

Essex County College
(A Component Unit of the County of Essex)

Basic Financial Statements and
Management's Discussion and Analysis and
Schedules of Expenditures of Federal Awards
and State Financial Assistance

Year Ended June 30, 2022
(with Independent Auditors' Report Thereon)

Essex County College
(A Component Unit of the County of Essex)

Report on Financial Statements and
 Federal and State Awards
 June 30, 2022 and 2021

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Independent Auditors' Report

**Board of Trustees
Essex County College**

Report on the Audit of the Financial Statements

Opinions

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, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the College as of and for the year ended June 30, 2021, were audited by other auditors whose report dated April 21, 2022, expressed an unmodified opinion on those statements in accordance with accounting principles generally accepted in the United States of America. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

We draw attention to Note 1 in the notes to financial statements which disclose the effects of the College's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 87, "Leases". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards* , we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and the Schedules listed under Required Supplementary Information – Part II in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The Schedules of Expenditures of Federal Awards and State of New Jersey Financial Assistance on page 72, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey 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 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 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 March 31, 2023 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
March 24, 2023

Essex County College
(A Component Unit of the County of Essex)

Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

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, 2022 and 2021. 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, 2022 and 2021, with presentation of certain comparative information presented for the year ended June 30, 2020. 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 2022

Enrollment

During fiscal year 2022, the total credit hours reported to the state were 146,990. This represents an increase of 2.3% from fiscal year 2021, in which credit hours were 143,619.

The College charged Essex County residents \$129.03 and \$126.50 per student credit hour in fiscal year 2022 and 2021, respectively.

Non-Essex County residents and foreign students were charged \$258.06 and \$253.00 per credit hour for fiscal year 2022 and 2021, respectively.

Student Fees

The College charged a general student fee of \$33.15 and \$32.50 per credit hour for fiscal years 2022 and 2021, respectively. In addition, a student activity fee of \$7.65 and \$7.50 per credit hour was charged for fiscal years 2022 and 2021, respectively. 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 76% and 75% of the unduplicated student enrollment received student aid assistance during fiscal years 2022 and 2021, respectively. Federal and state grants expended for student financial aid in 2022 amounted to \$15,761,296 and \$6,682,774, respectively, as compared to \$16,837,524 and \$6,785,475 for 2021.

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.

Essex County College
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Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

Financial Highlights – Fiscal Year 2021 (continued)

Enrollment (continued)

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.

Overview of the Financial Statements

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

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

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

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

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

Essex County College
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Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

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 58 of this report.

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, 2022, the College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$122,849,974, a \$40,949,356 increase from June 30, 2021. At June 30, 2021, the College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$81,900,618, a \$29,106,262 increase from June 30, 2020. Our analysis below focuses on the net position and changes in net position of the College's activities.

Approximately 83.3% for fiscal year 2022 and 114.3% for fiscal year 2021 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 \$8,784,789 in net investment in capital assets in 2022 resulted principally from depreciation of \$3,340,078, offset by an increase in renovation projects and equipment purchases of \$12,521,952. 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.

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 35.3% and 8.0% of the total net position at June 30, 2022 and 2021, respectively. Restricted net position at June 30, 2022 increased by \$36,758,179 as a result of further spending on planned capital projects and debt service principal payments. Restricted net position at June 30, 2021 decreased by \$9,796,089 as a result of capital related expenses and debt service principal payments.

Unrestricted net position represented (18.6)% and (22.3)% of the total net position at June 30, 2022 and 2021, respectively. Unrestricted net position at June 30, 2022 decreased by \$4,593,612, primarily from cost adjustment measures offset by reduction in COVID funding. Unrestricted net position at June 30, 2021 increased by \$37,910,970, 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.

Current assets increased at June 30, 2022, due to timing of transactions as the College's net position increased by \$25,976,981. Current assets increased at June 30, 2021, due to timing of transactions as the College's net position increased by \$16,381,863.

Essex County College
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Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

Financial Analysis of the College as a Whole (continued)

Current liabilities increased at June 30, 2022 by \$3,386,224 substantially due to an increase in accounts payable and unearned grant revenue. Noncurrent liabilities and deferred outflows of resources decreased in the 2022 fiscal year primarily due to the decrease in the net pension liability and the correlating pension deferrals. Current liabilities decreased at June 30, 2021 by \$10,152,581 substantially due to a decrease in unearned grant revenue. Noncurrent liabilities, deferred inflows, 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.

Net Position

The following represents assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College at June 30, 2022, 2021, and 2020:

	June 30,			Percent Increase (Decrease)	
	2022	2021 (As Restated)	2020 (As Restated)	2022/2021	2021/2020
Current and other assets	\$ 100,185,398	\$ 74,208,417	\$ 57,826,554	35.0%	28.3%
Capital assets, net of depreciation	103,619,769	95,222,605	94,592,983	8.8%	0.7%
Total Assets	<u>203,805,167</u>	<u>169,431,022</u>	<u>152,419,537</u>	20.3%	11.2%
Deferred outflows of resources	<u>7,637,530</u>	<u>11,172,176</u>	<u>12,868,928</u>	-31.6%	-13.2%
Current liabilities	15,785,819	12,399,595	22,552,176	27.3%	-45.0%
Noncurrent liabilities	<u>40,388,756</u>	<u>56,242,051</u>	<u>62,389,430</u>	-28.2%	-9.9%
Total Liabilities	<u>56,174,575</u>	<u>68,641,646</u>	<u>84,941,606</u>	-18.2%	-19.2%
Deferred inflows of resources	<u>32,418,148</u>	<u>30,060,934</u>	<u>27,552,503</u>	7.8%	9.1%
Net position					
Net investment in capital assets	102,382,766	93,597,977	92,606,596	9.4%	1.1%
Restricted	43,293,598	6,535,419	16,331,508	562.4%	-60.0%
Unrestricted	<u>(22,826,390)</u>	<u>(18,232,778)</u>	<u>(56,143,748)</u>	25.2%	-67.5%
Total Net Position	<u>\$ 122,849,974</u>	<u>\$ 81,900,618</u>	<u>\$ 52,794,356</u>	50.0%	55.1%

Essex County College
(A Component Unit of the County of Essex)

Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

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, 2022, 2021 and 2020:

	Year Ended June 30			Percent Increase (Decrease)	
	2022	2021 (As Restated)	2020 (As Restated)	2022/2021	2021/2020
Operating Revenues					
Tuition and fees, net	\$ 24,676,680	\$ 24,358,292	\$ 29,454,497	1.3%	-17.3%
Grants and contributions	12,710,595	16,499,086	35,302,950	-23.0%	-53.3%
Other operating revenue	<u>3,042,292</u>	<u>2,362,371</u>	<u>3,386,688</u>	28.8%	-30.2%
Total Operating Revenues	<u>40,429,567</u>	<u>43,219,749</u>	<u>68,144,135</u>	-6.5%	-36.6%
Operating Expenses					
Total operating expenses before depreciation	88,954,471	86,359,067	85,250,313	3.0%	1.3%
Depreciation	<u>3,340,078</u>	<u>3,395,640</u>	<u>3,503,836</u>	-1.6%	-3.1%
Total Operating Expenses	<u>92,294,549</u>	<u>89,754,707</u>	<u>88,754,149</u>	2.8%	1.1%
Operating Loss	(51,864,982)	(46,534,958)	(20,610,014)	11.5%	125.8%
Nonoperating Revenues (Expenses), Net	<u>92,814,338</u>	<u>75,641,220</u>	<u>38,514,245</u>	22.7%	96.4%
Change in Net Position	40,949,356	29,106,262	17,904,231	40.7%	62.6%
Total Net Position, Beginning of Year	<u>81,900,618</u>	<u>52,794,356</u>	<u>34,890,125</u>	55.1%	51.3%
Total Net Position, End of Year	<u>\$ 122,849,974</u>	<u>\$ 81,900,618</u>	<u>\$ 52,794,356</u>	50.0%	55.1%

Tuition and fees revenue, net of waivers and appeals, increased in 2022 by 1.3% due to an increase of 2.3% in credit hours and no increase in Tuition and Fees. Tuition and fees revenue, net of waivers and appeals, decreased in 2021 by 17.3% due to a decrease of 16.3% in credit hours and no increase in Tuition and Fees.

Essex County College
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Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

Financial Analysis of the College as a Whole (continued)

Revenues

The College had operating, non-operating and other revenues, in the amounts of \$134,075,359, \$118,956,669 and \$106,769,085 in 2022, 2021 and 2020 respectively. The following percentages represent the sources of operating, non-operating and other revenues that each has contributed over the past three years:

	2022	2021	2020
Operating Revenues			
Tuition and fees	61.0 %	56.4 %	64.3 %
Federal grants	8.9	17.1	6.5
State grants	18.2	17.6	18.4
County and local grants	4.4	3.5	3.5
Charges for services	2.7	2.5	3.3
Other revenues	4.8	2.9	4.0
Total Operating Revenues	100.0 %	100.0 %	100.0 %
Nonoperating Revenues			
State appropriations	28.3 %	16.7 %	24.5 %
County appropriations	26.2	24.8	31.4
Pell grants	16.2	20.2	30.9
Pandemic related financial assistance	26.0	31.2	5.8
Interest and investment income (loss)	-	-	0.2
Unrealized (loss) gain on investments	(0.4)	0.9	(0.1)
Special funding for other postemployment benefits	3.7	6.2	1.2
Gain on sale of asset	-	-	6.1
Total Nonoperating Revenues	100.0 %	100.0 %	100.0 %

Federal grants decreased in 2022 as a result of a decrease in student financial assistance. Tuition and fees increased in 2022 due to the increase in enrollment.

Essex County College
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Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

Financial Analysis of the College as a Whole (continued)

Expenses

The College expended its resources, in the amounts of \$93,126,003, \$89,850,407 and \$88,864,854 in 2022, 2021 and 2020 among the following categories:

	2022	2021	2020
Operating Expenses			
Instruction	18.9 %	21.9 %	24.0 %
Public Service	1.1	2.1	3.0
Academic Support	1.8	2.5	3.6
Student Services	21.9	16.6	12.7
Institutional Support	21.5	20.4	14.5
Operation of Plant	7.9	7.9	9.3
Scholarships and Fellowships	23.3	24.7	29.0
Depreciation	3.6	3.8	3.9
Total Operating Expenses	100.0 %	100.0 %	100.0 %
Nonoperating Expenses			
Interest expense	9.0 %	100.0 %	100.0 %
Loss on sale of asset	91.0	-	-
Total Nonoperating Expenses	100.0 %	100.0 %	100.0 %

The foregoing represents the percentage of each expense category as compared to total expenses. Instruction, Public Service, Academic Support and Scholarships and Fellowships decreased due to cost adjustment measures and lesser expenditures provided from COVID funding.

Student Services and Institutional Support increased due to cost adjustment measures applied, however, remaining COVID funding resulted in increases in these categories overall.

In 2021, Instruction, Public Service, Academic Support, Student Services and 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.

Grants and Contracts

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

For fiscal years 2022, 2021, and 2020, the College received the following funding from grants and contracts:

Essex County College
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Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

Financial Analysis of the College as a Whole (continued)

	Year Ended June 30			Percent Increase (Decrease)	
	2022	2021	2020	2022/2021	2021/2020
Federal	\$ 43,128,489	\$ 46,305,067	\$ 25,354,479	-6.9%	82.6%
State	7,360,145	7,596,524	8,413,757	-3.1%	-9.7%
County and local	1,704,217	1,439,231	1,534,714	18.4%	-6.2%
Total	<u>\$ 52,192,851</u>	<u>\$ 55,340,822</u>	<u>\$ 35,302,950</u>	-5.7%	56.8%

Funding for grants and contracts for 2022 decreased by 5.7%, principally due to a decrease in student financial assistance as well as pandemic relating grants such as the coronavirus relief fund. Funding for grants and contracts for 2021 increased by 56.8%, principally due to the introduction of the COVID-19 pandemic related grant programs in 2021.

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, 2022, 2021, and 2020, and percentage increase or decrease from the prior year:

	June 30			% Increase (Decrease)	
	2022	2021	2020	2022/2021	2021/2020
Land, non depreciable	\$ 2,516,647	\$ 2,516,647	\$ 2,516,647	0.0%	0.0%
Construction in progress, non depreciable	10,849,795	621,795	1,205,912	1644.9%	-48.4%
Land improvements	125,955	120,508	149,350	4.5%	-19.3%
Buildings and building improvements	86,558,420	88,558,116	87,000,007	-2.3%	1.8%
Equipment	3,458,592	3,275,948	3,619,611	5.6%	-9.5%
Library books	110,360	129,591	101,456	-14.8%	27.7%
Total	<u>\$ 103,619,769</u>	<u>\$ 95,222,605</u>	<u>\$ 94,592,983</u>	8.8%	0.7%

Construction in progress increased due to the ongoing construction of the West Essex campus. The decrease in buildings and building improvements 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.

Essex County College
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Management's Discussion and Analysis
Years Ended June 30, 2022 and 2021

Financial Analysis of the College as a Whole (continued)

Long-Term Liabilities

The following table summarizes the long-term liabilities at June 30 for fiscal years 2022, 2021 and 2020:

	June 30			% Increase (Decrease)	
	2022	2021	2020	2022/2021	2021/2020
Bonds payable	\$ 1,269,974	\$ 1,660,301	\$ 2,025,628	-23.5%	-18.0%
Financed purchase payable	18,991	37,067	54,285	-48.8%	-31.7%
Obligation for post employment benefits other than pensions	12,257,010	16,318,244	15,130,336	-24.9%	7.9%
Net pension liability	<u>27,301,746</u>	<u>38,634,845</u>	<u>45,561,726</u>	-29.3%	-15.2%
Total	<u>\$ 40,847,721</u>	<u>\$ 56,650,457</u>	<u>\$ 62,771,975</u>	-27.9%	-9.8%

The decrease in financed purchase payable and bonds payable, net is due to the payment of principal on debt during the 2022 fiscal year.

The decrease in the net pension liability and obligation for post employment benefits other than pensions are due to changes in the underlying assumptions used in the calculation of the liability.

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

Economic Factors Affecting the College/Future Outlook

The College is substantially funded by tuition, fees, 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 2022 fiscal year, State appropriations increased by \$2,176,941 as compared to 2021, while County appropriations increased by \$500,000 as compared to 2021. In addition, credit hours have increased by 2.3% during 2022 fiscal year as compared to 2021.

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. Also, with the help of the Federal and State government through the HEERF program and lots of different emergency funds, the financial impact has changed from negative to positive.

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
(A Component Unit of the County of Essex)

Statements of Net Position

	June 30,	
	2022	2021 (As Restated)
ASSETS		
Unrestricted cash and cash equivalents	\$ 43,262,450	\$ 23,860,843
Cash held by bond trustee - NJEFA	538,926	538,917
Restricted cash and cash equivalents	5,368,733	3,452,984
Investments	3,073,629	3,454,487
Accounts Receivable:		
Tuition and fees, net of allowance of \$2,065,096 and \$3,377,988 in 2022 and 2021, respectively	476,038	789,008
Grants	3,434,964	7,090,484
State and county	39,526,019	27,465,041
Other, net of allowance of \$980,734 and \$353,976 in 2022 and 2021, respectively	2,527,504	5,555,521
Leases	1,921,843	1,940,596
Inventories	15,937	15,937
Prepaid expenses	39,355	44,599
	100,185,398	74,208,417
Total Current Assets	100,185,398	74,208,417
NONCURRENT ASSETS		
Capital assets, nondepreciable	13,366,442	3,138,442
Capital assets, net of accumulated depreciation	90,253,327	92,084,163
	103,619,769	95,222,605
Total Noncurrent Assets	103,619,769	95,222,605
Total Assets	203,805,167	169,431,022
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	3,396,580	6,519,788
Other postemployment benefits deferrals	4,188,988	4,579,644
Deferred loss on refunding	51,962	72,744
	7,637,530	11,172,176
Total Deferred Outflows of Resources	\$ 7,637,530	\$ 11,172,176

See accompanying notes to basic financial statements

Essex County College
(A Component Unit of the County of Essex)

Statements of Net Position
(Continued)

	June 30,	
	2022	2021 (As Restated)
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 8,302,703	\$ 6,128,418
Accrued payroll and taxes	4,171,104	4,035,455
Compensated absences	-	6,705
Unearned revenue - NJEFA	538,916	538,916
Unearned tuition and fee revenue	158,350	317,963
Unearned grant revenue	1,401,110	211,975
Other liabilities	754,671	751,757
Financed purchase payable	18,991	18,079
Bonds payable	439,974	390,327
Total Current Liabilities	15,785,819	12,399,595
NONCURRENT LIABILITIES		
Bonds payable	830,000	1,269,974
Financed purchase payable	-	18,988
Net other postemployment benefit liability	12,257,010	16,318,244
Net pension liability	27,301,746	38,634,845
Total Noncurrent Liabilities	40,388,756	56,242,051
Total Liabilities	56,174,575	68,641,646
DEFERRED INFLOW OF RESOURCES		
Pension deferrals	23,913,517	25,105,378
Other postemployment benefits deferrals	6,594,556	3,014,960
Lease deferrals	1,910,075	1,940,596
Total Deferred Inflows of Resources	32,418,148	30,060,934
NET POSITION		
Net investment in capital assets	102,382,766	93,597,977
Restricted for		
Grants, contracts and other governmental agreements	12,528,715	4,393,358
Capital outlays	29,672,416	1,065,686
Scholarships	1,092,467	1,076,375
Unrestricted (deficit)	(22,826,390)	(18,232,778)
Total Net Position	\$ 122,849,974	\$ 81,900,618

See accompanying notes to basic financial statements

Essex County College
(A Component Unit of the County of Essex)

Statements of Revenues, Expenses and Changes in Net Position

	Years Ended	
	June 30,	
	2022	2021 (As Restated)
OPERATING REVENUES		
Tuition and fees, net of waivers and appeals of \$2,511,223 and \$2,344,481 in 2022 and 2021, respectively	\$ 24,676,680	\$ 24,358,292
Federal grants	3,587,779	7,395,888
State grants	7,360,145	7,596,524
County and local grants	1,704,217	1,439,231
Private contributions	58,454	67,443
Charges for services	1,088,656	1,090,894
Other revenues	1,953,636	1,271,477
Total Operating Revenues	40,429,567	43,219,749
OPERATING EXPENSES		
Instruction	17,665,835	19,641,574
Public service	1,017,955	1,922,332
Academic support	1,640,404	2,284,403
Student services	20,386,237	14,885,694
Institutional support	20,081,614	18,354,304
Plant operations	6,481,012	7,120,768
Scholarships and fellowships	21,681,414	22,149,992
Depreciation	3,340,078	3,395,640
Total Operating Expenses	92,294,549	89,754,707
OPERATING LOSS	(51,864,982)	(46,534,958)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	26,480,884	12,601,759
County appropriations	24,559,640	18,790,930
Pell grants	15,172,649	15,279,614
Pandemic related financial assistance	24,368,061	23,629,565
Interest and investment income	29,878	19,128
Unrealized (loss) gain on investments	(380,858)	690,691
Special funding for other postemployment benefits	3,415,538	4,725,233
Interest expense	(74,549)	(95,700)
Loss on sale of assets	(756,905)	-
Total Nonoperating Revenues (Expenses)	92,814,338	75,641,220
INCREASE IN NET POSITION	40,949,356	29,106,262
Net Position - Beginning of Year (As Restated)	81,900,618	52,794,356
Net Position - End of Year	\$ 122,849,974	\$ 81,900,618

See accompanying notes to basic financial statements

Essex County College
(A Component Unit of the County of Essex)

Statements of Cash Flows

	Years Ended	
	June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees, including chargebacks	\$ 24,830,037	\$ 24,522,893
Tuition refunds/scholarships	(21,681,414)	(22,149,992)
Grants receivable	5,494,272	10,814,188
Grant payments	(22,066,967)	(9,653,493)
Payments to suppliers	(14,646,108)	(21,314,536)
Payments to employees	(31,309,542)	(33,434,490)
Charges for services	1,088,656	1,090,894
Other operating receipts	1,953,636	1,271,477
Net Cash Used by Operating Activities	(56,337,430)	(48,853,059)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	10,178,770	8,010,829
County appropriations	14,700,000	14,200,000
Pell grants	15,172,649	15,279,614
Pandemic related financial assistance	24,368,061	23,629,565
Net Cash Provided by Noncapital Financing Activities	64,419,480	61,120,008
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(11,737,242)	(4,025,262)
Proceeds from sale of assets	(756,905)	-
Minor capital appropriations - County of Essex	9,859,640	(1,393,904)
Minor capital appropriations - State of New Jersey	16,302,114	(1,393,904)
Principal payments, net	(408,403)	(362,218)
Interest payments, net	(74,549)	(95,245)
Net Cash Used by Capital and Related Financing Activities	13,184,655	(7,270,533)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(50)
Interest and investment income	50,660	19,128
Net Cash Provided by Investing Activities	50,660	19,078
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,317,365	5,015,494
CASH AND CASH EQUIVALENTS		
Beginning of Year	27,852,744	22,837,250
End of Year	\$ 49,170,109	\$ 27,852,744

See accompanying notes to basic financial statements

Essex County College
(A Component Unit of the County of Essex)

Statements of Cash Flows
(Continued)

	Years Ended	
	June 30,	
	2022	2021
RECONCILIATION OF OPERATING LOSS TO		
NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (51,864,982)	\$ (46,534,958)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	3,340,078	3,395,640
On-behalf payments	3,373,249	4,725,233
Changes in operating assets and liabilities		
Accounts receivable	(5,064,471)	(5,944,514)
Prepaid expenses	5,244	(2,710)
Unearned revenue - NJEFA	-	(31,986)
Unearned tuition and fee revenue	(159,613)	171,897
Accounts payable/accrued expenses	2,306,143	(1,122,865)
Other postemployment benefits	(4,061,234)	1,187,908
Pension deferrals	1,931,347	2,681,958
OPEB deferrals	3,970,252	(438,153)
Lease deferrals	30,521	-
Net pension liability	(11,333,099)	(6,926,881)
Unearned grant revenue	1,189,135	(13,628)
 Net Cash Used by Operating Activities	 \$ (56,337,430)	 \$ (48,853,059)
 SIGNIFICANT NONCASH TRANSACTIONS		
Special funding for other postemployment benefits	\$ 3,373,249	\$ 4,725,233

See accompanying notes to basic financial statements

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

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.

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

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.

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

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

Net Position

Net position represents the difference between assets, deferred outflows of 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.

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

• ***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.

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.

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

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.

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

Assets	
Land improvements	10 Years
Building and Building Improvements:	
New construction	50 to 75 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.

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

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.

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 the value of the OPEB liability.

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, 2022 and 2021, the College has reported its proportionate share of the collective OPEB expense and revenue for the State's OPEB expense.

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.

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College has three items that qualifies for reporting in this category: deferred amounts related to pensions, OPEB and leases.

Leases

The College is a lessor for a noncancellable lease of a parking deck. The College recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, the College initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments to lessor accounting

Discount Rate		The College uses the lessee's estimated borrowing rate as the discount rate to discount the expected lease receipts to present value. The estimated borrowing rate is determined by assessing the credit worthiness of the lessee based on their Moody's rating on public debt. A credit spread is determined based on such rating along with comparables, market factors and other factors starting with the U.S. Treasury rate. For lessees without a Moody's rating, a non-investment grade (Ba1/Ba2) is used to develop the credit spread.
Lease Term		The lease term includes the non-cancellable period of the lease.
Lease Payments		Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee and any payment renewal option that the College is reasonably certain to exercise.

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

The College monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources where the College is a lessor if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*, effective for the College's fiscal year beginning July 1, 2021. This statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. The College adopted GASB Statement No. 87 effective July 1, 2021.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 99, *Omnibus 2022* in April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for periods beginning after June 15, 2022. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 101, *Compensated Absences* in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has not determined the impact of the Statement on the financial statements.

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (continued)

Reclassification

Certain prior year amounts related to the GASB 87 adoption and other amounts have been reclassified to conform with the current year presentation.

Restatement

In fiscal year 2022, the College adopted GASB 87 Leases with retroactive application and reclassified certain amounts. The College changed its procedures for recognizing capital appropriations from the State of New Jersey and County of Essex. As a result, the following restatements have been made to the College's financial statements:

	As Previously Reported	Adjustment	Restated
For the year ended June 30, 2021			
State Appropriations	\$ 8,010,829	\$ 4,590,930	\$ 12,601,759
County Appropriations	14,200,000	4,590,930	18,790,930
Total Nonoperating Revenues (Expenses) net	27,550,181	9,181,860	36,732,041
Increase in Net Position	19,924,402	9,181,860	29,106,262
Beginning Net Position	41,891,596	10,902,760	52,794,356
	\$ 61,815,998	\$ 20,084,620	\$ 81,900,618
 As of June 30, 2021			
Lease Receivable	\$ -	\$ 1,940,596	\$ 1,940,596
Unearned Grant Revenue	20,296,595	(20,084,620)	211,975
Deferred inflow amount from leases	-	1,940,596	1,940,596
Restricted for Capital Outlays	(521,871)	20,084,620	19,562,749
Total Net Position	\$ 61,815,998	\$ 20,084,620	\$ 81,900,618

Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2022 through March 24, 2023, the date that the financial statements are available to be issued. The effects of those events and transactions that provide information about conditions that existed at the statements of net position dates, have been recognized and disclosed in the accompanying financial statements.

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

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 2022 and 2021, 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.

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 2022, 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 \$3,274,622 and \$1,748,424, respectively, and other New Jersey student assistance grants of \$1,659,728, for a grand total of \$6,682,774. The College also expended student assistance from the U.S. Department of Education for Pell grants of \$15,172,649, Supplemental Educational Opportunity (SEOG) grants of \$450,000, and Federal Work Study of \$138,647 for a grand total of \$15,761,296.

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.

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

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, 2022 and 2021, \$5,368,733 and \$3,452,984, respectively, represented cash and equivalents that are restricted for these purposes. In addition, the College had \$538,926 and \$538,917 in cash held by bond trustee – NJEFA at June 30, 2022 and 2021, 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%.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

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, 2022, the College's carrying value of its deposits and cash on hand was \$39,583,992 and the bank balance was \$40,776,996.90. Of the bank balance, \$793,408 was covered by federal depository insurance, \$39,983,588 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with GUDPA.

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.

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.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

4. Cash and Equivalents and Investments (*continued*)

Investments (*continued*)

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.

The carrying amount of cash and equivalents in the State of New Jersey Cash Management Fund as of June 30, 2022 and 2021 was \$9,089,463 and \$9,569,658, 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.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

4. Cash and Equivalents and Investments (continued)

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

	2022	2021
Corporate stock (U.S. equities) (Level 1 inputs)	\$ 534,762	\$ 503,925
Mutual Funds (Level 1 inputs)	2,538,867	2,950,562
Total investments	\$ 3,073,629	\$ 3,454,487

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.

5. Capital Assets

The following is a summarization of changes in capital assets for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Deletions	Adjustments	Balance June 30, 2022
Capital Assets, Not Being Depreciated					
Land	\$ 2,516,647	\$ -	\$ -	\$ -	\$ 2,516,647
Construction in Progress	621,795	10,255,114	-	(27,114)	10,849,795
Total Capital Assets, Not Being Depreciated	3,138,442	10,255,114	-	(27,114)	13,366,442
Capital Assets, Being Depreciated					
Land improvements	1,532,322	32,645	-	-	1,564,967
Buildings and building improvements	135,542,822	1,005,655	(4,839,371)	27,114	131,736,220
Equipment and furniture	47,411,618	1,203,711	-	-	48,615,329
Library books	7,150,327	24,828	-	-	7,175,155
Total Capital Assets, Being Depreciated	191,637,089	2,266,839	(4,839,371)	27,114	189,091,671
Less Accumulated Depreciation					
Land improvements	1,411,814	28,908	-	(1,710)	1,439,012
Buildings and building improvements	46,984,706	2,246,042	(4,082,466)	29,518	45,177,800
Equipment and furniture	44,135,670	1,021,067	-	-	45,156,737
Library books	7,020,736	44,059	-	-	7,064,795
Total Accumulated Depreciation	99,552,926	3,340,076	(4,082,466)	27,808	98,838,344
Net Capital Assets	\$ 95,222,605	\$ 9,181,877	\$ (756,905)	\$ (27,808)	\$ 103,619,769

Essex County College
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Notes To Basic Financial Statements
Year Ended June 30, 2022

5. Capital Assets (continued)

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	<u>3,722,559</u>	<u>417,612</u>	<u>-</u>	<u>(1,001,729)</u>	<u>3,138,442</u>
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	<u>187,029,350</u>	<u>3,607,650</u>	<u>(1,640)</u>	<u>1,001,729</u>	<u>191,637,089</u>
Less Accumulated Depreciation					
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	<u>96,158,926</u>	<u>3,395,640</u>	<u>(1,640)</u>	<u>-</u>	<u>99,552,926</u>
Net Capital Assets	<u>\$ 94,592,983</u>	<u>\$ 629,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,222,605</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$3,340,076 and \$3,395,640, 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 \$1,916,620 and \$0 out of the \$5,850,000 in 2022 and 2021, respectively. The College reported a receivable of \$2,848,380 and \$4,765,000 as of June 30, 2022 and 2021, respectively.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

6. Accounts Receivable – County of Essex and State of New Jersey

The College was awarded \$3,537,000 and \$5,330,000 in capital funding by the County of Essex for fiscal years 2022 and 2021, 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 \$3,001,594 for award years 2011 through 2022 during fiscal year 2022. The following balances remain available from the County of Essex for minor capital awards not including the state portion of Chapter 12 funds:

Fiscal Year Ended June 30,	Amount
2022	\$ 3,000,000
2021	7,514,686
2020	4,143,565
2019	4,884,866
2018	1,158,086
2017	917,444
2016	446,779
2014	71,358
2011	477,512
	\$ 22,614,296

In addition to the County funds, there is a balance of \$11,456,265 available from the State of New Jersey for Chapter 12 funding.

7. Lease Receivable

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.

The College reported leases receivable and related deferred inflows of resources of \$1,921,843 and \$1,910,075 million, respectively, at June 30, 2022. The College reported leases receivable and related deferred inflows of resources of \$1,940,596 at June 30, 2021. In 2022, the College reported lease revenue of \$18,753 and interest revenue of \$29,247. The lease revenue and interest revenue were \$18,471 and \$29,529, respectively in 2021.

Description	2022			
	Lease Receivable	Deferred Inflows of Resources	Lease Revenue	Lease Interest Revenue
University Avenue Parking Garage	\$ 1,921,843	\$ 1,910,075	\$ 18,753	\$ 29,247
Description	2021			
Description	Lease Receivable	Deferred Inflows of Resources	Lease Revenue	Lease Interest Revenue
University Avenue Parking Garage	\$ 1,940,596	\$ 1,940,596	\$ 18,471	\$ 29,529

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Notes To Basic Financial Statements
Year Ended June 30, 2022

7. Lease Receivable

<u>Description</u>	<u>Lease Agreement Terms</u>
University Avenue Parking Garage	The College entered into a multi-year lease agreement beginning on February 27, 1990 for the right to use the parking garage on University Ave. Based on the agreement, the College receives monthly payments through February of 2084.

The following is a schedule of future minimum receipts on the College's lease receivable as of June 20, 2022:

Years ending June 30:		
2023	\$	19,039
2024		19,329
2025		19,624
2026		19,923
2027		20,227
2028 - 2032		105,853
2033 - 2037		114,170
2038 - 2042		123,141
2043 - 2047		132,818
2048 - 2052		143,254
2053 - 2057		154,510
2058 - 2062		166,651
2063 - 2067		179,746
2068 - 2072		193,870
2073 - 2077		209,104
2078 - 2082		225,534
2082 - 2086		75,050
		\$ 1,921,843

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Notes To Basic Financial Statements
Year Ended June 30, 2022

8. 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, 2022, \$1,220,000 of debt remains outstanding. The bonds are secured by certain revenues of the College as defined in the original loan agreement and are additionally secured by a full, unconditional, and irrevocable guaranty of the County in accordance with a guaranty ordinance adopted by the Essex County Board of Freeholders.

At June 30, 2022, the bonds payable principal balance for the Refunding Bonds, Series 2006, is \$1,220,000. 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>
2023	\$ 390,000	\$ 53,813	\$ 443,813
2024	405,000	32,944	437,944
2025	<u>425,000</u>	<u>11,156</u>	<u>436,156</u>
	<u>\$ 1,220,000</u>	<u>\$ 97,913</u>	<u>\$ 1,317,913</u>

Equipment Leasing Fund – Financed Purchase 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.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

8. Long-Term Liabilities (continued)

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, 2022, the financed purchase payable principal balance is \$18,981. 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>
2023	\$ 18,991	\$ 950	\$ 19,941
	<u>\$ 18,991</u>	<u>\$ 950</u>	<u>\$ 19,941</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable					
Series 2006	\$ 1,590,000	\$ -	\$ 370,000	\$ 1,220,000	\$ 390,000
Unamortized bond premium	<u>70,301</u>	<u>-</u>	<u>20,327</u>	<u>49,974</u>	<u>20,327</u>
Total Bonds Payable	<u>\$ 1,660,301</u>	<u>\$ -</u>	<u>\$ 390,327</u>	<u>\$ 1,269,974</u>	<u>\$ 410,327</u>
Financed Purchase Payable	<u>\$ 37,067</u>	<u>\$ -</u>	<u>\$ 18,076</u>	<u>\$ 18,991</u>	<u>\$ 18,991</u>

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

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

Essex County College
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Notes To Basic Financial Statements
Year Ended June 30, 2022

9. 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 \$765,721 as of June 30, 2022. 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.

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 \$2,342,676 as of June 30, 2022 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.

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.

Essex County College
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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

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, 2022 amounted to \$815,697 as compared to \$822,538 for fiscal year 2021. In addition, the Division reimbursed the College for contributions made for adjunct faculty for fiscal years 2022, 2021, and 2020 in the amounts of \$163,660, \$172,905, and \$201,634, 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 \$127,530, \$100,335, and \$113,928 for the years ended June 30, 2022, 2021, and 2020, 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, 2022, 2021, and 2020, amounted to \$14,141, \$6,566, and \$24,943, respectively.

Public Employees' Retirement System (PERS)

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

**Essex County College
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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

Public Employees' 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:

	2022	2021
Inactive plan members or beneficiaries currently receiving benefits	\$ 184,775	\$ 182,492
Inactive plan members entitled to but not yet receiving benefits	877	942
Active plan members	246,776	249,045
Total	\$ 432,428	\$ 432,479

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, 2022, 2021, and 2020 were \$2,601,792, \$2,472,639, and \$2,386,312, 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.

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.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

Public Employees' Retirement System (PERS) (continued)

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, 2022 and 2021, the College reported a liability of \$26,318,589 and \$36,859,355, 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, 2021, the College's proportion was 0.2221634322%, which was a decrease of 0.0038651786 from its proportion measured as of June 30, 2020.

For the years ended June 30, 2022 and 2021, the College recognized full accrual pension benefit of \$6,766,355 and \$1,658,283, respectively, in the financial statements. At June 30, 2022 and 2021, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

Public Employees' Retirement System (PERS) (continued)

Specific Contribution Requirements and Benefit Provisions (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2022</u>		
Changes of assumptions	\$ 137,067	\$ 9,369,588
Difference between expected and actual experience	415,078	188,410
Changes in proportionate share	-	6,408,087
Net difference between projected and actual investment earnings on pension plan investments	-	6,933,008
College contributions subsequent to the measurement date	2,428,993	-
Total	\$ 2,981,138	\$ 22,899,093
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2021</u>		
Changes of 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	\$ 5,838,240	\$ 24,401,807

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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

Public Employees' Retirement System (PERS) (continued)

A balance of \$2,428,993 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:

Year Ended June 30,	Amount
2023	\$ (8,098,424)
2024	(5,093,588)
2025	(2,641,149)
2026	(5,907,457)
2027	(606,330)
	\$ (22,346,948)

Actuarial Assumptions – The College's net pension liability as of June 30, 2021 measurement date (based on July 1, 2020 actuarial valuation) and June 30, 2020 measurement date (based on July 1, 2019 actuarial valuation) were determined using the following assumptions:

	June 30, 2022	June 30, 2021
Inflation rate	2.75%	2.75%
Salary increases 2026:		
Through 2026	3.25 - 15.25% based on age	3.25 - 15.25% based on age
Thereafter	3.25 - 15.25% based on age	3.25 - 15.25% based on age
Investment rate of return	7.00%	7.00%

For the June 30, 2021 measurement date, pre-retirement mortality rates were based on 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. Postretirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021 (June 30, 2021 measurement date) and Scale MP-2020 (June 30, 2020 measurement date).

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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

Public Employees' Retirement System (PERS) (continued)

The actuarial assumptions used in the July 1, 2020 and July 1, 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018 for PERS and July 1, 2013 to June 30, 2018 for PFRS.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021 and June 30, 2020 measurement date) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and New Jersey Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of the arithmetic real rates of return for each major asset class included in the PERS target asset allocations as of June 30, 2021 and 2020 measurement date are summarized in the following table:

Asset Class	June 30, 2022		June 30, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	27.00%	8.09%	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.71%	13.50%	8.57%
Emerging Markets Equity	5.50%	10.96%	5.50%	10.23%
Private Equity	13.00%	11.30%	13.00%	11.42%
Real Estate	8.00%	9.15%	8.00%	9.56%
Real assets	3.00%	7.40%	3.00%	9.73%
High Yield	2.00%	3.75%	2.00%	5.95%
Private Credit	8.00%	7.60%	8.00%	7.59%
Investment Grade Credit	8.00%	1.68%	8.00%	2.67%
Cash Equivalents	4.00%	0.50%	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%	5.00%	1.94%
Risk Mitigation Strategies	<u>3.00%</u>	3.35%	<u>3.00%</u>	3.40%
	<u>100.00%</u>		<u>100.00%</u>	

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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

Public Employees' Retirement System (PERS) (continued)

Discount Rate

The discount rate used to measure the total pension liabilities was 7.00% for PERS as of the June 30, 2021 and 2020 measurement dates respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the College's proportionate share of the collective net pension liability of the plans as of June 30, 2021 and 2020 measurement date calculated using the discount rate as disclosed above, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

	2022		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
College's proportionate share of the net pension liability (asset)	\$ 35,840,581	\$ 26,318,589	\$ 18,237,829
	2021		
	1% Decrease (6.00%)	Current 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

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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

Sensitivity of the College's Net Pension Liability to Changes in the Discount Rate (continued)

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.

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, 2022 and 2021:

	2022	2021
Inactive plan members or beneficiaries currently receiving benefits	\$ 46,571	\$ 45,537
Inactive plan members entitled to but not yet receiving benefits	67	65
Active plan members	42,432	42,520
Total	\$ 89,070	\$ 88,122

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.

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10. Pension (continued)

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.

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, 2022, 2021, and 2020, amounted to \$120,272, \$153,508, and \$111,373, 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.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

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

Specific Contribution Requirements and Benefit Provisions (continued)

At June 30, 2022 and 2021, the College reported a liability of \$983,157 and \$1,775,490, 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, 2021, the College's proportion was 0.0134510339%, which was a decrease of 0.0002897471% from its proportion measured as of June 30, 2020.

For the years ended June 30, 2022 and 2021, the College recognized full accrual pension expense of \$(86,132) and \$171,919, respectively, in the financial statements. At June 30, 2022 and 2021, the College reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2022</u>		
Changes of assumptions	\$ 5,231	\$ 294,648
Difference between expected and actual experience	11,217	117,772
Changes in proportionate share	278,760	183,049
Net difference between projected and actual investment earnings on pension plan investments	-	418,955
College contributions subsequent to the measurement date	120,272	-
Total	\$ 415,480	\$ 1,014,424
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>June 30, 2021</u>		
Changes of 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	120,901	-
Total	\$ 654,652	\$ 703,571

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Notes To Basic Financial Statements
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10. Pension (continued)

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

\$120,272 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:

Year Ended June 30,	Amount
2023	\$ (265,721)
2024	(184,063)
2025	(122,591)
2026	(118,296)
2027	(24,396)
Thereafter	(4,149)
	\$ (719,216)

Actuarial Assumptions – The College's net pension liability as of June 30, 2021 measurement date (based on July 1, 2020 actuarial valuation) and June 30, 2020 measurement date (based on July 1, 2019 actuarial valuation) were determined using the following assumptions:

	June 30, 2022	June 30, 2021
Inflation rate	2.75%	2.75%
Salary increases 2026:		
Through 2026	3.25 - 15.25% based on age	3.25 - 15.25% based on age
Thereafter	3.25 - 15.25% based on age	3.25 - 15.25% based on age
Investment rate of return	7.00%	7.00%

Mortality Rates

For the June 30, 2021 measurement date, 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. For healthy annuitants, 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, the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used unadjusted 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-2021 (June 30, 2021 measurement date) and Scale MP-2020 (June 30, 2020 measurement date).

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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

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

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, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic 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, 2022		June 30, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	4.00%	0.50%	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%	5.00%	1.94%
Investment Grade Credit	8.00%	1.68%	8.00%	2.67%
High Yield	2.00%	3.75%	2.00%	5.95%
Risk Mitigation Strategies	3.00%	3.35%	3.00%	3.40%
Private Credit	8.00%	7.60%	8.00%	7.59%
Real Assets	3.00%	7.40%	3.00%	9.73%
Real Estate (Property)	8.00%	9.15%	8.00%	9.56%
U.S. Equity	27.00%	8.09%	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.71%	13.50%	8.57%
Emerging Markets Equity	5.50%	10.96%	5.50%	10.23%
Private Equity	13.00%	11.30%	13.00%	11.42%
Total	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total PFRS pension liability was 7.00% as of June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for local employers. Based on the assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

10. Pension (continued)

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

Discount Rate (continued)

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, 2022 and 2021, 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 2022 and 2021) or one percentage point higher (8.00% in 2022 and 2021) than the current rate.

	2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
College's proportionate share of the net pension liability	\$ 1,492,893	\$ 983,157	\$ 558,857
	2021		
	At 1% Decrease (4.55%)	At Current Discount Rate (5.55%)	At 1% Increase (6.55%)
College's proportionate share of the net pension liability	\$ 2,361,036	\$ 1,775,490	\$ 1,289,149

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.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

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, 2021 and 2020 are 0.0134510339% and 0.0137407810%, respectively, and the nonemployer contributing entities' contribution for the years ended June 30, 2021 and 2020 was \$24,020 and \$21,203, respectively. The State's proportionate share of the net pension liability attributable to the College for the years ended June 30, 2021 and 2020 was \$276,513 and \$275,548, respectively.

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.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

11. Post-Retirement Health Coverage (continued)

SEHBP

At June 30, 2022 and 2021, 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, 2022 and 2021, 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:

	2022	2021
State's Proportionate Share of the OPEB Liability	\$ 112,322,193	\$ 133,868,594
College's Proportionate Share of the OPEB Liability	-	-
Total	\$ 112,322,193	\$ 133,868,594

The total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

For the years ended June 30, 2022 and 2021, the College recognized OPEB expenses of \$3,415,538 and \$4,725,233, respectively and revenues of \$3,415,538 and \$4,725,233, 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.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

11. Post-Retirement Health Coverage (continued)

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 State’s liability associated with the College at June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to the measurement date of June 30, 2021. The State’s liability associated with the College at June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to the measurement date of June 30, 2020.

	2021	2020
Inflation Rate	2.50%	2.50%
Discount Rate	2.16%	2.21%
Salary Increases:		
Through 2026	1.55 - 15.25%	1.55 - 15.25%
Thereafter	2.75 - 7.00%	2.75 - 7.00%

The discount rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Salary increases depend on the pension plan a member is enrolled in. In addition, they are based on years of service.

The June 30, 2020 valuation used pre-retirement 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 the Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational improvement projections from the central year using the Scale MP-2021. Disability mortality was based on the Pub-2010 “Safety” (PFRS), “Teachers” (ABP), and “General” (PERS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

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Notes To Basic Financial Statements
Year Ended June 30, 2022

11. Post-Retirement Health Coverage (continued)

The June 30, 2019 valuation used pre-retirement mortality rates were based on the Pub-2010 Healthy “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2020. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational improvement projections from the central year using the Scale MP-2020. Disability mortality was based on the Pub-2010 “Safety” (PFRS), “Teachers” (ABP), and “General” (PERS) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

Certain actuarial assumptions used in the June 30, 2020 and 2019 valuation were based on the results of actuarial experience studies of the State of New Jersey’s defined benefit plans, including PERS (July 1, 2014 through June 30, 2018) ABP (using the experience of the Teacher’s Pension and Annuity Fund – July 1, 2015 through June 30, 2018), and PFRS (July 1, 2013 through June 30, 2018).

Health Care Trend Assumptions: For the June 30, 2020 pre-Medicare medical benefits valuation, the trend rate is initially 5.65% 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 is 5.79% for PPO and 5.98% for HMO for fiscal year 2022 through 2023. The rates used for 2024 and 2025 are 13.79% for PPO and 15.49% for HMO, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 6.75% and decreases to a 4.5% long-term trend rate after seven years.

For the June 30, 2019 pre-Medicare medical benefits valuation, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate is 4.5% for fiscal year 2021 through 2022. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 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.

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.

Essex County College
(A Component Unit of the County of Essex)

Notes To Basic Financial Statements
Year Ended June 30, 2022

11. Post-Retirement Health Coverage (continued)

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 \$110,311 and \$107,605 for fiscal years 2022 and 2021, respectively. The College pays 100% of the cost of the surviving spouses' Medicare Part B premium. The cost for these premiums amounted to \$3,780 and \$3,086 for fiscal years 2022 and 2021, respectively.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2022 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%.
- Salary increases of 3.50% (including 1.30% wage inflation)
- Long – term expected asset return for current measurement date of 4.00%
- Mortality Table: RP-2014 Total Dataset Mortality Table projected fully generationally using MP-2020 mortality improvement scale
- Health Care Cost Trends: Actual trend from 2020 to 2021, followed by 5.40% from 2021 to 2022, decreasing to an ultimate rate of 4.04% by 2075

Essex County College
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Notes To Basic Financial Statements
Year Ended June 30, 2022

11. Post-Retirement Health Coverage (continued)

Actuarial Assumptions and Other Inputs (continued)

The assumptions include a discount rate of 3.54%. 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, 2022, as well as what the liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.54% decreasing to 2.54%) or one percentage point higher (3.54% increasing to 4.54%) than the current healthcare cost trend rates (3.54%).

Sensitivity of the College's Net OPEB Liability to
Changes in the Healthcare Cost Trend Rate

	1% Decrease	Current Trend Rate Healthcare Cost	1% Increase
2022	\$ 10,191,893	\$ 12,257,010	\$ 14,932,188

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 (4.04% decreasing to 3.04%) or one percentage point higher (4.04% increasing to 5.04%) than the current healthcare cost trend rates (4.04%).

Sensitivity of the College's Net OPEB Liability to
Changes in the Healthcare Cost Trend Rate

	1% Decrease	Current Trend Rate Healthcare Cost	1% Increase
2021	\$ 13,488,959	\$ 16,318,244	\$ 21,517,081

Essex County College
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Notes To Basic Financial Statements
Year Ended June 30, 2022

11. Post-Retirement Health Coverage (continued)

Actuarial Assumptions and Other Inputs

At June 30, 2022, 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	\$ 11,558	\$ -
Difference between Expected and Actual Experience	507,361	2,603,286
Changes in Assumptions	3,670,069	3,991,270
Total	\$ 4,188,988	\$ 6,594,556

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	\$ 4,579,644	\$ 3,014,960

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Notes To Basic Financial Statements
Year Ended June 30, 2022

11. Post-Retirement Health Coverage (continued)

Actuarial Assumptions and Other Inputs (continued)

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

Years Ended June 30,	Amortization
2023	\$ (513,558)
2024	(514,135)
2025	(316,324)
2026	(63,027)
2027	(64,414)
Thereafter	(934,110)
Total	\$ (2,405,568)

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, 2022 amounted to \$44,526 as compared to \$77,578 for fiscal year 2021.

For fiscal years 2022 and 2021, 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 2022. At June 30, 2022 and 2021, net position in the College's unemployment fund was \$955,912 and \$840,004, respectively.

Essex County College
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Notes To Basic Financial Statements
Year Ended June 30, 2022

13. Restricted and Unrestricted Net Position

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

	June 30,	
	2022	2021
Grants, contracts, governmental agreements and other	\$ 12,528,715	\$ 4,393,358
Capital outlays - Chapter 12 funding	29,672,416	1,065,686
Scholarships	<u>1,092,467</u>	<u>1,076,375</u>
Total	<u>\$ 43,293,598</u>	<u>\$ 6,535,419</u>

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

	June 30,	
	2022	2021
Designated		
Scholarships	\$ 3,811,989	\$ 3,811,989
Retirement of bond indebtedness	2,342,676	2,409,829
Undesignated		
Cumulative impact of GASB 68 on net position	(47,609,351)	(57,220,435)
Cumulative impact of GASB 75 on net position	(14,662,578)	(14,753,560)
Undesignated other	<u>33,279,106</u>	<u>47,519,399</u>
Total Unrestricted	<u>\$ (22,838,158)</u>	<u>\$ (18,232,778)</u>

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Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
Schedule of Proportionate Share of SEHBP OPEB Liability and Contributions*
June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
SEHBP - Local Education Group					
College's Proportion of the OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%
College's Proportionate Share of the OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the OPEB Liability of the College	<u>112,322,193</u>	<u>133,868,594</u>	<u>85,724,908</u>	<u>90,905,061</u>	<u>118,799,279</u>
Total	<u>\$ 112,322,193</u>	<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	\$ 22,408,320	\$ 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	19.95%	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%	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 become available.

Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
Schedule of Changes in Employer's Net OPEB Liability and Related Ratios*
June 30, 2022

	Measurement Year Ending June 30, 2022	Measurement Year Ending June 30, 2021	Measurement Year Ending June 30, 2020	Measurement Year Ending June 30, 2019	Measurement Year Ending June 30, 2018	Measurement Year Ending June 30, 2017
Total OPEB Liability						
Service cost	\$ 391,348	\$ 458,225	\$ 362,149	\$ 241,162	\$ 243,542	\$ 320,503
Interest	334,292	346,856	520,107	592,521	581,518	529,446
Benefit payments	(110,972)	(116,938)	(100,800)	(97,629)	(129,423)	(117,112)
Changes of benefit terms	-	-	(3,634,777)	-	-	-
Expected and actual experience	579,841	(809,566)	(81,313)	(2,453,260)	-	-
Assumption changes	<u>(5,237,446)</u>	<u>1,309,442</u>	<u>3,723,736</u>	<u>1,105,082</u>	<u>(1,886,075)</u>	<u>(3,060,216)</u>
Net Change in Total Pension Liability	(4,042,937)	1,188,019	789,102	(612,124)	(1,190,438)	(2,327,379)
Total OPEB Liability - Beginning	<u>16,482,794</u>	<u>15,294,775</u>	<u>14,505,673</u>	<u>15,117,797</u>	<u>16,308,235</u>	<u>18,635,614</u>
Total OPEB Liability - Ending (a)	<u>\$ 12,439,857</u>	<u>\$ 16,482,794</u>	<u>\$ 15,294,775</u>	<u>\$ 14,505,673</u>	<u>\$ 15,117,797</u>	<u>\$ 16,308,235</u>
Plan Fiduciary Net Position						
Contribution - Employer	\$ 110,972	\$ 116,938	\$ 100,800	\$ 97,629	\$ 129,423	\$ 117,112
Other additions	17,920					
Net investment income	377	111	2,748	3,951	2,283	955
Administrative expenses	-	-	(8,960)	(8,960)	-	-
Benefit payments	<u>(110,972)</u>	<u>(116,938)</u>	<u>(100,800)</u>	<u>(97,629)</u>	<u>(129,423)</u>	<u>(117,112)</u>
Net Change in Plan Fiduciary Net Position	18,297	111	(6,212)	(5,009)	2,283	955
Plan Fiduciary Net Position - Beginning	<u>164,550</u>	<u>164,439</u>	<u>170,651</u>	<u>175,660</u>	<u>173,377</u>	<u>172,422</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 182,847</u>	<u>\$ 164,550</u>	<u>\$ 164,439</u>	<u>\$ 170,651</u>	<u>\$ 175,660</u>	<u>\$ 173,377</u>
Net OPEB Liability (a-b)	<u>\$ 12,257,010</u>	<u>\$ 16,318,244</u>	<u>\$ 15,130,336</u>	<u>\$ 14,335,022</u>	<u>\$ 14,942,137</u>	<u>\$ 16,134,858</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	1.47%	1.00%	1.08%	1.18%	1.16%	1.06%
Covered Payroll	\$ 22,408,320	\$ 25,529,244	\$ 24,333,609	\$ 27,983,567	\$ 28,767,442	\$ 28,815,026
Net OPEB Liability as a Percentage of Covered Payroll	55.51%	64.56%	62.85%	51.84%	52.55%	56.60%

* 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 become available.

Essex County College
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Required Supplementary Information
Schedule of Employer Contributions - OPEB*
June 30, 2022

Measurement Year Ended June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2017	\$ 117,112	\$ 117,112	-	\$ 28,815,026	0.41%
2018	129,423	129,423	-	28,767,442	0.45%
2019	97,629	97,629	-	27,983,567	0.35%
2020	100,800	100,800	-	24,333,609	0.41%
2021	116,938	116,938	-	25,529,244	0.46%
2022	110,972	110,972	-	22,408,320	0.50%

* 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
(A Component Unit of the County of Essex)

Required Supplementary Information
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
2022	0.2221634322%	\$ 26,318,589	\$ 14,749,095	178.44%	70.33%
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

There were none.

Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
Schedule of College Contributions
Public Employees' Retirement System (PERS)
Last Ten Fiscal Years*

	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	\$ 2,428,993	\$ 2,601,792	\$ 2,472,642	\$ 2,391,562	\$ 2,578,787	\$ 2,619,812	\$ 2,673,344	\$ 2,544,530
Contributions in relation to the contractually required contribution	<u>(2,428,993)</u>	<u>(2,601,792)</u>	<u>(2,472,642)</u>	<u>(2,391,562)</u>	<u>(2,578,787)</u>	<u>(2,619,812)</u>	<u>(2,673,344)</u>	<u>(2,544,530)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 14,749,095	\$ 14,734,859	\$ 16,374,010	\$ 16,080,307	\$ 17,753,061	\$ 18,716,496	\$ 20,731,354	\$ 20,429,420
Contributions as a percentage of covered-employee payroll	16.47%	17.66%	15.10%	14.87%	14.53%	14.00%	12.90%	12.46%

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

Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
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
2022	0.0134510339%	\$ 983,157	\$ 149,668	656.89%	77.26%
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.

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

There were none.

Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
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)
2022	\$ 120,272	\$ 120,272	\$ -	\$ 149,668	80.36%
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
(A Component Unit of the County of Essex)

Combining Schedule of Net Position - All Funds
June 30, 2022
(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 equivalents	\$ 39,789,778	\$ -	\$ -	\$ -	\$ 3,472,672	\$ -	\$ -	\$ 43,262,450
Cash held by bond trustee-NJEFA	538,926	-	-	-	-	-	-	538,926
Restricted cash and cash equivalents	-	-	3,720,405	1,284,651	-	-	363,677	5,368,733
Investments	3,060,553	-	13,012	64	-	-	-	3,073,629
Accounts Receivable								
Tuition and fees, net	476,038	-	-	-	-	-	-	476,038
Grants	1,991	3,411,391	21,582	-	-	-	-	3,434,964.00
State and county	5,223,969	187,789	43,699	34,070,562	-	-	-	39,526,019.00
Other, net	2,475,023	-	11,167	-	-	-	41,314	2,527,504
Leases	1,921,843	-	-	-	-	-	-	1,921,843
Internal balances	(2,903,133)	6,768,084	1,223,665	(4,083,937)	(1,129,996)	(2,835,235)	2,960,552	-
Inventories	-	-	-	-	-	15,937	-	15,937
Prepaid expenses	39,355	-	-	-	-	-	-	39,355
Capital assets, nondepreciable	13,366,442	-	-	-	-	-	-	13,366,442
Capital assets, net of accumulated depreciation	90,253,327	-	-	-	-	-	-	90,253,327
Total Assets	<u>154,244,112</u>	<u>10,367,264</u>	<u>5,033,530</u>	<u>31,271,340</u>	<u>2,342,676</u>	<u>(2,819,298)</u>	<u>3,365,543</u>	<u>203,805,167</u>
DEFERRED OUTFLOWS OF RESOURCES								
Pension deferrals	3,396,580	-	-	-	-	-	-	3,396,580
Other postemployment benefits deferrals	-	-	-	-	-	-	4,188,988	4,188,988
Deferred loss on refunding	-	-	-	51,962	-	-	-	51,962
Total Deferred Outflows of Resources	<u>3,396,580</u>	<u>-</u>	<u>-</u>	<u>51,962</u>	<u>-</u>	<u>-</u>	<u>4,188,988</u>	<u>7,637,530</u>
LIABILITIES								
Accounts payable	7,255,200	600,436	39,299	363,240	-	-	44,528	8,302,703
Accrued payroll and taxes	3,988,913	151,350	5,090	-	-	1,767	23,984	4,171,104
Unearned revenue - NJEFA	538,916	-	-	-	-	-	-	538,916
Unearned tuition and fee revenue	158,350	-	-	-	-	-	-	158,350
Unearned grant revenue	-	1,401,110	-	-	-	-	-	1,401,110
Other liabilities	595,245	-	84,685	17,672	-	56,983	86	754,671
Bonds payable	-	-	-	1,269,974	-	-	-	1,269,974
Financed purchase payable	18,991	-	-	-	-	-	-	18,991
Net other postemployment benefit liability	-	-	-	-	-	-	12,257,010	12,257,010
Net pension liability	27,301,746	-	-	-	-	-	-	27,301,746
Total Liabilities	<u>39,857,361</u>	<u>2,152,896</u>	<u>129,074</u>	<u>1,650,886</u>	<u>-</u>	<u>58,750</u>	<u>12,325,608</u>	<u>56,174,575</u>
DEFERRED INFLOWS OF RESOURCES								
Pension deferrals	23,913,517	-	-	-	-	-	-	23,913,517
Other postemployment benefits deferrals	-	-	-	-	-	-	6,594,556	6,594,556
Deferred inflow from leases	1,910,075	-	-	-	-	-	-	1,910,075
Total Deferred Inflows of Resources	<u>25,823,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,594,556</u>	<u>32,418,148</u>
NET POSITION								
Net investment in capital assets	102,382,766	-	-	-	-	-	-	102,382,766
Restricted	-	8,214,368	1,092,467	29,672,416	-	-	4,314,347	43,293,598
Unrestricted (deficit)	(10,423,027)	-	3,811,989	-	2,342,676	(2,878,048)	(15,679,980)	(22,826,390)
Total Net Position	<u>\$ 91,959,739</u>	<u>\$ 8,214,368</u>	<u>\$ 4,904,456</u>	<u>\$ 29,672,416</u>	<u>\$ 2,342,676</u>	<u>\$ (2,878,048)</u>	<u>\$ (11,365,633)</u>	<u>\$ 122,849,974</u>

See independent auditors' report

Essex County College
(A Component Unit of the County of Essex)

Combining Schedule of Revenues, Expenses and Changes in Net Position - All Funds
June 30, 2022
(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	\$ 24,676,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,676,680
Federal grants	33,806	2,965,326	588,647	-	-	-	-	3,587,779
State grants	-	1,502,980	5,857,165	-	-	-	-	7,360,145
County and local grants	-	1,626,717	77,500	-	-	-	-	1,704,217
Private contributions	-	38,007	20,447	-	-	-	-	58,454
Charges for services	128,113	18,725	-	-	-	2,116	939,702	1,088,656
Other revenues	1,953,636	-	-	-	-	-	-	1,953,636
Total Operating Revenues	<u>26,792,235</u>	<u>6,151,755</u>	<u>6,543,759</u>	<u>-</u>	<u>-</u>	<u>2,116</u>	<u>939,702</u>	<u>40,429,567</u>
OPERATING EXPENSES								
Instruction	14,744,186	2,921,649	-	-	-	-	-	17,665,835
Public service	917,984	99,471	-	-	-	-	500	1,017,955
Academic support	1,466,356	171,820	-	2,228	-	-	-	1,640,404
Student services	3,726,708	15,501,150	220,476	116,007	-	517	821,379	20,386,237
Institutional support	13,657,545	3,372,877	-	3,050,713	-	205	274	20,081,614
Operation of plant	6,481,012	-	-	-	-	-	-	6,481,012
Scholarships and fellowships	-	-	21,484,854	-	-	-	196,560	21,681,414
Depreciation	3,340,078	-	-	-	-	-	-	3,340,078
Debt service								
Principal	(370,000)	-	-	370,000	-	-	-	-
Capital outlay								
Capital expenses	(12,521,952)	-	-	12,521,952	-	-	-	-
Total Operating Expenses	<u>31,441,917</u>	<u>22,066,967</u>	<u>21,705,330</u>	<u>16,060,900</u>	<u>-</u>	<u>722</u>	<u>1,018,713</u>	<u>92,294,549</u>
OPERATING (LOSS) INCOME	<u>(4,649,682)</u>	<u>(15,915,212)</u>	<u>(15,161,571)</u>	<u>(16,060,900)</u>	<u>-</u>	<u>1,394</u>	<u>(79,011)</u>	<u>(51,864,982)</u>
NONOPERATING REVENUES (EXPENSES)								
State appropriations	10,178,770	-	-	16,302,114	-	-	-	26,480,884
County appropriations	14,700,000	-	-	9,859,640	-	-	-	24,559,640
Pell grants	-	-	15,172,649	-	-	-	-	15,172,649
Pandemic related financial assistance	-	24,368,061	-	-	-	-	-	24,368,061
Interest and investment income	7,994	661	5,345	8,813	7,065	-	-	29,878
Unrealized gain (loss) on investments	(380,858)	-	-	-	-	-	-	(380,858)
Special funding for other postemployment benefits	3,415,538	-	-	-	-	-	-	3,415,538
Interest expense	-	-	(331)	-	(74,218)	-	-	(74,549)
Loss on sale of assets	(756,905)	-	-	-	-	-	-	(756,905)
Total Nonoperating Revenues (Expenses)	<u>27,164,539</u>	<u>24,368,722</u>	<u>15,177,663</u>	<u>26,170,567</u>	<u>(67,153)</u>	<u>-</u>	<u>-</u>	<u>92,814,338</u>
CHANGE IN NET POSITION	22,514,857	8,453,510	16,092	10,109,667	(67,153)	1,394	(79,011)	40,949,356
Net Position - Beginning of Year	69,444,882	(239,142)	4,888,364	(521,871)	2,409,829	(2,879,442)	(11,286,622)	61,815,998
Prior Period Adjustment	-	-	-	20,084,620	-	-	-	20,084,620
Net Position - Beginning of Year, Restated	<u>69,444,882</u>	<u>(239,142)</u>	<u>4,888,364</u>	<u>19,562,749</u>	<u>2,409,829</u>	<u>(2,879,442)</u>	<u>(11,286,622)</u>	<u>81,900,618</u>
Net Position - End of Year	<u>\$ 91,959,739</u>	<u>\$ 8,214,368</u>	<u>\$ 4,904,456</u>	<u>\$ 29,672,416</u>	<u>\$ 2,342,676</u>	<u>\$ (2,878,048)</u>	<u>\$ (11,365,633)</u>	<u>\$ 122,849,974</u>

See independent auditors' report

Essex County College
(A Component Unit of the County of Essex)

Schedule of Net Position
Concessions and Gym
June 30, 2022
(See Independent Auditors' Report)

	<u>Concessions and Gym</u>
ASSETS	
Inventories	\$ 15,937
Internal balances	<u>(2,835,235)</u>
Total Assets	<u>(2,819,298)</u>
LIABILITIES	
Accrued payroll	1,767
Other liabilities	<u>56,983</u>
Total Liabilities	<u>58,750</u>
NET POSITION	
Unrestricted (deficit)	<u>(2,878,048)</u>
Total Net Position (Deficit)	<u>\$ (2,878,048)</u>

Essex County College
(A Component Unit of the County of Essex)

Schedule of Revenues, Expenses and Changes in Net Position
Concessions and Gym
June 30, 2022
(See Independent Auditors' Report)

	<u>Concessions and Gym</u>
OPERATING REVENUES	
Charges for services	\$ <u>2,116</u>
Total Operating Revenues	<u>2,116</u>
 OPERATING EXPENSES	
Cost of goods sold	<u>722</u>
Total Operating Expenses	722
 CHANGE IN NET POSITION	1,394
Net Position - Beginning of Year	<u>(2,879,442)</u>
Net Position - End of Year	<u>\$ (2,878,048)</u>

Essex County College
(A Component Unit of the County of Essex)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass - Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
Direct Awards				
United States Department of Education				
Student Financial Assistance Cluster				
Federal Work - Study Program - P033A002560	84.033	N/A	\$ 138,647	\$ -
Federal Pell Grant Program - P063P002345	84.063	N/A	15,172,649	-
Federal Supplemental Educational Opportunity Grant - P007A002560	84.007	N/A	450,000	-
Total Student Financial Assistance Cluster			<u>15,761,296</u>	<u>-</u>
CARES Act: Higher Education Emergency Relief Funds (HEERF)				
CARES Act Emergency Relief Fund - Students	84.425E	N/A	12,911,896	-
CARES Act Emergency Relief Fund - Institution	84.425F	N/A	11,456,192	-
Total CARES Act: Higher Education Emergency Relief Funds (HEERF)			<u>24,368,088</u>	<u>-</u>
United States National Science Foundation				
Research and Development Cluster				
Garden State - Louis Stokes Alliance for Minority Participation Grant - HRD-0902132-19	47.076	N/A	5,088	-
UMKC NSF Grant - 0098722/00067063	47.076	N/A	6,210	-
Total United States National Science Foundation			<u>11,298</u>	<u>-</u>
Total Direct Awards			<u>40,140,682</u>	<u>-</u>
Pass - Through Programs				
National Aeronautics and Space Administration - Passed Through				
Rutgers University				
S-STEM Grant	43.008	N/A	43,484	-
Essex Peer Tutoring Grant	43.008	N/A	9,953	-
Total National Aeronautics and Space Administration			<u>53,437</u>	<u>-</u>
United States Department of Labor - Passed Through				
New Jersey Department of Labor & Workforce Development				
New Jersey Prep Health Care	17.268	N/A	191,344	-
Total United States Department of Labor			<u>191,344</u>	<u>-</u>
United States Department of Education - Passed Through				
New Jersey Department of Education				
Carl Perkins Voc. Ed. Grant - PKPP7130-19	84.048A	216000928	579,816	-
Total Carl Perkins Vocational Education Grant			<u>579,816</u>	<u>-</u>
Adult Basic Education				
ABE Grant Level I & II - ABS-FY20006	84.002	216000928	1,815,219	-
Total Adult Basic Education			<u>1,815,219</u>	<u>-</u>
Total United States Department of Education			<u>2,395,035</u>	<u>-</u>
United States Department of Agriculture - Passed Through				
New Jersey Commission on Higher Education				
Day Care Center - Child Care Food Program - 03-15-160	10.558	216000928	19,668	-
Total United States Department of Agriculture			<u>19,668</u>	<u>-</u>
United States Department of Health and Human Services - Passed Through New Jersey Department of Human Services				
Child Development Center - CC10129	93.667	216000928	314,185	-
Total United States Department of Health and Human Services			<u>314,185</u>	<u>-</u>
Total Passed-Through Programs			<u>2,973,669</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 43,114,351</u>	<u>\$ -</u>

See accompanying notes to schedules of expenditures of federal awards and state financial assistance

Essex County College
(A Component Unit of the County of Essex)

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2022

Funding Source / State Contract No. / Program	Grant/Account or Other I.D. Number	Grant Period	Grant Amount	Life to Date Amount	Current Year Expenditures
STATE STUDENT FINANCIAL AID CLUSTER					
Higher Education Student Assistance Authority					
Tuition Aid Grant	100-074-2405-007	07/01/21 - 06/30/22	\$ 3,274,622	\$ 3,274,622	\$ 3,274,622
Governor's Urban Scholars Program	100-074-2405-278	07/01/21 - 06/30/22	1,000	1,000	1,000
Community College Opportunity Grant	100-074-2405	07/01/21 - 06/30/22	1,625,040	1,625,040	1,625,040
NJ STARS	100-074-2405-313	07/01/21 - 06/30/22	33,688	33,688	33,688
Total Higher Education Student Assistance Authority			<u>4,934,350</u>	<u>4,934,350</u>	<u>4,934,350</u>
New Jersey Commission on Higher Education					
EOF Thrives Special Project 22	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/21 - 06/30/22	60,158	60,158	60,158
Educational Opportunity Fund Article IV	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/21 - 06/30/22	761,259	761,259	761,259
Educational Opportunity Fund Article IV	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/21 - 06/30/22	4,192	4,192	4,192
Educational Opportunity Fund Article III - Winter Intersession	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/21 - 06/30/22	58,870	58,870	58,870
Educational Opportunity Fund Article III	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/21 - 06/30/22	778,669	778,669	778,669
Educational Opportunity Fund Article III - Summer	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/21 - 06/30/22	85,276	85,276	85,276
Total New Jersey Commission on Higher Education			<u>1,748,424</u>	<u>1,748,424</u>	<u>1,748,424</u>
Total State Student Financial Aid Cluster			<u>6,682,774</u>	<u>6,682,774</u>	<u>6,682,774</u>
New Jersey Commission on Higher Education					
State Aid for College Assistance	100-082-2155-015	07/01/21 - 06/30/22	10,178,770	10,178,770	10,178,770
Community College Opportunity Grant	100-074-2405-	07/01/21 - 06/30/22	278,816	278,816	278,816
College Readiness Now	100-074-2400-055	07/01/21 - 06/30/22	58,025	58,025	58,025
Total New Jersey Commission on Higher Education			<u>10,515,611</u>	<u>10,515,611</u>	<u>10,515,611</u>
New Jersey Department of Human Services					
Division of Youth and Family Services	22ANG-M	07/01/21 - 06/30/22	91,971	91,971	91,971
Total New Jersey Department of Human Services			<u>91,971</u>	<u>91,971</u>	<u>91,971</u>
New Jersey Department of Agriculture					
Youth Enrichment Program Summer Food	2022-07-1103	07/08/21 - 08/15/21	16,696	16,696	16,696
Total New Jersey Department of Agriculture			<u>16,696</u>	<u>16,696</u>	<u>16,696</u>
New Jersey Department of Health					
NJDOH New Jersey PDG Grant Program	N/A	07/01/21 - 06/30/22	52,902	52,902	52,902
Total New Jersey Department of Health			<u>52,902</u>	<u>52,902</u>	<u>52,902</u>
New Jersey Department of Treasury					
Alternate Benefit Program	100-082-2155-017	07/01/21 - 06/30/22	815,697	815,697	815,697
Total New Jersey Department of Treasury			<u>815,697</u>	<u>815,697</u>	<u>815,697</u>
New Jersey Department of Community Affairs					
Uniform Construction Code Grant	8015-100-022-8015 036-F311-6130	07/01/21 - 06/30/22	14,915	14,915	14,915
Total New Jersey Department of Community Affairs			<u>14,915</u>	<u>14,915</u>	<u>14,915</u>
New Jersey Office of the Secretary of Higher Education					
Mentoring, Alignment, Preparedness, Support Grant - OMIC	9125	07/01/21 - 06/30/23	1,000,000	179,742	179,742
Building Our Future Bond Act - HSN Simulation Lab	021-02	4/29/13 - project completion	696,217	16,419	2,854
Building Our Future Bond Act - Information Commons	021-03	4/29/13 - project completion	4,836,050	4,129,522	50,715
Building Our Future Bond Act - WEC Restructuring	021-04	4/29/13 - project completion	10,498,003	8,956,319	8,639,444
Building Our Future Bond Act - Foundation for Instructional	021-05	4/29/13 - project completion	3,073,221	2,880,763	13,324
Total New Jersey Office of the Secretary of Higher Education			<u>20,103,491</u>	<u>16,162,765</u>	<u>8,886,079</u>
Total Expenditures of State Financial Assistance			<u>\$ 38,294,057</u>	<u>\$ 34,353,331</u>	<u>\$ 27,076,645</u>

Essex County College
(A Component Unit of the County of Essex)

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
June 30, 2022

1. Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the "Schedules") have been prepared in the format required under 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 Office of Management and Budget Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The purpose of these Schedules is to present a summary of those activities of the College for the year ended June 30, 2022 which have been financed by the Federal government and State of New Jersey. For purposes of these Schedules, Federal awards and State of New Jersey awards include any assistance provided by a Federal and State agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations, and other non-cash assistance. Because these Schedules present only a selected portion of the activities of the College, they are not intended to, and do not, present the financial position, changes in net position or the current funds revenues, expenditures, cash flows, and other changes of the College in conformity with generally accepted accounting principles.

2. Indirect Cost Rate

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

3. Alternative Benefit Program

During the year ended June 30, 2022, the State of New Jersey, Department of Treasury made payments on behalf of the College to the Alternate Benefit Program of \$815,697. 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, 2022. The June 30, 2022 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of state financial assistance.

4. Subrecipients

Of the federal expenditures presented in the schedule of expenditures of federal awards, the College did not provide federal awards to subrecipients.

5. 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, 2022 totaled \$815,718.



**Report on Internal Control over Financial Reporting and on Compliance and Other
Matters Based On an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditors' Report

**The Board of Trustees
Essex County College**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Essex County College (the "College"), a component unit of the County of Essex, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Essex County College's basic financial statements, and have issued our report thereon dated March 31, 2023.

Report on 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.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
March 24, 2023

**Report on Compliance for Each Major Federal and State Program and
on Internal Control over Compliance Required by
the Uniform Guidance and New Jersey OMB Circular 15-08**

Independent Auditors' Report

**The Board of Trustees
Essex County College**

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Essex County College (the "College")'s 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, 2022. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular Letter 15-08, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
March 24, 2023

**Essex County College
(A Component Unit of the County of Essex)**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Part I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards Section

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)? _____ 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 2 CFR 200.516(a)? _____ x Yes _____ No

Identification of Major Federal Programs

<u>Federal Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063	Student Financial Assistance Cluster
84.425E, 84.425F	CARES Act: Higher Education Emergency Relief Fund

- Dollar threshold used to distinguish between Type A and Type B Programs \$1,293,431
- Auditee qualified as low-risk auditee? _____ Yes x No

**Essex County College
(A Component Unit of the County of Essex)**

Schedule of Findings and Questioned Costs
June 30, 2022
(Continued)

Part I – Summary of Auditors’ Results (continued)

State Awards Section

1. Internal control over major state programs

- Material weakness(es) identified? _____ Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ 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 the NJ OMB 15-08? _____ Yes No

Identification of Major State Programs

GMIS/Program Number(s)

Name of State Program or Cluster

100-074-2405-007/100-074-2405-278
100-074-2405-xxx/100-074-2405-313
100-050-5400-177/100-074-2601-001
100-074-2401-001

Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B Programs \$812,299

Auditee qualified as low-risk auditee? _____ Yes No

**Essex County College
(A Component Unit of the County of Essex)**

Schedule of Findings and Questioned Costs
June 30, 2022
(Continued)

Part II – Schedule of Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Essex County College
(A Component Unit of the County of Essex)

Schedule of Findings and Questioned Costs
June 30, 2022
(Continued)

Part III – Schedule of Federal and State Award Findings and Questioned Costs

2022 – 001

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, 2021 to June 30, 2022

Type of Finding: Instance of Non-Compliance – Enrollment Reporting

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 changes 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 13 of 40 student enrollment status changes were not reported to NSLDS on a timely basis.

Questioned Costs: None.

Context: During our testing of student enrollment and program status reporting to NSLDS, we noticed errors in timeliness of enrollment status change reporting to NSLDS.

Cause: The College implemented policies and procedures in place to properly track and report student enrollment and program status changes and the related dates to NSLDS but was unable to fully correct the issue during the program year under audit.

Effect: Errors in enrollment and program status reporting to NSLDS could cause Title IV related issues.

Repeat Finding: Yes, 2021-007.

Recommendation: We recommend the College continue to follow the corrective action plan as it relates to 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.

**Essex County College
(A Component Unit of the County of Essex)**

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2022

2021-001

Statement of Condition: 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.

Status: The College took corrective action related to this finding and the finding was not repeated in the current year.

2021-002

Statement of Condition: One construction in progress (CIP) project was completed in fiscal year 2020 that should have been capitalized and depreciated. Several projects were completed but were not being capitalized and depreciated. Several projects that were still in CIP were being inappropriately depreciated.

Status: The College took corrective action related to this finding and the finding was not repeated in the current year.

2021-003

Statement of Condition: 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 required 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.

Status: The College took corrective action related to this finding and the finding was not repeated in the current year.

2021-004

Statement of Condition: 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 adjusted their original lost revenue calculation to not include MSI as part of the HEERF institutional lost revenue calculation.

Status: The College took corrective action related to this finding and the finding was not repeated in the current year.

2021-005

Statement of Condition: The College did not have original or true copies of master promissory notes or other supporting documentation for a portion of their portfolio.

Status: The College took corrective action related to this finding and the finding was not repeated in the current year.

Essex County College
(A Component Unit of the County of Essex)

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2022
(Continued)

2021-006

Statement of Condition: 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.

Status: The College took corrective action related to this finding and the finding was not repeated in the current year.

2021-007

Statement of Condition: 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.

Status: The College took corrective action related to the conditions of enrollment status changes not being reported, incorrect enrollment effective dates and incorrect program enrollment effective dates. Findings in these areas were not repeated in the current year. The condition of students not being reported to NSLDS on a timely basis was repeated in the current year.

2022-001 Student Financial Assistance NSLDS Enrollment Reporting

Recommendation: We recommend the College continue to follow the corrective action plan as it relates to 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 taken in response to finding: A cross-disciplinary group of institutional staff meets to discuss and continue remediation efforts. The Director of Enrollment Services obtains and reviews internal data reports to inform further assessment. Once the review of specific cases was completed, the Director of Enrollment Services performed a full file review for the 21-22 year, making changes necessary as a result of that review. The Director of Enrollment Services engaged in a review of policy and procedures and individuals responsible for enrollment reporting to the NSLDS including, but not restricted to, 1) review of the institution's data in the BANNER system; 2) the institution's set up and interface with the National Student Clearinghouse, and 3) internal staff policy and procedure for staff engaged and responsible for enrollment reporting to the NSLDS for the institution. The Director of Enrollment Services consults with personnel and continues to assess appropriate protocols. In addition, the Director of Enrollment Services directs personnel on needed training including, but not restricted to, FSA conference sessions, FSA Training portal suite pedagogy, and the National Student Clearinghouse Academy.

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

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

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.