					3,112,948

See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

ESSEX COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Grant Period	Federal Expenditures
U.S. NATIONAL SCIENCE FOUNDATION					
Research and Development Cluster:					
Garden State - Louis Stokes Alliance for Minority Participation Grant - HRD-0902132-19	47.076	N/A	\$ -	07/01/2020 - 06/30/2021	\$ 3,825
University of Missouri - Kansas City Grant - 1935076	47.070	N/A	-	07/01/2020 - 06/30/2021	9487
Total Research and Development Cluster					<u>13,312</u>
Total U.S. National Science Foundation					13,312
U.S. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					
Passed Through Rutgers University:					
S-STEM Grant	43.008	1643516	-	07/01/2020 - 06/30/2021	58,466
Passed Through Rutgers University:					
Essex Peer Tutoring Grant	43.008	80NSSC20M0066	-	07/01/2020 - 06/30/2021	<u>2,500</u>
Total U.S. National Aeronautics and Space Administration					60,966
U.S. DEPARTMENT OF LABOR					
Passed Through New Jersey Department of Labor and Workforce Development:					
New Jersey Prep Health Care	17.268	TC-26459-14-60-A-34	-	07/01/2020 - 06/30/2021	<u>46,015</u>
Total U.S. Department of Labor					46,015
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	-	07/01/2020 - 06/30/2021	<u>7,816</u>
Total U.S. Department of Agriculture					7,816
Total Federal Grant Expenditures					<u><u>\$ 46,163,234</u></u>

See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

ESSEX COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2021

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	07/01/2020 - 06/30/2021	\$ 3,551,032	\$ 3,551,032	\$ 3,498,897
Governor's Urban Scholars Program	100-074-2405-278	07/01/2020 - 06/30/2021	2,500	2,500	2,500
Community College Opportunity Grant	100-074-2405-T	07/01/2020 - 06/30/2021	1,490,062	1,490,062	1,394,801
NJ STARS	100-074-2405-313	07/01/2020 - 06/30/2021	47,425	47,425	47,425
Total Higher Education Student Assistance Authority			5,091,019	5,091,019	4,943,623
New Jersey Commission on Higher Education:					
Educational Opportunity Fund Article IV - 5th Quarter 2020	100-050-5400-178, 100-074-2601-002, and 100-074-2401-002	07/01/2020 - 06/30/2021	164,525	164,525	164,525
Educational Opportunity Fund Article IV	100-050-5400-178, 100-074-2601-002, and 100-074-2401-002	07/01/2020 - 06/30/2021	543,484	543,484	543,484
Educational Opportunity Fund Article IV - Summer	100-050-5400-178, 100-074-2601-002, and 100-074-2401-002	07/01/2020 - 06/30/2021	3,267	3,267	3,267
Total Educational Opportunity Fund Article IV			711,276	711,276	711,276
Educational Opportunity Fund Article III - Winter	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/2020 - 06/30/2021	42,947	42,947	42,947
Educational Opportunity Fund Article III	100-050-5400-177, 100-074-2601-001, and 100-074-2401-001	07/01/2020 - 06/30/2021	827,793	827,793	827,793
Educational Opportunity Fund Article III - Summer	100-050-5400-177, 100-074-2601-001, and 100-074-2401-001	07/01/2020 - 06/30/2021	112,440	112,440	110,252
Total Educational Opportunity Fund Article III			983,180	983,180	980,992
Total NJ Commission on Higher Education			1,694,456	1,694,456	1,692,268
Total State Student Financial Aid Cluster			6,785,475	6,785,475	6,635,891

See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

ESSEX COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
JUNE 30, 2021

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 COMMISSION ON HIGHER EDUCATION					
State Aid for College Assistance	100-082-2155-015	07/01/2020 - 06/30/2021	8,507,557	8,507,557	8,507,557
Community College Opportunity Grant	100-074-2405-P	07/01/2020 - 06/30/2021	265,000	265,000	265,000
College Readiness Now Grant	100-074-2400-055	07/01/2020 - 06/30/2021	63,489	63,489	63,489
Total NJ Commission on Higher Education			8,836,046	8,836,046	8,836,046
NEW JERSEY DEPARTMENT OF HUMAN SERVICES					
Division of Youth and Family Services	21ANG-M	07/01/2020 - 06/30/2021	\$ 91,971	\$ 91,971	\$ 91,971
Total NJ Department of Human Services			91,971	91,971	91,971
NEW JERSEY DEPARTMENT OF TREASURY					
Alternate Benefit Program	100-082-2155-017	07/01/2020 - 06/30/2021	822,538	822,538	822,538
Total NJ Department of Treasury			822,538	822,538	822,538
NEW JERSEY OFFICE OF THE SECRETARY OF HIGHER EDUCATION					
Building Our Future Bond Act - HSN Simulation Lab	021-02	4/29/13 - Project Completion	640,967	3,714	-
Building Our Future Bond Act - Information Commons	021-03	4/29/13 - Project Completion	4,836,050	49,391	259,110
Building Our Future Bond Act - WEC Restructuring	021-04	4/29/13 - Project Completion	5,013,628	146,250	22,852
Building Our Future Bond Act - Foundation for Instructional	021-05	4/29/13 - Project Completion	3,073,221	36,418	-
Total New Jersey Office of the Secretary of Higher Education			13,563,866	235,773	281,962
Total State Grant Expenditures			\$ 30,099,896	\$ 16,771,803	\$ 16,668,408

See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

ESSEX COUNTY COLLEGE
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2021

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, 2021, the State of New Jersey, Department of Treasury made payments on behalf of the College to the Alternate Benefit Program of \$822,538. 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, 2021. The June 30, 2021 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.

**ESSEX COUNTY COLLEGE
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2021**

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.

NOTE 6 FEDERAL PERKINS LOAN PROGRAM

The Federal Perkins Loan Program is administered directly by the College, and balances and transactions relating to this program are included in the College's basic financial statements. The Federal Perkins Loan Program ended on September 30, 2017 with final disbursements permitted through June 30, 2018. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Federal Perkins loans outstanding as of June 30, 2021 totaled \$815,718.



**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 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, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated April 21, 2022.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

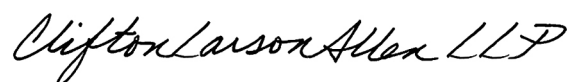
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Essex County College's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
April 21, 2022



**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 and State 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, 2021. 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, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and the State of New Jersey Circular 15-08 and which are described in the accompanying schedule of findings and questioned costs as items 2021-003 through 2021-007. Our opinion on the major federal and state programs is not modified with respect to these matters.

The College's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on 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 or State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-003 through 2021-007, which we consider to be significant deficiencies.

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

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
April 21, 2022

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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? x yes 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? x yes no

Identification of Major Federal Programs

Federal Assistance

Listing Number(s)

84.007, 84.033, 84.063
84.002
84.425E
84.425F
84.425L
84.425C
21.019

Name of Federal Program or Cluster

Student Financial Assistance Cluster
Adult Basic Education: Level I & II
COVID-19 HEERF – Student Emergency Aid Portion
COVID-19 HEERF – Institutional Portion
COVID-19 HEERF – Minority Serving Institutions Portion
COVID-19 GEERF
COVID-19 – Coronavirus Relief Fund Grant

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

\$ 1,360,425

Auditee qualified as low-risk auditee? yes x no

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

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)? _____ yes x 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 the NJ OMB 15-08? _____ yes x no

Identification of Major Federal Programs

GMIX/Program Number(s)

100-082-2155-015

Name of State Program or Cluster

State Aid College Assistance

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, 2021**

Section II – Financial Statement Findings

2021 – 001 – Financial Reporting

Type of Finding:

- Material Weakness in Internal Control Over Financial Reporting

Condition: During the testing of the Higher Education Emergency Relief Fund (HEERF) revenue, we noted that the lost revenue calculation that the College performed was recorded as tuition revenue and expenditures in addition to recording grant revenue. The College corrected the double recording of this transaction, and an adjustment was made to decrease tuition revenue and decrease expenditures by \$9,287,962.

Criteria or specific requirement: The College must be able to prevent or detect material misstatements in the financial statements, including disclosure and the underlying financial records.

Effect: The error noted above could have resulted in an overstatement of tuition revenue \$9,287,962 and an overstatement of expenditures of \$9,287,962.

Cause: The College did not have proper procedures in place to review these transactions to determine the accuracy of recording the HEERF revenues and properly classifying these transactions into their accounting system.

Repeat Finding: No.

Recommendation: We recommend the College review applicable guidance as well as its policies and procedures in place to ensure grant related activity is properly reflected within the financial statements.

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, 2021**

Section II – Financial Statement Findings (Continued)

2021 – 002 – Financial Reporting

Type of Finding:

- Significant Deficiency in Internal Control Over Financial Reporting

Condition: During our testing of capital assets, it was noted one construction in progress (CIP) project was completed in FY20 that should have been in capitalized and depreciated. We also noted several projects that were completed within the current fiscal year but were not being capitalized and depreciated. Lastly, we noted several projects that were still in CIP, but depreciation was being recorded incorrectly.

Criteria or specific requirement: The College must be able to prevent or detect misstatements in the financial statements, including disclosure and the underlying financial records.

Effect: The errors noted above could have resulted in an overstatement of capital assets of \$1,001,730 and an understatement of CIP of \$1,001,730 as of June 30, 2020, however, the net effect on the statement of net position is zero. In addition, the College had an understatement of depreciation of \$37,707.

Cause: The College did not have proper procedures in place to review the CIP balances periodically to determine if projects or expenditures are correctly classified and properly categorized.

Repeat Finding: No.

Recommendation: The College should review its policies and procedures in place for accurate recording of transactions.

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, 2021**

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

2021 – 003

Federal Agency: Department of Education

Federal Program Title: Coronavirus Aid, Relief and Economic Security Act – Higher Education
Emergency Relief Fund – Student & Institution Portions

Assistance Listing Number: 84.425E – Student Aid Portion

84.425F – Institutional Portion

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or Specific Requirement: The CARES Act 18004(e) and the CRRSAA 314(e) requires an institution receiving funds under HEERF I and HEERF II to submit a report to the secretary, at such time in such a manner as the secretary may require. 1.) Quarterly public reporting for institutional requires a new, separate form to be posted covering aggregate amounts spent for HEERF I, HEERF II, and HEERF III funds each quarterly reporting period due no later than 10 days after the end of each calendar quarter. 2.) The 45-day and quarterly public reporting for the student aid portion requires certain information to be posted on the website no later than 10 days after the end of each period or calendar quarter.

Condition: During our testing of the 45-day and quarterly public reports for the student aid and institutional portions, we noted the College was unable to provide documentation that the reports were uploaded to the institution's website within the required 10-day timeframe. The reports provided to the Department of Education were dated within the required timeframe; however, due to the College changing system server platforms during the fiscal year the require website upload documentation could not be produced for one of one 45-day and two of four quarterly student aid portion reports and two of four quarterly institutional portion reports.

Questioned Costs: None.

Context: During our testing of the 45-day and quarterly public reports for the student aid and institutional portions, we noted that the College could not produce support for posting the reports within the required 10 days of the calendar quarter.

Cause: During the COVID period, the College at some point experienced a high demand on the usage of the website and this necessitated a switch of vendor to gain a bigger and better bandwidth to maintain our operations. This interrupted the supporting documents we posted on our website.

Effect: Failure to support or file the required reports timely may result in the loss of funding.

Repeat Finding: No.

Recommendation: We recommend the College enhance its procedures, controls, and review policies around CARES Act and the CRRSAA reporting requirement.

Views of responsible officials: There is no disagreement with the audit finding.

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

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

2021 – 004

Federal Agency: Department of Education

Federal Program Title: Coronavirus Aid, Relief and Economic Security Act – Higher Education Emergency Relief Fund – Student & Institution Portions

Assistance Listing Number: 84.425L – Minority Serving Institutions

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or Specific Requirement: The CRRSAA 314(c) allows recipients use this award to defray expenses associated with the coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll); carry out student support activities authorized by the HEA that address needs related to the coronavirus; and make financial aid grants to students, which may be used for any component of the student's cost of attendance or for emergency costs that arise due to coronavirus, such as tuition, food, housing, health care (including mental health care), or child care.

Condition: During our testing of lost revenue, we noted that the Summer II 2020 term lost revenue was claimed under HEERF Institutional and HEERF MSI. The amount claimed under HEERF MSI that was for Summer II 2020 was \$494,359. The College re-evaluated their lost revenue calculation and made adjustments to their original lost revenue calculation to not include MSI as part of the HEERF institutional lost revenue calculation.

Questioned Costs: None.

Context: During our testing of lost revenue, we noted \$494,359 was being claimed under the HEERF Institutional portion and the HEERF MSI portion.

Cause: The College did not have proper controls and processes in place to identify the double allocation of their HEERF MSI funds.

Effect: Failure to comply with the federal regulations may result in the loss of funding.

Repeat Finding: No.

Recommendation: We recommend the College enhance its procedures, controls, and review policies around the HEERF requirements and calculations.

Views of responsible officials: There is no disagreement with the audit finding.

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

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

2021 – 005

Federal Agency: Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.038 - Federal Perkins Loan Program

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or Specific Requirement: The Code of Federal Regulations, 34 CFR 685.309 requires the College to retain 1.) original or true and exact copies of promissory and master promissory notes (MPN), 2.) repayment records, 3.) cancellation and deferment request for each Perkins loan made.

Condition: During our inquiry of borrowers with open loans we noted the College did not have original or true copies of master promissory notes or other supporting documentation for a portion of their portfolio.

Questioned Costs: None.

Context: During our inquiry of borrowers with open loans, we noted the College was not able to locate majority of the original or true copies of all promissory and master promissory notes for older loans as detailed in this finding. The College was aware of this issue, corresponded with the U.S. Department of Education and is utilizing an outside consultant to help the College close-out the Perkins loan program. The program was last active more than 20 years ago.

Cause: The College can no longer locate some of the Perkins loan promissory and master promissory notes (approximately 150 out of 950 loan documents cannot be located). Due to the lack of activity and age of the loans, the controls around the maintenance of those forms did not operate effectively.

Effect: The College is currently undergoing preparation to close out of the Perkins Loan Program and understands that in situations similar to those described in this finding, they may have to purchase students' outstanding loans as a result of not retaining necessary information needed to assign them.

Repeat Finding: No.

Recommendation: We recommend the College complete the close-out of the Perkins Loan Program.

Views of responsible officials: There is no disagreement with the audit finding.

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

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

2021 – 006

Federal Agency: Department of Education

Federal Program Title: Education Stabilization Fund

Assistance Listing Number: 84.425C – Governor’s Emergency Education Relief Fund

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or Specific Requirement: Under section 18002(c) of the CARES Act, GEERF funds may be used to support the ability of institutions to continue to provide educational services and support the on-going functionality of the institution; including but not limited to initiating, maintaining, or redeveloping instructional plans, education and support services or assistance for remote or hybrid learning or to address learning loss. CARES Act Section 18003(d)(12) authorizes grantees to continue to pay employees and Section 18002(c)(3) of the CARES Act allows the use of funds to protect education-related jobs; the authority includes paying staff who are on leave because schools are closed due to COVID-19.

Condition: During our testing of the Governor’s Emergency Education Relief Fund (GEERF) payroll expenditures, we noted that the College used expected pay rate amounts for adjunct employees instead of actual pay when performing the grant calculation. In total, the College had sufficient allowable costs to apply the full amount of GEERF funding in 2020-21; however, the expected pay rate approach resulted in three employees having payroll related charges applied to the grant funding in excess of amounts calculated when using actual pay and the College’s developed methodology.

Questioned Costs: None.

Context: We noted three employees who had payroll related charges applied to grant funding in excess of the amounts calculated using the College’s methodology.

Cause: The College did not have proper controls and processes in place to monitor the calculation of grant expenditures in relation to the developed methodology.

Effect: Claiming excess unallowable costs or activities may result in the loss of funding.

Repeat Finding: No.

Recommendation: We recommend the College enhance its procedures, controls, and review policies around the GEERF requirements and calculations.

Views of responsible officials: There is no disagreement with the audit finding.

**ESSEX COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

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

2021 – 007

Federal Agency: Department of Education

Federal Program Title: Student Financial Assistance Cluster

Assistance Listing Number: 84.007 – Federal Supplemental Educational Opportunity Grants

84.033 – Federal Work Study Program

84.063 – Federal Pell Grant Program

Award Period: July 1, 2020 to June 30, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or Specific Requirement: The Code of Federal Regulations, 34 CFR 685.309(b), states that: The school must have some arrangement to report student enrollment data to NSLDS through an enrollment roster file. The school is required to report changes in the student's enrollment status, the effective date of the status, and an anticipated completion date. Also, the Code of Federal Regulations, 34 CFR 682.610, states that institutions must report accurately the enrollment status of all students regardless of if they receive aid from the institution or not. The school must have some arrangement to report student program enrollment effective date. The school is required to report changed in the student's enrollment status, the effective date of the status and an anticipated completion date. Changes in enrollment to less than half-time, graduated, or withdrawn status must be reported within 30 days. However, if a roster file is expected within 60 days, you may provide the date on that roster file.

Condition:

During our testing, we noted 12 of 40 student enrollment status changes were not reported to NSLDS, 3 of 40 students were reported to NSLDS with an incorrect enrollment effective date, 10 of 40 students were reported to NSLDS with an incorrect program enrollment effective date, 14 of 40 students were not reported to NSLDS on a timely basis.

Questioned Costs: None.

Context: We noted errors throughout the testing of student enrollment and program status reporting to NSLDS, including incorrect enrollment effective dates, incorrect program effective dates, timeliness of enrollment status change reporting issues and omission of enrollment status change reporting.

Cause: The College did not have the policies and procedures in place to properly track and report student enrollment and program status changes and the related dates to NSLDS.

Effect: Errors in enrollment and program status reporting to NSLDS could cause issues for students receiving the Title IV funding as well as the loss of future funding for the College.

Repeat Finding: Yes, 2020-004.

Recommendation: We recommend the College reevaluate its procedures and review policies surrounding enrollment and program status reporting to NSLDS to ensure all status changes are reported timely with the correct effective dates.

Views of responsible officials: There is no disagreement with the audit finding.

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Essex County College respectfully submits the following corrective action plan for the year ended June 30, 2021.

Audit period: July 1, 2020 – June 30, 2021

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

MATERIAL WEAKNESS

2021-001 Financial Reporting

Recommendation: We recommend the College review applicable guidance as well as its policies and procedures in place to ensure grant related activity is properly reflected within the financial statements.

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

Action planned/taken in response to finding: Although the pandemic related Higher Education Relief Fund (HEERF) is not expected to continue, the College is enhancing review processes to prevent future occurrences of this nature. The College will require two approvals for journal entry adjustments exceeding \$250,000.

Name(s) of the contact person(s) responsible for corrective action: Evens Wagnac, Deputy CFO

Planned completion date for corrective action plan: June 30, 2022

SIGNIFICANT DEFICIENCY

2021-002 Financial Reporting

Recommendation: The College should review its policies and procedures in place for accurate recording of transactions.

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

Action planned/taken in response to finding: The Finance Office will have an ongoing review and adjustment of CIP activity and balances.

Name(s) of the contact person(s) responsible for corrective action: Evens Wagnac, Deputy CFO

Planned completion date for corrective action plan: June 30, 2022

**ESSEX COUNTY COLLEGE
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2021**

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF EDUCATION

2021-003 Higher Education Emergency Relief Fund Reporting

Recommendation: We recommend the College enhances its procedures, controls, and review policies around CARES Act and the CRRSAA reporting requirement.

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

Action planned/taken in response to finding: The Institutional Advancement Office will post required reports within the required deadlines.

Name(s) of the contact person(s) responsible for corrective action: Evens Wagnac, Deputy CFO, and Albert Bundy, Director of Institutional Advancement

Planned completion date for corrective action plan: June 30, 2022

2021-004 Higher Education Emergency Relief Fund Allowable Costs/Activities

Recommendation: We recommend the College enhances its procedures, controls, and review policies around the HEERF requirements and calculations.

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

Action planned/taken in response to finding: Although the Pandemic Higher Education Relief Fund (HEERF) is not expected to continue, the College is enhancing review processes to prevent future occurrences of this nature. The College will require two approvals for journal entry adjustments exceeding \$250,000.

Name(s) of the contact person(s) responsible for corrective action: Evens Wagnac, Deputy CFO

Planned completion date for corrective action plan: June 30, 2022

2021-005 Federal Perkins Loan Program

Recommendation: We recommend the College complete the close-out of the Perkins Loan Program.

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

Action taken in response to finding: The College has contracted with a consultant to facilitate and help the College complete the close-out of the Perkins Loan Program. Progress has been shared with the U.S. Department of Education. A major step in the closeout, the loan assignment process, is expected to begin in April 2022, with completion before July 2022.

**ESSEX COUNTY COLLEGE
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2021**

Name(s) of the contact person(s) responsible for corrective action: Evens Wagnac, Deputy CFO

Planned completion date for corrective action plan: June 30, 2023

2021-006 Governor's Emergency Education Relief Fund (GEERF) Allowable Costs/Activities

Recommendation: We recommend the College enhances its procedures, controls, and review policies around the GEERF requirements and calculations.

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

Action planned/taken in response to finding: Although the Governor's Emergency Education Relief Fund (GEERF) is not expected to continue, the College is enhancing review processes to prevent future occurrences of this nature. The College will require two approvals for journal entry adjustments exceeding \$250,000.

Name(s) of the contact person(s) responsible for corrective action: Evens Wagnac, Deputy CFO

Planned completion date for corrective action plan: June 30, 2022

2021-007 Student Financial Assistance NSLDS Enrollment Reporting

Recommendation: We recommend the College reevaluate its procedures and review policies surrounding enrollment and program status reporting to NSLDS to ensure all status changes are reported timely with the correct effective dates.

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

Action planned/taken in response to finding: The College is performing file reviews, technical capabilities assessments, and updates to policies and procedures. A full file review is planned, with appropriate changes being made.

Name(s) of the contact person(s) responsible for corrective action: Reneé Ojo-Ohikware, Director of Enrollment Services.

Planned completion date for corrective action plan: June 30, 2022

If the Department of Education or the Office of the Secretary of Higher Education have questions regarding the documented plans above, please call Evens Wagnac at 973-877-3040.

Essex County College (the College) respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2021.

Audit period: July 1, 2019 – June 30, 2020

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2020-001 – Financial Reporting

Condition: The financial statement audit was scheduled to begin in July 2020 and conclude in November 2020. The College did not provide a timely and accurate trial balance which caused difficulties in completing a draft of the College's financial statements. Additionally, various adjusting entries were proposed relating to Accounts Receivable, Unearned Revenue, Capital Assets, Depreciation, Non-operating Revenue, and other audit areas subsequent to the review of the trial balance. As a result, audit fieldwork continued through April 2021.

Status: Corrected. There were no similar findings in the current year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2020-002 – Return of Title IV (R2T4)

Condition: For one of 27 R2T4 calculations tested, incorrect calculation inputs were utilized which was a scheduled break of 5 days or more was included instead of excluded. For five of 27 R2T4 calculations tested, an incorrect semester end date was used.

Status: Corrected. There were no similar findings in the current year.

2020-003 – Enrollment Reporting

Condition: During our testing of 40 students, we noted 3 instances of enrollment status not reported on a timely basis.

Status: See current year finding 2021-007.

Reason for finding's recurrence: There were various errors noted during the testing in 2020-21.

Corrective Action: See current year Corrective Action plan.

**ESSEX COUNTY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS (CONTINUED)

2020-004 – Enrollment Reporting

Condition: During our testing, we noted the following:

- 1) 3 out of 40 students sampled for NSLDS testing were not reported to NSLDS at least every 60 days throughout the year.
- 2) 1 out of 40 students sampled for NSLDS testing was not reported correctly with the correct enrollment effective date.

Status: See current year finding 2021-007.

Reason for finding's recurrence: There were various errors noted during the testing in 2020-21.

Corrective Action: See current year Corrective Action plan.

If the Department of Education or the Office of the Secretary of Higher Education has questions regarding this schedule, please call Evens Wagnac at 973-877-3040.