

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

REPORT ON FINANCIAL STATEMENTS AND
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE IN ACCORDANCE WITH
UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES AND
AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)
AND NEW JERSEY OMB CIRCULAR 15-08

YEARS ENDED JUNE 30, 2025 AND 2024

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(A Component Unit of the County of Middlesex)

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Independent Auditors' Report

The Board of Trustees
Middlesex College

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit, Middlesex College Foundation, (the "Foundation") of Middlesex College (the "College"), a component unit of the County of Middlesex, as of and for the years ended June 30, 2025 and 2024, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the College and the Foundation, as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards and requirements 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Policy

We draw your attention to Note 19 in the notes to financial statements which discloses the effects of the College's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*. 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, schedule of the College's proportionate share of the net pension liability Public Employees' Retirement System – PERS, schedule of College contributions Public Employees' Retirement System - PERS, schedule of the College's proportionate share of the net pension liability Police and Firemen's Employees' Retirement System – PFRS, schedule of College contributions Police and Firemen's Employees' Retirement System – PFRS, schedule of the State's Proportionate Share of the Net OPEB Liability Associated with the College and changes in the Total OPEB Liability and Related Ratios – State Health Benefit Retired Employees Fund and Schedule of Changes in the College's Total OPEB Liability – College Plan, and the

**The Board of Trustees
Middlesex College**

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Schedules listed under Required Supplementary Information, as presented in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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 accompanying supplementary information as presented in the table of contents, which consists of the schedules of expenditures of federal awards and state financial assistance, 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* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2026, 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

Cranford, New Jersey
January 30, 2026

MIDDLESEX COLLEGE
(a Component Unit of the County of Middlesex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
Years ended June 30, 2025 and 2024

Overview of the Basic Financial Statements and Financial Analysis

This section of the audited financial statements for Middlesex College (the "College") presents management's discussion and analysis of the College's financial position for the years ended June 30, 2025 and 2024, with selected information pertaining to the year ended June 30, 2023. Management has prepared the financial statements and the related note disclosures, along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with management. Combined with the financial statements and accompanying notes that follow, this explains and clarifies College-wide financial performance, as well as the direction envisioned for the future.

Financial Statements

Included in this report are the College's basic financial statements, which include the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These basic financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles and accounting principles generally accepted in the United States of America.

In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, component unit data is presented in the financial data of the primary government.

Statements of Net Position

Net position represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position consists of three categories: Net Investment in Capital Assets, Restricted and Unrestricted. Net Investment in Capital Assets represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets. Restricted Net Position includes resources not accessible for general use because their use is subject to restrictions enforceable by third parties. Unrestricted Net Position represents resources derived from student tuition and fees, state and county appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for the transactions related to the educational and general operations of the College and may be used at the discretion of the Board of Trustees to meet current expenses for any purposes. Internally, they are designated for such purposes as Information Technology upgrades, Capital Assets, Long-term Projects and Student Support Services.

The statements of net position present the College's current and non-current assets, deferred outflows of resources, liabilities, deferred inflows of resources and the resultant net position. The statements of revenues, expenses and changes in net position show the College's revenues and expenses segregated into operating and non-operating sections. It is important to note that the State and County appropriations and funding related to the Federal CARES Act and PELL funds, which are essential to the College's operations, are recorded as non-operating revenues. Therefore, the operating revenues less operating expenses show an operating loss of (\$67,407,158) and (\$54,415,886) for fiscal years ended June 30, 2025 and 2024, respectively, and after adding the non-operating revenues shows a (loss) or income before other revenues of (\$2,330,660) and \$4,501,211 for the fiscal years ended June 30, 2025 and 2024, respectively. The statements of cash flows show the sources and uses of the College's cash for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

Because the statements of net position treat the College as a whole, as opposed to a group of separate funds, all inter-fund receivables and payables have been eliminated.

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(Unaudited)
Years ended June 30, 2025 and 2024

Management's discussion and analysis of specific assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses follow this general discussion. For the most part, this analysis will utilize condensed portions of the basic financial statements with appropriate comments on specific items.

Financial Highlights

Condensed Statements of Net Position

The following represents assets, deferred outflows and inflows of resources, liabilities and net position of the College at June 30, 2025, 2024, and 2023:

	Net Position as of June 30,				
	2023	2024	2025	Change from 2024	Percent Change from 2024
CURRENT ASSETS	\$ 77,491,665	\$ 95,568,547	\$ 114,405,343	\$ 18,836,796	20%
NON-CURRENT ASSETS:					
Prepaid expense		1,362,934	4,387,456	3,024,522	222%
Right-to-use subscription assets, net			1,092,610	1,092,610	100%
Capital assets, nondepreciable land and construction in progress	13,832,233	9,191,649	7,405,429	(1,786,220)	-19%
Capital assets, net of accumulated depreciation	72,945,177	80,402,294	86,218,796	5,816,502	7%
Total assets	<u>\$ 164,269,075</u>	<u>\$ 186,525,424</u>	<u>\$ 213,509,634</u>	<u>\$ 26,984,210</u>	14%
DEFERRED OUTFLOWS OF RESOURCES	<u>6,767,207</u>	<u>4,931,081</u>	<u>5,366,403</u>	<u>435,322</u>	9%
CURRENT LIABILITIES	\$ 23,595,736	\$ 16,743,606	\$ 22,651,737	\$ 5,908,131	35%
NON-CURRENT LIABILITIES:					
Higher Education Equipment Leasing Fund Payable		394,138	358,582	(35,556)	-9%
Net pension liability	36,554,083	31,983,583	30,601,844	(1,381,739)	-4%
Right-to-use subscription liability			256,211	256,211	100%
Compensated absences	3,296,025	3,245,962	6,402,546	3,156,584	97%
Deferred CIO Project	10,000,000	34,797,596	56,815,435	22,017,839	63%
Early Retirement Incentive Payable	545,000	545,000	535,000	(10,000)	-2%
Obligation for Post-Employment Benefits	6,148,021	6,115,933	5,974,245	(141,688)	-2%
Total liabilities	<u>\$ 80,138,865</u>	<u>\$ 93,825,818</u>	<u>\$ 123,595,600</u>	<u>\$ 29,769,782</u>	32%
DEFERRED INFLOWS OF RESOURCES	<u>10,447,934</u>	<u>7,945,772</u>	<u>6,039,876</u>	<u>(1,905,896)</u>	-24%
NET POSITION:					
Net investment in capital assets	\$ 86,777,410	\$ 89,165,983	\$ 93,321,613	\$ 4,155,630	5%
Restricted	10,941	10,309	9,820	(489)	-5%
Unrestricted	(6,338,871)	508,622	(4,090,872)	(4,599,494)	-904%
Total net position	<u>\$ 80,449,480</u>	<u>\$ 89,684,914</u>	<u>\$ 89,240,561</u>	<u>\$ (444,353)</u>	0%

This schedule is prepared from the College's Statements of Net Position.

Net position at June 30, 2025, totaled \$89.2 million.

Net position at June 30, 2024, totaled \$89.7 million.

Net position at June 30, 2023, totaled \$80.4 million.

Deferred outflows of resources have increased based upon the actuarial valuation performed related to the net pension liability for the State of NJ as a result of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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(Unaudited)
Years ended June 30, 2025 and 2024

Non-current liabilities increased mainly attributed to the increased net pension liability based upon the State's actuarial valuation of the net pension liability, an increase in the obligation for post-employment benefits as a result of the change in current year actuarial assumption, as well as an increase in Deferred CIO Project funding.

Balances in net position are shown as either net investment in capital assets, restricted or unrestricted. Restricted funds are those specifically restricted by the funding source. Certain unrestricted funds have been designated for expenses related to information technology upgrades, capital assets, long-term projects, subsequent year budget support, student support services and benefits assessment. All board-designated and undesignated amounts are included in unrestricted net position on the statements of net position.

Condensed Statement of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position present the College's changes in net position. The purpose of the statement is to present revenues earned by the College, both operating and non-operating and expenses incurred by the College. A summary of the College's revenues and total operating expenses for the years ended June 30, 2025, 2024, and 2023 are as follows:

	Year Ended June 30,			Change	Percent Change
	2023	2024	2025	from 2024	from 2024
OPERATING REVENUES:					
Net student revenues	\$ 22,337,663	\$ 23,306,441	\$ 21,412,160	\$ (1,894,281)	-8%
Federal and local grants and contracts	5,122,646	2,940,841	3,242,904	302,063	10%
State grants and contracts	8,477,234	10,681,323	11,212,117	530,794	5%
County grants and contracts	129,155	581,609	376,157	(205,452)	-35%
Private grants and contracts	1,360,474	1,155,622	1,185,776	30,154	3%
Other operating revenues	<u>3,145,530</u>	<u>2,485,433</u>	<u>1,845,127</u>	<u>(640,306)</u>	-26%
Total	40,572,702	41,151,269	39,274,241	(1,877,028)	-5%
Less: Operating expenses	<u>100,059,053</u>	<u>95,567,156</u>	<u>106,681,399</u>	<u>11,114,243</u>	12%
Operating loss	<u>(59,486,351)</u>	<u>(54,415,887)</u>	<u>(67,407,158)</u>	<u>(12,991,271)</u>	24%
NON-OPERATING REVENUES:					
State appropriations	11,686,765	13,069,757	13,437,839	368,082	3%
On-Behalf fringe benefits	5,267,014	4,332,407	5,204,441	872,034	20%
County appropriations	17,340,000	17,700,000	17,700,000		0%
Federal PELL grants	15,045,692	22,310,361	27,370,415	5,060,054	23%
Federal Cares Grants Institution	1,435,862				
Federal Cares Grants Student	8,879,753				
Investment income, net	859,597	1,534,220	1,415,477	(118,743)	-8%
Interest expense	<u>(30,225)</u>	<u>(29,648)</u>	<u>(51,674)</u>	<u>(22,026)</u>	74%
Other non-operating revenues (expenses), net					
Total	<u>60,484,458</u>	<u>58,917,097</u>	<u>65,076,498</u>	<u>6,159,401</u>	10%
OTHER REVENUES	<u>6,668,408</u>	<u>4,734,223</u>	<u>8,195,700</u>	<u>3,461,477</u>	73%
INCREASE IN NET POSITION	<u>\$ 7,666,515</u>	<u>\$ 9,235,434</u>	<u>\$ 5,865,040</u>	<u>\$ (3,370,392)</u>	-36%

Operating federal and local grant revenues increased by 10% compared to the prior year. This growth was principally driven by expanded activity and funding levels in several key programs, including Title V FIPSE,

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Federal Work Study, and the Department of Labor Workforce Development Grant. These programs supported enhanced student services, academic initiatives, and workforce preparedness efforts throughout FY 2025.

Operating state grant revenues increased by 5%, primarily reflecting new allocations associated with the Edison Preschool Expansion grant. This funding supported the College's early childhood education partnership and related instructional and programmatic activities.

County grants declined by 35%, reflecting a reduction in SOCF-funded activities supported by the county. Private grants and contracts increased by 3%, attributable to higher Foundation support for the Workforce Development and Lifelong Learning programs.

Other operating revenues decreased by 26%. The decline was largely the result of reduced miscellaneous general income, lower bookstore commissions, and decreased revenues from facility rentals, reflecting lower auxiliary and on-campus activity levels during the year.

Federal Pell Grants in Non-operating revenues increased by 23% over the prior year, driven by a higher volume of students qualifying for federal and state financial aid programs in FY 2025. These increases reflect both enrollment patterns and expanded eligibility among the student population.

Investment income decreased, primarily due to lower earnings realized in the College's money market and investment accounts, consistent with market conditions and available investible balances during the fiscal year. Decreases in money market yields are the principal cause.

County appropriations remained consistent with the prior year, reflecting stable operational support from Middlesex County.

Other revenues increased in FY 2025, principally attributable to expanded Chapter 12 capital project activity, which supported ongoing infrastructure and facility improvements across the College.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
Years ended June 30, 2025 and 2024

Condensed Schedules of Operating Expenses

A summary of the College's operating expenses for the years ended June 30, 2025, 2024, and 2023 follows:

	Year Ended June 30,			Change	Percent Change
	2023	2024	2025	from 2024	from 2024
OPERATING EXPENSES:					
Instruction	\$37,220,160	\$35,389,760	\$38,846,871	\$ 3,457,111	10%
Public Service	6,174,291	6,483,239	8,216,057	1,732,818	27%
Academic support	3,289,224	5,239,986	3,445,970	(1,794,016)	-34%
Student affairs	8,442,087	9,086,535	11,720,804	2,634,269	29%
Institutional support	17,993,585	19,119,151	22,321,463	3,202,312	17%
Operation and maintenance of plant	9,501,607	9,496,541	11,279,322	1,782,781	19%
Student aid	13,394,475	6,352,897	6,042,921	(309,976)	-5%
Depreciation	4,043,624	4,399,047	4,807,991	408,944	9%
	<u>\$ 100,059,053</u>	<u>\$ 95,567,156</u>	<u>\$ 106,681,399</u>	<u>\$ 11,114,243</u>	12%

Operating expenses include salaries, fringe benefits, and other personnel-related costs necessary to support the College's day-to-day operations. Fringe benefits are allocated to functional departments based on a combination of direct charges, headcount, and other cost-allocation methodologies. Increases in the cost of goods and services have contributed to overall cost increases. Total operating expenses for FY 2025 were \$11.1 million higher than FY 2024, driven primarily by increased activity in newly awarded grants, higher departmental spending, and the implementation of GASB 101 requirements for compensated absences.

Instruction expenses increased \$3.4M, or 10% from the previous year. Most of this was due mainly to an increase in departmental expenses, mostly in Visual and Performing Arts, Mathematics, History, and Science. There were also more activities within the PERKINS grant and a new Youth Opportunity grant.

Public Service support expenses have increased by 27% from prior year. The increase is mainly due to the increase in expenses for the new Early Learning center preschool expansion grant, Title V and FIPSE Enhanced Holistic Std Support federal grants, as well as the Mental Health community provider grant.

Academic Support expenses decreased by 34% from prior year. The decrease is primarily attributable to a decrease in SOCF activities in FY 2025.

The decrease in Student Aid expenses by \$309K or 5% is primarily due to normalization in scholarship allowances and student aid following the exhaustion of all Student CARES funds.

Operation and Maintenance of Plant expenses increased by \$1.7 million, or 19%, with cost growth driven by higher pension-related costs, as well as increases in utilities, custodial services, facilities maintenance, and warehouse operations.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
Years ended June 30, 2025 and 2024

Condensed Schedules of Capital Assets, Net

The following presents the changes in capital assets and related depreciation for the years ended June 30, 2025 and 2024:

Capital Assets Activity for the Year Ended June 30, 2025	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 3,419,950	\$ -	\$ -	\$ -	\$ 3,419,950
Construction in progress	5,771,699	7,387,667	-	(9,173,887)	3,985,479
Land improvements	9,209,185	9,428	-	2,707,685	11,926,298
Buildings and building improvements	133,347,633	164,910	(2,400)	6,028,079	139,538,222
Machinery, equipment and vehicles	23,369,561	1,285,728	(8,558,239)	438,123	16,535,173
Infrastructure	4,479,198	4,136	-	-	4,483,334
Total	179,597,226	8,851,869	(8,560,639)	-	179,888,456
Accumulated depreciation	90,003,283	4,807,991	8,547,043	-	86,264,231
Net capital assets	<u>\$ 89,593,943</u>	<u>\$ 4,043,878</u>	<u>\$ (13,596)</u>	<u>\$ -</u>	<u>\$ 93,624,225</u>
Right-to-use subscription assets		\$ 2,093,694			\$ 2,093,694
Accumulated amortization		(1,001,084)			(1,001,084)
Right-to-use subscription assets, net	<u>\$ -</u>	<u>\$ 1,092,610</u>			<u>\$ 1,092,610</u>

Capital Assets Activity for the Year Ended June 30, 2024	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Land	\$ 3,419,950	\$ -	\$ -	\$ -	\$ 3,419,950
Construction in progress	10,412,283	5,056,174	-	(9,696,758)	5,771,699
Land improvements	9,186,897	-	-	22,288	9,209,185
Buildings and building improvements	125,206,558	263,554	-	7,877,521	133,347,633
Machinery, equipment and vehicles	20,294,874	1,898,118	(620,380)	1,796,949	23,369,561
Infrastructure	4,479,198	-	-	-	4,479,198
Total	172,999,760	7,217,846	(620,380)	-	179,597,226
Accumulated depreciation	86,222,350	4,399,047	618,114	-	90,003,283
Net capital assets	<u>\$ 86,777,410</u>	<u>\$ 2,818,799</u>	<u>\$ (2,266)</u>	<u>\$ -</u>	<u>\$ 89,593,943</u>

Depreciation/amortization of capital assets is recorded on a straight-line basis over their estimated useful lives. Additional information related to capital assets and related depreciation/ amortization can be found in Note 3 to the basic financial statements. Depreciation/amortization has increased principally due to a larger base of depreciable/ amortizable assets.

Summary and Outlook

Middlesex College (the College) is a two-year community college, founded in 1964 by the Board of Chosen Freeholders, the governing body of Middlesex County, State of New Jersey (now known as the Board of County Commissioners). The main campus is located in Edison, along with centers in New Brunswick and Perth Amboy. A decision was accepted via Board Resolution at the meeting of the Board of Trustees of Middlesex College on September 16, 2020 to change the College's name from "Middlesex County College" to "Middlesex College," effective January 1, 2021.

The Board of Trustees of Middlesex College, through the Office of the President and as set forth in the applicable New Jersey Statutes and Administrative Code, is responsible for establishing tuition, fees, admission and degree requirements, college investments and oversight of various administrative and operational matters, including the financial matters of the College.

MIDDLESEX COLLEGE
(a Component Unit of the County of Middlesex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
Years ended June 30, 2025 and 2024

Highlights from FY2025 include:

- At Fall Convocation on August 26, 2024, the College presented the 2024 Paige D. L'Hommedieu Award to Middlesex County Prosecutor Yolanda Ciccone. Prosecutor Ciccone was honored for her commitment to education, support of our campus police, and partnership with the College in offering internship and employment opportunities at the Middlesex County Prosecutor's Office for our students.
- Through sound fiscal management over the last several years, the College continues to maintain its status as one of the most affordable institutions of higher education in the State of New Jersey.
- The Radiography faculty reported that all 25 graduates in the Class of 2024 passed the American Registry of Radiologic Technologists national certification exam on their first attempt. The Class of 2024 Radiography graduates join the Class of 2024 Dental Hygiene and Class of 2023 Nursing program graduates in achieving a 100% first-time pass rate on their national credentialing exam.
- Natural Sciences Department Chair Mike Ansonoff and our Fire Science faculty hosted a Fire Safety seminar offered by the New Jersey Fire and Emergency Medical Services Institute. The event featured noted speakers including Chief Jeff Dill, from Las Vegas, who addressed the crucial topics of PTSD and moral injury in the fire service.
- Chemistry Professor Phalguni Ghosh and Natural Sciences Professor Parag Muley accompanied four students to Stem C², a research and career summit where students presented on their research and learned about new developments in STEM fields. Travis Olah, alumnus Ezra Goldfarb, Kerat Bangar, and Navya Mishra all presented on their research at the event.
- The Center for the Enrichment of Learning and Teaching (CELT) celebrated ten years of the Faculty Mentoring program. This successful program was started in the Fall of 2014 when 14 new full-time faculty members joined Middlesex College.
- Alexandra Badaway '25 was named as one of 210 Phi Theta Kappa Honor Society members nationally to be named a 2024 Coca-Cola Leaders of Promise Scholar. The Leaders of Promise Scholar designation afforded Alexandra with a \$1,000 scholarship to continue her education.
- Middlesex College was awarded a Fund for the Improvement of Postsecondary Education grant from the U.S. Department of Education three years ago to develop Open Educational Resources (OER) in STEM fields in coordination with other colleges and universities in New Jersey. In October 2024, the College hosted the Open Textbook Collaborative Conference, a culmination of Project Director Steve Chudnick and Library Services Director Marilyn Ochoa's work in support of the development and adoption of OER materials in STEM fields.
- The College's annual HarvestFest was held on October 17, 2024. Over 1,500 people were estimated to have attended, making this the biggest by far. Students, faculty, and staff provided information on College programs and services as well as engaging activities such as a dinosaur dig for children sponsored by the Earth Science Club where children dug for 3-D printed fossils.
- On October 31, 2024, the College signed the first-ever Dual Admission partnership with Rutgers University-New Brunswick. The Dual Admission partnership agreement will help facilitate a seamless transfer process for students pursuing a bachelor's degree at RU-NB after completing an associate degree at Middlesex College. Dually-admitted students who meet specific requirements are guaranteed admission to RU-NB as a junior in non-selective programs.
- The College's Women's and Men's Soccer teams advanced to the National Junior College Athletic Association (NJCAA) Region XIX East District A Championship. It is the first time in program history that both teams advanced to the regional tournaments in the same season.
- The College's Community Resource Hub and Food Pantry received over 20,000 pounds of food from several local Dharmic communities in celebration of SewaDiwali and service to others.

MIDDLESEX COLLEGE
(a Component Unit of the County of Middlesex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
Years ended June 30, 2025 and 2024

- Middlesex College has developed a partnership with the Mexican Consulate in New Brunswick. Perth Amboy Center Director Angelo Abreu and Visual Performing and Media Arts Chairperson Annie Hogan coordinated with Consul Titular Mariana Diaz on an exhibit of works of art created by Middlesex College students at the Consulate. Fine Arts Technician Bryan Weitz installed the pieces created by 13 Middlesex College students with assistance from Angelo. The Opening Reception at the Consulate was an incredible experience for students and their families.
- The Athletics Department hosted its inaugural Shannon Williams Invitational Basketball event. Teams from Raritan Valley Community College, LaGuardia Community College, Monroe Community College, SUNY Orange, and Anne Arundel Community College joined the Middlesex College Men's and Women's Basketball teams competing in the event.
- On November 21, 2024, the Middlesex College Foundation held its Celebration of Philanthropy and Scholarship to connect scholarship donors and recipients. Last year, 417 students received 911 awards totaling \$575,136 and funding to establish 11 new scholarships was received.
- Faculty members in the Hospitality, Culinary, and Dietetics Department continued their annual tradition of working with students prepare a Thanksgiving meal to serve the residents of the Ozanam homeless shelter in Edison.
- December 3, 2024 was Giving Day, and the Middlesex College Foundation experienced an outpouring of support. More than 150 individuals made gifts to support our students, including successfully meeting the Foundation Board of Trustees challenge match. Members of the College community – faculty and staff, students, alumni, and Trustees – along with a number of friends of the College raised funds for the Community Resource Hub and Food Pantry, the Student Emergency Fund, and the Chromebook Ownership Program.
- On January 21, 2025, a groundbreaking event took place to kick off construction of two new additions to the Edison campus as part of the Middlesex County Community, Innovation, and Opportunity Strategic Investment Plan: an open-air, multipurpose community venue and a new Student Center. Together these buildings will offer new spaces for education, sports, and entertainment for Middlesex County residents. Speakers at the event included Governor Phil Murphy, Speaker of the Assembly Craig Coughlin, and Middlesex County Board of County Commissioners Director Ronald Rios.
- Middlesex College partnered with Johnson & Johnson and two other New Jersey community colleges in a new workforce development initiative aimed at building a stronger pipeline for New Jersey's life sciences sector. The launch of the NJBioFutures venture, held on February 14, 2025, included the New Jersey Council of Community Colleges, Raritan Valley Community College, Mercer County Community College, and life sciences employers from across the Central Jersey region.
- Middlesex College students Leslie Bello Rojas '25 and Will Harris '25 testified at a hearing of the New Jersey General Assembly Committee on Higher Education. The bill package advanced by the Committee included Bill [A5211](#), codifying the New Jersey Pathways to Career Opportunities Initiative, known as NJ Pathways. Since its December 2021 launch in partnership with the New Jersey Council of County Colleges and the New Jersey Business and Industry Association, NJ Pathways has developed a state-wide network of high schools, community colleges, and four-year colleges and universities focused on preparing students for careers in highly-skilled fields beginning with credentials and leading to a pathway to an associate degree and beyond.

MIDDLESEX COLLEGE
(a Component Unit of the County of Middlesex)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
Years ended June 30, 2025 and 2024

- Sophomore Wrestling athlete Jon Braun '25 won the National Junior College Athletic Association (NJCAA) Gulf District Championship at the 174-pound weight limit and has qualified for the NJCAA National Tournament. Jon, who was seeded #2, upset the top seed from Lackawanna College 5-0 in the finals to capture his first Gulf District Championship.
- On February 26, 2025, the Dental Hygiene Program welcomed 33 children ages 3-5 to Middlesex College's Dental Hygiene Clinic for the annual Give Kids A Smile event at which our second-year Dental Hygiene students, with additional help from students in a pre-dental program of study at New Brunswick High School. Over \$16,000 worth of free dental care was provided.
- In collaboration with Hackensack Meridian Health, the College celebrated the official opening of the Nursing Simulation Center on March 12, 2025 with a Ribbon-cutting ceremony. Trustees and County leaders were on hand to tour the center that is equipped with three in-patient rooms (adult, pediatric, maternity), a community room, and a nurse's station.
- Students Dhruv Sethi '25 and Branden Farano '26 were named to the Phi Theta Kappa All-State Academic Team by the New Jersey Council of County Colleges. Dhruv Sethi was also recognized for his expertise in and passion for software development with the Terry O'Banion Student Technology Award from The League for Innovation in the Community College.
- At the annual conference of the New Jersey Society of Radiologic Technologists, Middlesex College Radiography students Mickayla Zupa '25 and Christina Toms '25 won first place for their poster titled "Can Weekly X-rays Effect the Appetite of the Venus Flytrap?" Radiography student Matthew Mulroy '25 won second place, out of 92 students, in the Emma Wolfe Memorial Student X-ray Competition at the conference.
- At the April, 2025 New Jersey Press Association's 2024-2025 College Newspaper Contest, Middlesex students took home awards in 15 different categories, including five first-place awards, four second-place awards, and six third-place awards.
- Natural Sciences student Fawzi Seidu '25 was selected as the recipient of the William H. Higgins Award from the New Jersey Water Environment Association (NJWEA). Fawzi was recognized at the NJWEA Annual Conference in Atlantic City, receiving a certificate and a \$3,000 scholarship.
- Students Aishveer Singh '25 and Jesus Osorio '25 presented their research posters at the 2025 NASA Space Grant Consortium exhibit as part of their NASA Fellowships.
- On May 13, 2025, 890 of the College's 1,583 May 2025 graduates participated in the annual Commencement ceremony at Jersey Mike's Arena on the campus of Rutgers University. For the fourth year running, our graduates wore eco-friendly caps and gowns made entirely from recycled post-consumer plastic bottles.

Enrollment

Enrollment in the Fall 2024 semester reflected roughly a 3.9% increase in total credit hours from Fall 2023, while Spring 2025 credit hour enrollment increased approximately 4.4% compared to Spring 2024.

This increase can be tied to the College's enhanced emphasis on dual enrollment coursework for K-12 students and strong collaboration between the Admissions and Enrollment areas with Marketing to produce compelling campaigns to drive enrollment growth. Winter 2025 session enrollment increased 4.4% compared to Winter 2024. Enrollment within the two sessions offered during the Summer remained relatively level (0.5%) after a significant growth in Summer 2024. Total credit enrollment for FY2025 was up 3.6% compared to FY2024.

MIDDLESEX COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
Years ended June 30, 2025 and 2024

The College's Division of Student and Enrollment Services aids and supports enrollment and retention initiatives at the College, also supported by initiatives from the Division of Academic Affairs. The group consistently benchmarks and implements best practices in enrollment planning and enhancing our outreach to underdeveloped market niches. The group additionally reviews statistical information, generates ideas for expanded outreach and further review, and development of student markets. Outreach efforts for this Division are bolstered by support from planning grant resources designed to aid implementation of New Jersey's Community College Opportunity Grant (CCOG) Program, although there has been a shift in recent funding for the program. The College continues to focus on growing its relationships with the K-12 school districts in Middlesex County, seeking to increase the rate of high school graduates from area schools enrolling at the College. Further, the implementation of new Marketing campaigns have expanded the College's reach to potential students, utilizing print, television, social media and other platforms.

The College's leadership continues to focus on the retention of current students and assisting them in completing their degree programs in an efficient timeframe. The College continues to participate in the Guided Pathways to Career Success initiative, with implementation and support institutionalized within the College's Strategic Plan. Elements of Guided Pathways to Career Success implemented at Middlesex include the development of curriculum maps, streamlining of developmental coursework curriculum sequences, shifting to a multiple measures placement framework, and increasing academic interventions utilizing the services of part-time Student Success Coaches. These actions have had a positive impact on the College's graduation rate, confirming the benefits of this approach.

The College emphasizes support for its student-veterans. The College's nationally recognized Veterans Services Center assists military veterans as they transition to civilian life. The Veterans Services Center staff ensure veterans receive all the education benefits and entitlements for which they are eligible, coordinate services they need to be successful, and create an environment where they can socialize with other military veterans. The College has earned numerous commendations from publications such as Military Times and Military Advanced Education and Transition for its support of our student veterans.

Focus on the Future

Current demographic and economic conditions suggest that enrollment will continue to increase in FY2026, with projected growth of approximately 2% expected. The growth in enrollment coupled with an increase in credit tuition and fees are expected to address rising expenses as the College continues to focus on sustained revenue growth.

The College is committed to a proactive approach in financial matters, continually working to ensure that Middlesex College operates in the most efficient manner possible while making appropriate investments in updating our business processes, infrastructure and technology for continued and future sustainability. The College remains financially stable.

Requests for Information

This financial report is designed to provide a general overview of Middlesex College's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Middlesex College, 2600 Woodbridge Avenue, Edison, New Jersey 08818, Attention: Frank L. Maltino, CPA, Chief Financial Officer.

MIDDLESEX COLLEGE
(a Component Unit of the County of Middlesex)

COMPARATIVE STATEMENTS OF NET POSITION

	Years Ended June 30,			
	Business-type Activities Middlesex College 2025	Component Unit Middlesex College Foundation 2025	Business-type Activities Middlesex College 2024	Component Unit Middlesex College Foundation 2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ 104,333,493	\$ 1,456,906	\$ 82,576,462	\$ 1,545,161
Investments		24,217,235		21,647,171
Receivables - Student, Net of Allowance of \$11,656,242 and \$10,599,623, respectively	4,383,269		3,803,346	
Due from Foundation	779,268		876,738	
Other Receivables	1,710,750	2,343,520	3,013,237	186,045
Grants Receivable	1,663,204		3,150,660	
Funds Held by Trustee	1,461,542		2,062,411	
Prepaid Expenses	73,817		85,693	
Total Current Assets	<u>114,405,343</u>	<u>28,017,661</u>	<u>95,568,547</u>	<u>23,378,377</u>
NON-CURRENT ASSETS:				
Prepaid Assets	4,387,456		1,362,934	
Right-to-Use Subscription Assets, net	1,092,610			
Capital Assets, Non Depreciable	7,405,429		9,191,649	
Capital Assets, Net of Accumulated Depreciation of \$86,264,232 and \$90,003,283, respectively	86,218,796		80,402,294	
Total Non-Current Assets	<u>99,104,291</u>		<u>90,956,877</u>	
Total Assets	<u>213,509,634</u>	<u>28,017,661</u>	<u>186,525,424</u>	<u>23,378,377</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Deferrals	4,760,365		4,339,804	
Other Post Employment Benefits Deferrals	606,038		591,277	
Total Deferred Outflows of Resources	<u>5,366,403</u>		<u>4,931,081</u>	
Total Assets and Deferred Outflows of Resources	<u>218,876,037</u>	<u>28,017,661</u>	<u>191,456,505</u>	<u>23,378,377</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES:				
Accounts Payable and Accrued Expenses:				
Related to Pensions	3,201,594		3,116,325	
Related to Others	6,726,040	807,751	4,402,387	903,381
Compensated Absences	3,852,704		943,597	
Equipment Leasing Fund Payable - Financed Purchase	35,556		33,822	
Early Retirement Incentive Payable	10,000			
Deposits Held in Custody for Others	846,080		770,740	
Unearned Revenue	7,234,890		7,476,735	
Right-to-use Subscription Liability	744,873			
Total Current Liabilities	<u>22,651,737</u>	<u>807,751</u>	<u>16,743,606</u>	<u>903,381</u>
NON-CURRENT LIABILITIES:				
Compensated Absences	6,402,546		3,245,963	
Unearned Revenue - Community Innovation and Opportunity Project	56,815,435		34,797,596	
Equipment Leasing Fund Payable - Financed Purchase	358,582		394,138	
Early Retirement Incentive Payable	535,000		545,000	
Obligation for Post-Employment Benefits	5,974,245		6,115,933	
Net Pension Liability	30,601,844		31,983,583	
Right-to-use Subscription Liability	256,211			
Total Non-Current Liabilities	<u>100,943,863</u>		<u>77,082,213</u>	
Total Liabilities	<u>123,595,600</u>	<u>807,751</u>	<u>93,825,819</u>	<u>903,381</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension Deferrals	5,225,310		7,246,788	
Other Post Employment Benefits Deferrals	814,566		698,984	
Total Deferred Inflows of Resources	<u>6,039,876</u>		<u>7,945,772</u>	
Total Liabilities and Deferred Inflows of Resources	<u>129,635,476</u>	<u>807,751</u>	<u>101,771,591</u>	<u>903,381</u>
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	93,321,613		89,165,983	
RESTRICTED	9,820	3,718,611	10,309	3,256,702
UNRESTRICTED (DEFICIT)	(4,090,872)	23,491,299	508,622	19,218,294
Total Net Position	<u>\$ 89,240,561</u>	<u>\$ 27,209,910</u>	<u>\$ 89,684,914</u>	<u>\$ 22,474,996</u>

See accompanying notes to financial statements.

MIDDLESEX COLLEGE
(a Component Unit of the County of Middlesex)

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years Ended June 30,			
	Business-type Activities Middlesex College 2025	Component Unit Middlesex College Foundation 2025	Business-type Activities Middlesex College 2024	Component Unit Middlesex College Foundation 2024
OPERATING REVENUES:				
Student Revenues:				
Tuition and Fees	\$ 59,580,362		\$ 54,391,144	
Less: Waivers, Appeals and Allowances	(38,168,202)		(31,084,703)	
Net Student Revenues	21,412,160		23,306,442	
Federal Grants and Contracts	3,242,904		2,940,841	
State Grants and Contracts	11,212,117		10,681,323	
County Grants and Contracts	376,157		581,609	
Private Grants and Contracts	1,185,776		1,155,622	
Fundraising		\$ 3,605,742		\$ 1,364,463
Other Operating Revenues	1,845,127		2,485,433	
Total Operating Revenues	39,274,241	3,605,742	41,151,270	1,364,463
OPERATING EXPENSES:				
Instruction	38,846,871		35,389,760	
Public Service	8,216,057		6,483,239	
Academic Support	3,445,970		5,239,986	
Student Services	11,720,804		9,086,535	
Institutional Support	22,321,463	1,408,174	19,119,151	1,468,744
Operation and Maintenance of Plant	11,279,322		9,496,541	
Scholarship and Student Aid	6,042,921		6,352,897	
Depreciation	4,807,991		4,399,047	
Total Operating Expenses	106,681,399	1,408,174	95,567,156	1,468,744
OPERATING (LOSS) INCOME	(67,407,158)	2,197,568	(54,415,886)	(104,281)
NON-OPERATING REVENUES (EXPENSES):				
State Appropriations	13,437,839		13,069,757	
On-Behalf Fringe Benefits	5,204,441		4,332,407	
County Appropriations	17,700,000		17,700,000	
Federal Pell Grant	27,370,415		22,310,361	
CIO Non-Operating Funding	5,299,474		5,224,361	
CIO Non-Operating Funding Disbursement	(5,299,474)		(5,224,361)	
Investment Income	1,415,477	2,537,346	1,534,220	2,220,005
Interest Expense	(51,674)		(29,648)	
Total Non-Operating Revenues (Expenses)	65,076,498	2,537,346	58,917,097	2,220,005
(LOSS) INCOME BEFORE OTHER REVENUES	(2,330,660)	4,734,914	4,501,211	2,115,724
OTHER REVENUES:				
County Appropriation for Minor Capital	2,750,000		2,250,000	
County Appropriation for Chapter 12	5,445,700		2,456,791	
Higher Education Equipment Leasing Fund			27,432	
Total Other Revenues	8,195,700		4,734,223	
INCREASE IN NET POSITION	5,865,040	4,734,914	9,235,434	2,115,724
NET POSITION				
BEGINNING OF YEAR - AS PREVIOUSLY REPORTED	89,684,914	22,474,996	80,449,480	20,359,272
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(6,309,393)			
BEGINNING OF YEAR - AS RESTATED	83,375,521	22,474,996	80,449,480	20,359,272
END OF YEAR	\$ 89,240,561	\$ 27,209,910	\$ 89,684,914	\$ 22,474,996

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Received from tuition, fees and grants	\$ 40,922,651	\$ 35,960,239
Payments to employees and fringe benefits	(65,642,313)	(63,257,505)
Payments to vendors and suppliers	(10,272,363)	(6,333,050)
Non Cash GASB 68	1,381,739	1,574,177
Payments for scholarships and fellowships	(6,042,921)	(6,352,897)
Other receipts (payments)	5,279,781	2,877,478
Net cash used by operating activities	(34,373,426)	(35,531,558)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State aid	13,437,839	13,069,757
County appropriations	17,700,000	17,700,000
Direct lending receipts	2,562,548	2,892,047
Direct lending disbursements	(2,562,548)	(2,892,047)
Noncapital grants - student financial aid	28,629,520	21,679,792
Noncapital grants received	600,869	27,432
Noncapital gifts and endowments received	97,470	299,824
Net cash provided by noncapital financing activities	60,465,698	52,776,805
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	7,256,362	3,327,081
Acquisition and construction of capital assets	(11,876,392)	(8,580,780)
Subscriptions arrangements	(1,092,610)	
Proceeds from sale of capital assets	13,596	2,266
Interest paid on financed purchases	(51,674)	(29,648)
Net cash used by capital and related financing activities	(5,750,718)	(5,281,081)
CASH FLOWS FROM INVESTING ACTIVITY -		
Investment income	1,415,477	1,534,220
Net cash provided by investment activity	1,415,477	1,534,220
Net increase in cash and cash equivalents	21,757,031	13,498,386
Cash and cash equivalents, July 1	82,576,462	69,078,076
Cash and cash equivalents, June 30	<u>\$ 104,333,493</u>	<u>\$ 82,576,462</u>

See accompanying notes to financial statements.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

STATEMENTS OF CASH FLOWS

	<u>Years Ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating Loss	\$ (67,407,158)	\$ (54,415,886)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization expense	5,809,075	4,399,047
Miscellaneous nonoperating income	5,204,441	4,332,407
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables, net	1,890,253	(1,037,400)
Prepaid expenses	11,876	(3,938)
Deferred outflows for pensions	(420,561)	1,503,944
Deferred outflows for OPEB	(14,761)	332,179
Accounts payable and accrued expenses	2,408,922	(4,369,904)
Unearned revenue	21,775,993	20,643,967
Funds held for others	75,340	119,248
Net OPEB liability	(141,688)	(32,088)
Net pension liability	(1,381,738)	(4,570,500)
Compensated absences	(243,701)	69,528
Higher Education Equipment Leasing Fund (ELF)	(33,823)	
Deferred inflows for OPEB	115,582	(694,279)
Deferred inflows for pensions	(2,021,478)	(1,807,883)
Net cash used by operating activities	<u>\$ (34,373,426)</u>	<u>\$ (35,531,558)</u>

See accompanying notes to financial statements.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 1 - Organization and Summary of Significant Accounting Policies:

Organization – Middlesex College (the “College”) formerly known as Middlesex County College was established as a unit of the New Jersey Master Plan for Higher Education and is one of 19 county colleges in the State of New Jersey. The College offers pre-baccalaureate preparation (A.S. and A.A. degrees), as well as programs and certificates that are designed to prepare students for employment (A.A.S. degrees). The College also maintains a comprehensive community development operation, which provides lifelong learning opportunities to the citizens and businesses of the County of Middlesex (the “County”). The College is a component unit of the County under Governmental Accounting Standards Board (“GASB”) Statements No. 14 and 61, *The Financial Reporting Entity*. The College is an institution of higher education and a governmental unit and an instrumentality of the State of New Jersey as provided by the County College Act, N.J.S.A. 18A:64A.

Middlesex College Foundation, (the “Foundation”) is a legally separate component unit of Middlesex College, exempt from tax under the Internal Revenue Code Section 501(c)(3). The Foundation’s purpose is to assist the Trustees of the College in the development and growth of college scholarships, programs and facilities that broaden and enhance educational opportunities and services provided for those seeking post-secondary education in Middlesex County, New Jersey. Because the resources of the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. Complete financial statements can be obtained from the Middlesex County Community College Foundation at 2600 Woodbridge Avenue, Edison, New Jersey 08818.

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 GASB authoritative literature in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Net Position - Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities in the financial statements. Net investment in capital assets consists of capital assets net of accumulated depreciation and any related debt. Net positions are 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.

GASB Statement No. 35 and 63 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation/amortization attributable to the acquisition, construction, or improvement of those assets and any debt obligations associated with the acquisition of the capital assets.
- **Restricted:**
 - Nonexpendable** - Net position subject to externally imposed stipulations that they be maintained permanently by the College.
 - Expendable** - Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time.
- **Unrestricted:** Net position not subject to externally imposed stipulations that may be designated for specific purposes by action of management 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.

Measurement Focus and Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus in accordance with the GASB. The College reports its financial statements as a business-type activity, as defined by GASB Statement Nos. 34 and 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Cash and Equivalents - Cash and equivalents consist of cash 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 when purchased.

Capital Assets and Right-to-Use Subscription Assets - Capital assets include construction in progress, land, land improvements, buildings and building improvements and machinery, equipment and vehicles with acquisition costs of at least \$2,500 and useful lives of at least five years and are recorded at historical cost or estimated historical cost if purchased or constructed. Construction-in-progress is recorded as costs are incurred during construction. Donated capital assets are valued at acquisition value on the date received. The cost of normal maintenance and repairs that do not add to the value or materially extend the useful lives are not capitalized. Right-to-use subscription assets under GASB Statement No. 96 are capitalized and amortized. See Note 3 to the financial statements for description of the College's assets.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

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

Infrastructure	40 years
Land improvements	20 years
Building and improvements	45 years
Furniture and equipment	5-10 years
Right-to-use subscription assets	5-10 years

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 revenue in the accompanying financial statements.

Grants and contracts revenue is comprised mainly of revenues received from grants from the State of New Jersey, the Federal government and the County of Middlesex and are recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreement are recorded as unearned revenue in the accompanying financial statements.

Revenue from state and county appropriations is recognized in the fiscal years during which the State of New Jersey and the County of Middlesex appropriate the funds to the College.

Allowance for Doubtful Accounts - The College records an allowance for doubtful accounts for its accounts receivable balances. The allowance consists of 100% of all receivable balances outstanding in excess of 180 days and 10% of all receivable balances for the period of 0 to 180 days.

Compensated Absences - The College accounts for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*, which supersedes GASB Statement No. 16. Under GASB 101, a liability is recognized when employees earn leave that is more likely than not to be used or otherwise realized. The College's compensated absences liability consists of accumulated vacation and sick leave and includes the related payroll-driven costs such as Social Security, Medicare, and applicable pension contributions.

In measuring this liability, GASB 101 requires governments to consider the full range of potential outcomes for earned leave—use, payout, carryover, and forfeiture. The College's estimate is based on a five-year analysis of historical usage patterns and reflects the likelihood that employees will use or otherwise realize earned leave. The population used in the analysis included every employee who was employed by the College during the full five-year evaluation period. Leave expected to expire unused is excluded from the calculation.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

Upon implementation of GASB 101, the College recalculated its compensated absences liability using the new recognition and measurement requirements. As a result, the ending compensated absences balance and net position for the fiscal year ending June 30, 2024 was restated to reflect the revised measurement of expected leave usage and related payroll-driven costs.

College employees are granted varying amounts of vacation and sick leave in accordance with the College's personnel policy or applicable labor contract. Upon termination, if employees are eligible and have given sufficient notice as defined in their labor contracts or handbook, they are paid for accrued vacation up to the maximum days as defined by New Jersey Statute. The College's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, eligible employees are paid for their unused sick leave in accordance with the College's policies and agreements with the various employee unions.

Classification of Revenue - For the purposes of the statements of revenues, expenses and changes in net position, the College's policy is to define operating activities as those that serve the College's principal purpose and generally result from exchange transactions, such as the payment received for services or the payment made for the purchase of goods and services. Examples of such operating activities include (1) student tuition and fees, net of scholarship allowances, and (2) most federal, state and local grants and contracts. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as operating and capital appropriations from the federal, state and county governments and net investment income.

Scholarship Allowance – Student tuition and fees are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for tuition and services provided by the College and the amount that is paid to students and/or third parties making payments on students' behalf. To the extent that revenues from such programs are used to satisfy tuition and fees and other student services, the College has recorded a scholarship allowance. The amount of scholarship discount and allowance for the fiscal years ended June 30, 2025 and 2024 was \$29,334,580 and \$23,748,401, respectively.

Unearned Revenue - Unearned revenue includes student tuition, fees, and deposits collected in advance of the applicable academic term, as well as NJEFA, and funds related to the Community Innovation and Opportunity Project received in advance.

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 from the State of New Jersey and the County. The College is economically dependent on these appropriations to carry on its operations.

Income Taxes - The College and Foundation are exempt from Federal income taxes under Internal Revenue Code Sections 115 and 501(c)(3), respectively.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

The Foundation is no longer subject to Federal tax examinations for its Federal Form 990 and for the State of New Jersey Form CRI-300R for years prior to June 30, 2022.

New Accounting Standards

GASB issued Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The College implemented this Statement during the 2024-25 fiscal year. See Note 19.

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 College implemented this Statement during the 2024-25 fiscal year. See Note 19.

GASB issued Statement No. 102, *Certain Risk Disclosures* in December 2023. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Management has reviewed the Statement and determined it did not have an impact on the financial statements.

GASB issued Statement No. 103, *Financial Reporting Model Improvements* in April 2024. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management has not determined the impact of the Statement on the financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* provides users of government financial statements with essential information about certain types of capital assets including lease assets, intangible right-to-use assets, subscription assets, other intangible assets and assets held for sale. The requirements of this Statement are effective for periods beginning after June 15, 2025, and all reporting periods thereafter. Management has not determined the impact of the Statement on the financial statements.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 1 - Organization and Summary of Significant Accounting Policies (continued):

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and deferred outflows and deferred inflows of resources 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.

County of Middlesex Capital Support - The County is responsible for the issuance of certain bonds and notes for the College's capital expenses which are financed by bond ordinances. The County is also responsible for the payment of interest on issued debt and the retirement of such obligations. Accordingly, the debt is not included in the accompanying financial statements of the College.

The County adopts capital ordinances to fund certain capital expenses of the College. The College receives the County bond monies to fund certain capital assets expenses. Unexpended money in the current year is available for capital expenses in subsequent years.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report 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 two items that qualify for reporting in this category, deferred amounts related to pensions and deferred amounts related to other postemployment benefits. In addition to liabilities, the statement of net position will sometimes report 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 two items that qualify for reporting in this category, deferred amounts related to pensions and deferred amounts related to other postemployment benefits.

Restricted Deposits Held by Trustees - Restricted deposits held by trustees are recorded in the financial statements at fair value, which is based on quoted market price and consist of cash and cash equivalents and U.S. Treasury securities. Investment income is recorded on an accrual basis. Changes in fair value (including realized and unrealized gains and losses) are reported in investment income.

Subsequent Events - Management has reviewed and evaluated all events and transactions from June 30, 2025 through January 30, 2026 the date that the financial statements are available to be issued and the effects of those that provide additional pertinent information about conditions that existed at the statements of net position date, have been recognized in the accompanying financial statements.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 2 - Cash and Equivalents and Investments:

Deposits

New Jersey statutes permit the deposit of public funds into the State of New Jersey Cash Management Fund or into institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (the "FDIC") or by any other agencies of the United States that insure deposits. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

- (a) The market value of the collateral must equal 5% of the average daily balance of public funds, or
- (b) If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. As of June 30, 2025, and 2024, cash held by trustees was \$1,461,542 and \$2,062,411, respectively. In addition, during the fiscal years ended June 30, 2025 and 2024, the College carrying amount of deposits was \$75,413,199 and \$57,833,300, respectively, and the bank balance was \$77,193,852 and \$59,270,751, respectively.

The College's cash balance at the end of June 30, 2025 and 2024 include \$56,815,435 and \$34,797,596, respectively in restricted funds held in trust for construction related costs of the Community Innovation and Opportunity project. These funds are restricted solely and exclusively for the CIO project as determined by Middlesex County and are not part of the College's operating statement.

As of June 30, 2025, and 2024 \$250,000 of the total deposits were insured by the FDIC and except for agency funds in the amount of \$483,019, the remainder was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Government Unit Deposit Protection Act.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that the College disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the College would not be able to recover the value of its deposit or investment).

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.

Credit Risk and Custodial Credit Risk - The College does not have a policy for either credit risk or custodial credit risk. However, it is the College's policy only to invest with banks that are approved by the Board of Trustees and insured by FDIC and covered by the New Jersey Government Unit Deposit Protection Act ("GUDPA").

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 2 - Cash and Equivalents and Investments (continued):

At least five percent of the College's deposits were fully collateralized by funds held by the financial institutions, 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

During the fiscal years ended June 30, 2025 and 2024, the College participated in the New Jersey Cash Management Fund (the "NJCMF"). The NJCMF is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. At June 30, 2025 and 2024, the College had \$28,920,294 and \$24,743,162 invested in the NJCMF, respectively and reported as cash equivalents in the statements of net position. The NJCMF is an investment pool administered by the State of New Jersey, Department of the Treasury and issues separate reports that can be obtained directly from the Department of Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. The pooled shares are equal to the value of the District's shares. 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.

Interest Rate Risk - The College does not have a policy to limit interest rate risk. The College did not hold any investments for the years ended June 30, 2025 and 2024 other than funds held in the NJCMF. The average maturity of the College's investments in the NJCMF are less than one year.

Custodial Credit Risk – Pursuant to GASB 40, the NJCMF, which is a pooled investment, is exempt from custodial credit risk exposure. The College does not have a policy for custodial risk.

Credit Risk – The College does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure 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 debt instruments in the NJCMF are rated by three national rating agencies.

Concentration of Credit Risk – The College places no limit on the amount the College may invest in any one issuer. At June 30, 2025, all of the College's investments were invested in the NJCMF.

Foundation Investments - Investments are stated at their fair values based on quoted market prices in the statements of financial position. Interest and dividends and realized and unrealized gains and losses, if any, are reported as net investment return (loss) in the statements of activities and changes in net assets. Investment return is reported in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law. Purchases and sales of investments are recorded on a settlement date basis. The cost of securities sold is determined using the specific identification method. Investments are reviewed annually for impairment. Management has determined there are no other than temporary losses as of June 30, 2025 and 2024.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 2 - Cash and Equivalents and Investments (continued):

Dividends and interest are recognized as earned. Net realized gains or losses and changes in net depreciation in fair value are determined by comparing cost to proceeds and fair market value, respectively. Gains and losses on sales of securities are recorded in the statements of activities and changes in net assets in the period in which the securities are sold.

The investments are protected by the Securities Insurance Protection Corporation ("SIPC") which provides limited insurance in certain circumstances for securities and cash held in brokerage accounts. The insurance is limited to \$500,000 for securities and \$250,000 for cash balances. The insurance does not protect against investment losses. At times, such balances may be in excess of SIPC insured limits.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements ("FASB ASC 820"), establishes a framework for measuring fair value.

That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in inactive markets;
- quoted prices for identical or similar assets or liabilities in active markets;
- inputs other than quotes prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

- Equities and Mutual Funds: Valued at the closing price reported on the New York Stock Exchange.
- Fixed Income Securities: Corporate bonds, U.S. government securities and exchange traded funds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 2 - Cash and Equivalents and Investments (continued):

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2025 and 2024:

Assets at Fair Value as of June 30, 2025				
	<i>Level 1</i>	<i>Level 2</i>	<i>Investments Valued Using NAV(*)</i>	<i>Total</i>
Equities	\$ 14,376,678	\$ -	\$ -	\$ 14,376,678
Mutual funds	3,635,723	-	-	3,635,723
Fixed income:				
Exchange traded funds	-	3,635,339	-	3,635,339
Corporate bonds	-	949,648	-	949,648
Government securities	-	1,144,788	-	1,144,788
Hedge funds	-	-	475,059	475,059
Total Investments	<u>\$ 18,012,401</u>	<u>\$ 5,729,775</u>	<u>\$ 475,059</u>	<u>\$ 24,217,235</u>
Assets at Fair Value as of June 30, 2024				
	<i>Level 1</i>	<i>Level 2</i>	<i>Investments Valued Using NAV(*)</i>	<i>Total</i>
Equities	\$ 12,176,319	\$ -	\$ -	\$ 12,176,319
Mutual funds	4,643,725	-	-	4,643,725
Fixed income:				
Exchange traded funds	-	3,340,106	-	3,340,106
Corporate bonds	-	820,834	-	820,834
Government securities	-	666,187	-	666,187
Total Investments	<u>\$ 16,820,044</u>	<u>\$ 4,827,127</u>	<u>\$ -</u>	<u>\$ 21,647,171</u>

(*) Investments are carried at fair value. The fair value of alternative investments has been estimated using Net Asset Value ("NAV") as reported by the management of the respective alternative investment. US GAAP provides the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation's interest therein. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded when earned and dividend income is recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the change in net assets.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 3 - Capital Assets and Right-to-Use Subscription Assets:

Information regarding alternative investments valued at NAV using the practical expedient at June 30, 2025 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private infrastructure - real assets (see "a" below)	\$ 239,168	\$ -	**	**
Private equity and private credit (see "b" below)	235,891	-	**	**
Total	<u>\$ 475,059</u>	<u>\$ -</u>		

** The private equity and private credit investments are illiquid investments.

- a. This category includes investments in private infrastructure and other commingled alternative investment vehicles. The funds focus on long-term investments in essential infrastructure and real assets, primarily through equity ownership interests. The objective is to provide income and long-term capital appreciation through exposure to stable, cashflow-generating assets with potential inflation protection.
- b. Private credit investments consist of NAV investments in funds managed by investment managers pursuing credit-oriented strategies designed to generate income and risk adjusted returns through lending and other structured credit exposures. Investments may include direct lending, mezzanine financing, and special situations across U.S. and international markets. These investments are generally illiquid and not publicly traded, with distributions received in accordance with each fund's governing terms.

Capital assets include land, land improvements, construction in progress, buildings and building improvements, infrastructure, subscription right-to-use assets, and furniture and equipment. Major outlays for capital assets and improvements are capitalized as projects are constructed. The County is responsible for the issuance of bonds and notes for the College's major capital expenses which are financed by the County bond ordinances. The County is also responsible for the payment of interest on issued debt and the principal retirement of such obligations. Accordingly, the debt is reported in the financial statements of the County.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 3 - Capital Assets and Right-to-use Subscription Assets (continued):

Capital asset and right-to-use subscription assets activity for the years ended June 30, 2025 and 2024 is comprised of the following:

	Year Ended June 30, 2025				
	Beginning Balance	Acquisitions	Dispositions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 3,419,950				\$ 3,419,950
Construction In Progress	5,771,699	\$ 7,387,667		\$ (9,173,887)	3,985,479
Total capital assets not being depreciated:	9,191,649	7,387,667		(9,173,887)	7,405,429
Capital assets being depreciated:					
Building & Improvements	133,347,633	164,908	\$ (2,400)	6,028,079	139,538,220
Land Improvements	9,209,185	9,428		2,707,685	11,926,298
Furniture & Equipment	23,369,561	1,285,731	(8,558,239)	438,123	16,535,176
Infrastructure	4,479,198	4,136			4,483,334
Total capital assets being depreciated:	170,405,577	1,464,203	(8,560,639)	9,173,887	172,483,028
Less accumulated depreciation for:					
Building & Improvements	(62,651,853)	(3,251,837)	1,889		(65,901,801)
Land Improvements	(7,725,600)	(267,427)			(7,993,027)
Furniture & Equipment	(17,277,429)	(1,176,962)	8,545,153		(9,909,238)
Infrastructure	(2,348,401)	(111,765)			(2,460,166)
Total accumulated depreciation:	(90,003,283)	(4,807,991)	8,547,042		(86,264,232)
Total capital assets being depreciated, net	80,402,294	(3,343,788)	(13,597)	9,173,887	86,218,796
Capital assets, net	<u>\$ 89,593,943</u>	<u>\$ 4,043,879</u>	<u>\$ (13,597)</u>	<u>\$ -</u>	<u>\$ 93,624,225</u>
Right-to-Use subscription assets		\$ 2,093,694			\$ 2,093,694
Accumulated amortization		(1,001,084)			(1,001,084)
Right-to-Use subscription assets, net	<u>\$ -</u>	<u>\$ 1,092,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,092,610</u>

As of June 30, 2025, the current year amortization of right-to-use subscription assets was included in operating expenses and allocated among the appropriate functional expense categories as follows:

Instruction	\$ 412,049
Public Service	82,453
Academic Support	66,641
Student Services	80,886
Institutional Support	238,280
Operation and Maintenance of Plant	120,775
Total amortization expense	<u>\$ 1,001,084</u>

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 3 - Capital Assets and Right-to-use Subscription Assets (continued):

	Year Ended June 30, 2024				Ending Balance
	Beginning Balance	Acquisitions	Dispositions	Transfers	
Capital assets not being depreciated:					
Land	\$ 3,419,950	\$ -	\$ -	\$ -	\$ 3,419,950
Construction In Progress	10,412,283	5,056,174	-	(9,696,758)	5,771,699
Total capital assets not being depreciated:	13,832,233	5,056,174	-	(9,696,758)	9,191,649
Capital assets being depreciated:					
Building & Improvements	125,206,558	263,554	-	7,877,521	133,347,633
Land Improvements	9,186,897	-	-	22,288	9,209,185
Furniture & Equipment	20,294,874	1,898,118	(620,380)	1,796,949	23,369,561
Infrastructure	4,479,198	-	-	-	4,479,198
Total capital assets being depreciated:	159,167,527	2,161,672	(620,380)	9,696,758	170,405,577
Less accumulated depreciation for:					
Building & Improvements	(59,422,180)	(3,229,673)	-	-	(62,651,853)
Land Improvements	(7,536,426)	(189,174)	-	-	(7,725,600)
Furniture & Equipment	(17,027,616)	(867,927)	618,114	-	(17,277,429)
Infrastructure	(2,236,128)	(112,273)	-	-	(2,348,401)
Total accumulated depreciation:	(86,222,350)	(4,399,047)	618,114	-	(90,003,283)
Total capital assets being depreciated, net	72,945,177	(2,237,375)	(2,266)	9,696,758	80,402,294
Total capital assets, net	<u>\$ 86,777,410</u>	<u>\$ 2,818,799</u>	<u>\$ (2,266)</u>	<u>\$ -</u>	<u>\$ 89,593,943</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$4,807,991 and \$4,399,047, respectively. There were no significant commitments outstanding on projects as of June 30, 2025 or 2024, however projects were identified and funds were Board designated for capital assets, IT software upgrades and other long-term projects in the amount of \$21,317,205 as of June 30, 2025.

Chapter 12 Capital Projects Funds available to the College that have been approved by the State and the County, and are bonded, each consisting of six and five bond ordinances for the years ended June 30, 2025 and 2024, respectively, totaling \$39,937,609 and \$36,367,409 for the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025, \$21,797,408 had been spent, with \$14,570,001 remaining to be spent for completion of the approved Capital Projects. As of June 30, 2024, \$15,303,103 had been spent with \$21,064,306 remaining to be spent for completion of the approved Capital Projects.

Note 4 – Prepaid Assets:

The College has recorded prepaid assets in the amount of \$4,387,456 and \$1,362,934 as of June 30, 2025 and 2024, respectively. These prepaid assets represent costs associated with the beginning stages of the College's Enterprise Resource Planning project. Upon implementation, integration and full completion, these costs will be amortized over future benefit periods.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 5 - Non-Current Liabilities:

Summary of Changes in Non-Current Liabilities - The following tables summarize the changes in non-current liabilities, including pensions disclosed in Note 5, for the years ended June 30, 2025 and 2024:

Year Ended June 30, 2025	Beginning Balance	Changes in Accounting Principle	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Compensated absences**	\$ 4,189,559	\$ 6,309,393	\$ 10,498,952		\$ 243,702	\$ 10,255,250	\$ 3,852,704	\$ 6,402,546
Early retirement incentive payable	545,000		545,000			545,000	10,000	535,000
Financed purchases payable	427,960		427,960		33,822	394,138	35,556	358,582
Software subscription liability				\$ 1,001,084		1,001,084	744,873	256,211
Net pension liability	31,983,583		31,983,583		1,381,739	30,601,844	-	30,601,844
	<u>\$ 37,146,102</u>	<u>\$ 6,309,393</u>	<u>\$ 43,455,495</u>	<u>\$ 1,001,084</u>	<u>\$ 1,659,263</u>	<u>\$ 42,797,316</u>	<u>\$ 4,643,133</u>	<u>\$ 38,154,183</u>

Year Ended June 30, 2024	Beginning Balance	Changes in Accounting Principle	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Compensated absences	\$ 4,120,031			\$ 2,211,085	\$ 2,141,557	\$ 4,189,559	\$ 943,597	\$ 3,245,962
Early retirement incentive payable	545,000					545,000		545,000
Financed purchases payable				427,960		427,960	33,822	394,138
Net pension liability	36,554,083				4,570,500	31,983,583		31,983,583
	<u>\$ 41,219,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,639,045</u>	<u>\$ 6,712,057</u>	<u>\$ 37,146,102</u>	<u>\$ 1,011,241</u>	<u>\$ 36,562,821</u>

** The change in compensated absences is presented as a net change. See Note 19.

The College has recorded a liability for compensated absences of \$10,255,250 and \$10,498,951 as of June 30, 2025 and 2024, respectively. Included in FY2024 reflects the adoption of the required GASB 101. The additional compensated absences above, as a result of GASB 101, are \$6,309,396. The liability is calculated based upon employees' accrued vacation and sick leave as of the statements of net position date. Vacation and sick leave provisions are documented in the employees' collective bargaining agreements.

Equipment Fund – Financed Purchase Payable - the College entered into a lease agreement with the 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 \$1,826,703. The College's basic rent as set forth in the loan schedule is equal to approximately 25% of the debt service on the bonds, consisting of principal of \$427,960 and interest of \$124,460. In addition, the College is required to pay program expenses and administrative fees over the life of the lease.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 5 - Non-Current Liabilities: (Continued):

June 30,	Principal	Interest	Total
2026	\$ 35,556	\$ 18,818	\$ 54,374
2027	37,380	16,995	54,375
2028	39,297	15,078	54,375
2029	41,312	13,063	54,375
2030	43,430	10,944	54,374
2031-2034	197,163	20,332	217,495
	<u>\$ 394,138</u>	<u>\$ 95,230</u>	<u>\$ 489,368</u>

Note 6 – Right-to-use Subscription Arrangements Liability:

The College follows the requirements of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* for which the College has entered into subscription-based information technology arrangements (SBITAs) with various vendors to access and use software applications and related data hosted by the vendor on the vendor's servers.

As of June 30, 2025, the College has active subscription-based information technology arrangements with payments ranging from \$0 to \$225,987. The total subscription liability recorded as of June 30, 2025, was \$1,001,084.

The following are the principal and interest requirements to maturity for the software subscription arrangements liability for the subsequent fiscal years:

June 30,	Principal	Interest	Total
2026	\$ 744,873	\$ 12,601	\$ 757,474
2027	121,150	1,490	122,640
2028	76,490	757	77,247
2029	54,544	-	54,544
2030	4,027	-	4,027
	<u>\$ 1,001,084</u>	<u>\$ 14,848</u>	<u>\$ 1,015,932</u>

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans:

Plan Descriptions - The College participates in several retirement plans for its employees - the State of New Jersey Public Employees' Retirement System ("PERS"), Police and Firemen's Retirement System ("PFRS"), and the Alternate Benefit Program ("ABP"), which presently makes contributions to the Teachers' Insurance and Annuity Association - College Retirement Equities Fund ("TIAA"), MetLife Insurance Company ("Brighthouse"), AXA Financial ("Equitable"), MassMutual Retirement Services (the "Hartford"), VOYA Financial Services ("VOYA") formerly known as ING U.S. Inc. and Variable Annuity Life Insurance Company ("VALIC") a subsidiary of AIG Retirement Services. ABP is administered by a separate board of trustees. Generally, all employees, except certain part-time employees, participate in one or more of these plans. The College also participates in the New Jersey Defined Contribution Retirement Plan ("DCRP").

Public Employees' Retirement System Information

The Public Employees' Retirement System (PERS) was established in January 1955 and the contribution policy, vesting and benefit provisions are set by the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full-time employees of the State of New Jersey or any county, municipality, school board or public agency, provided the employee is not a member of another State-administered retirement system or other state pension fund or local jurisdiction's pension fund.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

PERS Funding Policy - PERS members are required to contribute 7.5% of their annual covered salary. The College is required to contribute at an actuarially determined rate. The College's actuarially determined contributions to PERS for the years ended June 30, 2025, 2024 and 2023 were \$2,788,139, \$2,775,973, and \$2,667,074, 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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the 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.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

Alternative Benefit Program Information – The contributions requirements of plan members are determined by State statute. In accordance with N.J.S.A. 18A:66-173, required contributions, calculated on the employee's base pay, are 5% for plan members, and 8% for employers. Plan members may make additional voluntary contributions subject to section 403(b) of the internal revenue code. Under N.J.S.A 18A:66-174, most employer contributions are made by the State of New Jersey on-behalf of the College. The College is responsible for the employer contributions for non-academic employees.

Plan members direct the investments of contributions to insurance companies and mutual fund companies selected by the New Jersey Division of Pensions' Pension Provider Selector Board. These companies administer plan funds based on alternate benefit contracts with the New Jersey Division of Pensions. The amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. The plan carriers are Equitable, the Hartford, VOYA, Brighthouse, Prudential, TIAA and VALIC.

ABP Funding Policy-During the fiscal year ended June 30, 2025, the College's share of the employer contributions for participants not eligible for State reimbursement was \$378,426, employee contributions to the plan were \$1,059,450, and the State of New Jersey made on-behalf payments for the College contributions of \$1,316,694.

During the fiscal year ended June 30, 2024, the College's share of the employer contributions for participants not eligible for State reimbursement was \$378,426, employee contributions to the plan were \$1,059,450, and the State of New Jersey made on-behalf payments for the College contributions of \$1,316,694.

Defined Contribution Retirement Plan Information - The DCRP was established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010 providing eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. DCRP provides coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals and the DCRP is administered by Prudential. DCRP employer contributions are 3% of base salary and employee contributions are 5.5% of base salary. Employees can direct employer and employee contributions to any investment in their plan. Employees are 100% vested in employer's contributions after 12 months of participation and immediately vested in their own contributions.

DCRP Funding Policy- DCRP employee and employer contributions were \$68,976 and \$50,974 for the fiscal year ended June 30, 2025 and were \$59,332 and \$43,691 for the fiscal year ended June 30, 2024.

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

Public Employee's Retirement System (PERS) - 2025

At June 30, 2025, the College reported a liability of \$27,720,355 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2023, which was rolled forward to June 30, 2024. 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 colleges, actuarially determined. At June 30, 2024, the College's proportion was 0.2040054559 percent which was an increase of 0.0044531473 percent from its proportion measured as of June 30, 2023.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

For the year ended June 30, 2025, the College recognized full accrual pension expense of \$1,844,270 in the financial statements. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 34,437	\$ 315,394
Difference between expected and actual experience	555,290	73,799
Net difference between projected and actual earnings on pension plan investments		1,285,317
Changes in proportion and differences between College and proportionate share of contributions	637,352	3,164,408
College contributions subsequent to the measurement date	2,788,139	
	<u>\$ 4,015,218</u>	<u>\$ 4,838,918</u>

\$2,788,139 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:

2026	\$ (2,306,238)
2027	85,160
2028	(1,148,907)
2029	(258,289)
2030	16,435
	<u>\$ (3,611,839)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. This actuarial valuation used the following actuarial assumptions:

Inflation rate:

Price	2.75%
Wage	3.25%

Salary increases:

2.75 - 6.55%
based on years of service

Investment rate of return

7.00%

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

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

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, 2024) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 PERS's target asset allocation as of June 30, 2024 are summarized in the following table

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Assets	8.00%	8.58%
Real Estate	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%
	<u>100.00%</u>	

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. 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 non-employer 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 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 as of June 30, 2024 calculated using the discount rate as disclosed above as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	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	\$ 31,802,897	\$ 27,720,355	\$ 24,253,687

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances for the local group at June 30, 2024 are as follows:

Deferred outflows of resources	\$ 1,079,580,780
Deferred inflows of resources	\$ 1,611,322,898
Net pension liability	\$ 13,702,423,985
College's proportion	0.2040054559%

Collective pension benefit for the Local Group for the measurement period ended June 30, 2024 is \$372,160,096. The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2024, 2023, 2022, 2021, 2020 and 2019 is 5.08, 5.08, 5.04, 5.13, 5.16 and 5.21 years, respectively

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

Special Funding Situation

A special funding situation exists for certain local participating employers in the PERS. The State of New Jersey, a non-employer contributing entity, is required to pay the additional costs incurred by local employers under Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The June 30, 2024 State special funding situation net pension liability amount of \$114.3 million is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The special funding situation for Chapter 133, P.L. 2001 is due to the State paying the additional normal cost related to benefit improvements from Chapter 133.

Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2024, there was no net pension liability associated with this special funding situation there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense of \$53.7 million, for the fiscal year ending June 30, 2024, is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2024. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The District's expense related to the special funding situation is \$90,140.

Public Employee's Retirement System (PERS) – 2024

At June 30, 2024, the College reported a liability of \$28,903,903 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2022, which was rolled forward to June 30, 2023. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating colleges, actuarially determined. At June 30, 2023, the College's proportion was 0.1995523086 percent which was a decrease of 0.0213854314 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the College recognized full accrual pension expense of \$1,844,270 in the financial statements. At June 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 63,496	\$ 1,751,700
Difference between expected and actual experience	276,358	118,150
Net difference between projected and actual earnings on pension plan investments	133,106	
Changes in proportion and differences between College and proportionate share of contributions	177,702	4,712,423
College contributions subsequent to the measurement date	2,775,973	
	<u>\$ 3,426,635</u>	<u>\$ 6,582,273</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

\$2,775,973 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:

2025	\$ (3,133,913)
2026	(2,098,594)
2027	292,804
2028	(941,263)
2029	(50,645)
	<u>\$ (5,931,611)</u>

Actuarial Assumptions

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

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases through 2026	2.75 – 6.55%
	based on years of service
Thereafter	3.00 – 7.00%
	based on years of service
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

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

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (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, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Assets	8.00%	8.58%
Real Estate	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from 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 for 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.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (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 as of June 30, 2023 calculated using the discount rate as disclosed above as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	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	\$ 33,050,318	\$ 28,903,903	\$ 25,383,823

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances for the local group at June 30, 2023 are as follows:

Deferred outflows of resources	\$ 1,080,204,730
Deferred inflows of resources	\$ 1,780,216,457
Net pension liability	\$ 14,606,489,066

College's proportion 0.1995523086%

Collective pension benefit for the Local Group for the measurement period ended June 30, 2023 is \$79,181,803. The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016 is 5.08, 5.04, 5.13, 5.16, 5.21, 5.63, 5.48, and 5.57 years, respectively.

Police and Firemen's Retirement System (PFRS) - 2025

At June 30, 2025, the College reported a liability of \$2,881,489 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2023, which was rolled forward to June 30, 2024. 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 state colleges, actuarially determined.

At June 30, 2024 the College's proportion was 0.0279035600 percent, which was an increase of 0.0000300900% from its proportion measured as of June 30, 2023.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

For the year ended June 30, 2025, the College recognized full accrual pension expense of \$177,990 in the financial statements. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 4,555	\$ 84,625
Difference between expected and actual experience	181,532	98,646
Net difference between projected and actual earnings on pension plan investments		22,553
Changes in proportion and differences between College and proportionate share of contributions	143,457	180,568
College contributions subsequent to the measurement date	415,603	
	<u>\$ 745,147</u>	<u>\$ 386,392</u>

\$415,603 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:

2026	\$ (126,091)
2027	163,385
2028	(87,158)
2029	(24,997)
2030	18,013
	<u>\$ (56,848)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024.

This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases through all future years	3.25 – 16.25%
	based on years of service
Investment rate of return	7.00%

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Mortality Rates

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, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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, 2024) 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 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, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap Equity	24.00%	6.90%
US Small/Mid Cap Equity	4.00%	7.40%
Non-U.S. Developed Large Cap Equity	9.50%	6.70%
Non-U.S. Developed Small Cap Equity	2.00%	7.50%
Emerging Markets Large Cap Equity	6.00%	9.60%
Emerging Markets Small Cap Equity	1.50%	9.60%
U.S Treasury Bond	7.00%	4.10%
U.S Corporate Bond	5.00%	5.90%
U.S Mortgage Backed Securities	5.00%	4.40%
Global Multisector Fixed Income	6.00%	6.50%
Cash	2.00%	3.40%
Real Estate Core	3.00%	5.40%
Real Estate Non Core	4.00%	6.50%
Infrastructure	3.00%	7.00%
Private Debt/Credit	8.00%	9.10%
Private Equity	10.00%	10.10%
	<u>100.00%</u>	

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. 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 the actuarially determined contributions for 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 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 as of June 30, 2024 calculated using the discount rate as disclosed above as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	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	\$ 3,376,098	\$ 2,881,489	\$ 2,469,196

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Police and Fireman's Retirement System.

Additional Information Related to the Local Group

Deferred outflows of resources	\$ 1,350,388,724
Deferred inflows of resources	\$ 1,421,121,200
Net pension liability	\$ 12,362,466,447
College's proportion	0.0279035900%

Collective pension expense for the Local Group for the measurement period ended June 30, 2024 is \$844,810,693.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016 is 6.16, 6.22, 6.13, 5.90, 5.92, 5.73, 5.59 and 5.58 years, respectively.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

Police and Firemen's Retirement System (PFRS) - 2024

At June 30, 2024, the College reported a liability of \$3,079,680 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2022, which was rolled forward to June 30, 2023. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating state colleges, actuarially determined.

At June 30, 2023 the College's proportion was 0.0278734700 percent, which was a decrease of 0.0001838200% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the College recognized full accrual pension expense of \$177,990 in the financial statements. At June 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 6,647	\$ 207,952
Difference between expected and actual experience	131,866	146,873
Net difference between projected and actual earnings on pension plan investments	156,842	
Changes in proportion and differences between College and proportionate share of contributions	231,841	309,690
College contributions subsequent to the measurement date	385,973	
	<u>\$ 913,169</u>	<u>\$ 664,515</u>

\$385,973 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:

2025	\$ (161,415)
2026	(100,598)
2027	188,873
2028	(61,675)
2029	(2,504)
	<u>\$ (137,319)</u>

Actuarial Assumptions

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

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary increases through all future years	3.25 – 16.25%
	based on years of service
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Mortality Rates

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, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Allocation Target	Real Rate of Return Long-Term Expected
U.S. Equity	28.00%	8.98%
Non-U.S. developed markets	12.75%	9.22%
International Small Cap Equity	1.25	9.22%
Emerging markets equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of the actuarially determined contributions for 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 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 as of June 30, 2023 calculated using the discount rate as disclosed above as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	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	\$ 3,594,286	\$ 3,079,680	\$ 2,650,968

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 7 - Retirement Plans (continued):

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Police and Fireman's Retirement System.

Additional Information Related to the Local Group

Deferred outflows of resources	\$	1,753,080,638
Deferred inflows of resources	\$	1,966,439,601
Net pension liability	\$	13,084,649,602
College's proportion		0.0278734700%

Collective pension expense for the Local Group for the measurement period ended June 30, 2023 is \$844,810,693.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2023, 2022, 2021, 2020, 2019, 2018, 2017 and 2016 is 6.16, 6.22, 6.13, 5.90, 5.92, 5.73, 5.59 and 5.58 years, respectively.

Note 8 – Other Postemployment Benefits:

A. State Health Benefit Plan

Plan description and benefits provided

The State Health Benefits Local Education Retired Employees Plan 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 Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

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

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. The State is required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2022 State OPEB liability to provide these benefits was \$88.9 billion, a decrease of \$12.7 billion, or 12.5 percent from the \$101.6 billion liability recorded in Fiscal Year 2021. Additional information on Pensions and OPEB can be accessed on the Division of Pensions & Benefits Financial Reports webpage: <https://www.state.nj.us/treasury/pensions/financialreports.shtml>.

Total OPEB Liability - 2025

The total OPEB liability from New Jersey's plan is \$59,650,630,530.

Changes in the College's Total OPEB Liability

Below represents the changes in the College's total OPEB liability for the year ended June 30, 2024:

	Total OPEB Liability
Beginning total OPEB liability - June 30, 2023	\$ 108,618,814
Changes for the year:	
Service Cost	3,859,244
Interest	4,004,713
Difference between expected and actual	(972,109)
Changes in assumptions	9,101,682
Member contributions	104,725
Benefit payments	(3,058,464)
Net Changes	13,039,791
Ending total OPEB liability - June 30, 2024	<u>\$ 121,658,605</u>

Employees covered by benefit terms

The following employees were covered by the benefit terms:

Local Education	June 30, 2024
Active plan members	219,185
Inactive plan members or beneficiaries currently receiving benefits	153,556
	<u>372,741</u>

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

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

The State's proportionate share of the total OPEB liability associated with the College as of June 30, 2024 was \$121,658,605. Additional information can be obtained from the State of New Jersey's annual comprehensive financial report.

Actuarial assumptions and other inputs

The total non-employer OPEB liability of \$59,650,630,530 as of June 30, 2024 was determined by an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024 and included in the June 30, 2024 audited financial statements of the State Health Benefit Local Education Retired Employees Plan. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	TPAF/ABP	PERS	PFRS
Inflation Rate	2.50%	2.50%	2.50%
Salary Increases:			
	2.75 to 5.65%	2.75% to 6.55%	3.25 to 16.25%
	based on years of service	based on years of service	based on years of service

Mortality Rates

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of the actual experience studies for July 1, 2018 to June 30, 2021. 100% of active members are considered to participate in the Plan upon retirement.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 7.50% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 19.36% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For HMO, the trend is increasing to 22.88% in fiscal year 2027 and decreases to 4.50% in fiscal year 2034. For prescription drug benefits, the initial trend rate is 12.25% and decreases to a 4.50% long-term trend rate after nine years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

The following represents sensitivity of total non-employer OPEB liability to changes in the discount rate and health care cost trend rate

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2024 calculated using a discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.93%) or 1-percentage-point higher (4.93%) than the current rate:

	At 1% decrease (2.93%)	At current discount rate (3.93%)	At 1% increase (4.93%)
Total OPEB Liability (allocable to the College and the responsibility of the State)	\$ 142,488,282	\$ 121,658,605	\$ 104,907,221

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2024 calculated using a healthcare cost trend rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Total OPEB Liability (allocable to the College and the responsibility of the State)	\$ 101,342,504	\$ 121,658,605	\$ 148,121,668

OPEB Expense and Deferred Outflows of resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the College recognized on-behalf OPEB expense and revenue in the financial statements of \$2,693,369 for OPEB expenses incurred by the State.

Collective balances of the Local Education Group at June 30, 2024 are as follows:

Deferred outflows of resources	\$ 18,640,445,786
Deferred inflows of resources	\$ 25,058,850,175
Collective OPEB Expense	\$ 1,999,742,665
College's proportion	0.21%

Special Funding Situation

Employer contributions for local participating employers are legally required to be funded by the State, therefore, the College records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to the State of New Jersey.

Total OPEB Liability - 2024

The total OPEB liability from New Jersey's plan is \$52,361,668,239.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

Changes in the College's Total OPEB Liability

Below represents the changes in the College's total OPEB liability for the year ended June 30, 2023:

	Total OPEB Liability
Beginning total OPEB liability - June 30, 2022	\$ 108,769,920
Changes for the year:	
Service Cost	3,997,911
Interest	3,825,422
Difference between expected and actual	(5,309,423)
Changes in assumptions	218,931
Member contributions	98,032
Benefit payments	(2,981,979)
Net Changes	(151,106)
Ending total OPEB liability - June 30, 2023	\$ 108,618,814

Employees covered by benefit terms

The following employees were covered by the benefit terms:

Local Education	June 30, 2023
Active plan members	217,212
Inactive plan members or beneficiaries currently receiving benefits	152,383
	<u>369,595</u>

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The College's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASB No. 75 is zero percent. Accordingly, the College did not recognize any portion of the collective total OPEB liability on the Statement of Net Position. The State's proportionate share of the total OPEB liability associated with the College as of June 30, 2023 was \$108,618,814. Additional information can be obtained from the State of New Jersey's annual comprehensive financial report.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

Actuarial assumptions and other inputs

The total nonemployer OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023 and included in the June 30, 2023 audited financial statements of the State Health Benefit Local Education Retired Employees Plan. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	TPAF/ABP	PERS	PFRS
Inflation Rate	2.50%	2.50%	2.50%
Salary Increases:			
	2.75 to 4.25%	2.75% to 6.55%	3.25 to 16.25%
	based on years of service	based on years of service	based on years of service

Mortality Rates

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) and "General" (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of the actual experience studies for July 1, 2018 to June 30, 2021. 100% of active members are considered to participate in the Plan upon retirement.

Discount Rate

The discount rate for June 30, 2023 was 3.65%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.50% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend was (1.99%) in fiscal year 2023, increasing to 13.80% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO the trend is initially (3.54%) in fiscal year 2023, increasing to 17.40% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.50% and decreases to a 4.50% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

MIDDLESEX COLLEGE
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

The following represents sensitivity of total nonemployer OPEB liability to changes in the discount rate and health care cost trend rate

The following presents the total non-employer OPEB liability associated with the College as of June 30, 2022 calculated using a discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current rate:

	At 1% decrease (2.65%)	At current discount rate (3.65%)	At 1% increase (4.65%)
Total OPEB Liability (allocable to the College and the responsibility of the State)	\$ 127,336,912	\$ 108,618,814	\$ 93,590,354

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

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Total OPEB Liability (allocable to the College and the responsibility of the State)	\$ 90,170,362	\$ 108,618,814	\$ 132,758,662

OPEB Expense and Deferred Outflows of resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the College recognized on-behalf OPEB expense and revenue in the financial statements of \$2,693,369 for OPEB expenses incurred by the State.

Collective balances of the Local Education Group at June 30, 2023 are as follows:

Deferred outflows of resources	\$ 17,347,811,894
Deferred inflows of resources	\$ 30,503,688,706
Collective OPEB Expense	\$ 1,389,124,126
College's proportion	0.21%

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State, therefore, the College records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to the State of New Jersey.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

B. Middlesex College Post-Employment Health Benefit Plan

Total OPEB Liability – 2025

Plan Description and Benefits Provided

In addition to postemployment medical benefits covered under the School Employees Health Benefits Program, the College provides lifetime reimbursement for Medicare supplemental postemployment medical and prescription drug benefits to employees who retire on or after age 65 with more than 20 but less than 25 years of service in one of the New Jersey State Retirement Systems (PERS, PFRS, TPAF and ABP). Postemployment Medical Benefits for employees who earn over 25 years of service are provided by the New Jersey State Health Benefits Plan as described above. The spouse of a retiree receiving the supplemental benefit is covered for life. The College reimburses eligible retirees for the cost of health insurance that supplements benefits provided to the retiree by Medicare Parts A and B. The amount of reimbursement paid by the College includes the cost for Medicare Supplement and Medicare Part D premiums.

No assets are accumulated in a trust. In accordance with GASB Statement No. 75, this plan is considered a Single Employer, Defined Benefit OPEB Plan that is not administered through a Trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by the benefit terms:

Active plan members	49
Inactive plan members or beneficiaries currently receiving benefits	67
	<u>116</u>

Total OPEB Liability

The total OPEB liability from College's plan is \$5,974,245. The liability was determined by an actuarial valuation as of the same date.

Actuarial Assumptions and Other Inputs

Discount rate	5.20%
Salary increases	2.50%
Inflation rate	2.70%
Healthcare cost trend rates -	
Supplemental Retiree	4.50%
Medicare Part D Plan	5.50%

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period July 1, 2024 through June 30, 2025.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

Mortality Rates

Pre-Retirement:	PUB-2010 (G) Headcount-Weighted Healthy Employee Male / Female Mortality Projected with Scale MP-2021
Post-Retirement:	PUB-2010 (G) Headcount-Weighted Healthy Annuitant Male / Female Mortality Projected with Scale MP-2021
Disabled:	PUB-2010 (G) Headcount-Weighted Disabled Retiree Male / Female Mortality Projected with Scale MP-2021

Changes in the total OPEB liability

	<u>Total OPEB Liability</u>
Beginning total OPEB liability - June 30, 2024	\$ 6,115,933
Changes for the year:	
Service Cost	195,716
Interest	242,488
Experience Loss	450,196
Changes in assumptions	(747,134)
Member contributions	
Benefit payments	(282,954)
Net Changes	(141,688)
Ending total OPEB liability - June 30, 2025	<u>\$ 5,974,245</u>

Changes of benefit terms reflect no increase in the retirees' share of health insurance premiums. Changes of assumptions and other inputs reflect a change in the discount rate from 3.93% at June 30, 2024 to 5.20% at June 30, 2025.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>At 1% decrease (4.20%)</u>	<u>At current discount rate (5.20%)</u>	<u>At 1% increase (6.20%)</u>
Total OPEB Liability	\$ 6,678,349	\$ 5,974,245	\$ 5,381,537

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Total OPEB Liability	\$ 5,366,616	\$ 5,974,245	\$ 6,695,012

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the College recognized OPEB expense of 242,087 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions		\$ 814,566
Difference between expected and actual experience	\$ 606,038	
	<u>\$ 606,038</u>	<u>\$ 814,566</u>

Total OPEB Liability – 2024

Plan Description and Benefits Provided

In addition to postemployment medical benefits covered under the School Employees Health Benefits Program, the College provides lifetime reimbursement for Medicare supplemental postemployment medical and prescription drug benefits to employees who retire on or after age 65 with more than 20 but less than 25 years of service in the one of the New Jersey State Retirement Systems (PERS, PFRS, TPAF and ABP). Postemployment Medical Benefits for employees who earn over 25 years of service are provided by the New Jersey State Health Benefits Plan as described above. The spouse of a retiree receiving the supplemental benefit is covered for life. The College reimburses eligible retirees for the cost of health insurance that supplements benefits provided to the retiree by Medicare Parts A and B. The amount of reimbursement paid by the College includes the cost for Medicare Supplement and Medicare Part D premiums.

No assets are accumulated in a trust. In accordance with GASB Statement No. 75, this plan is considered a Single Employer, Defined Benefit OPEB Plan that is not administered through a Trust that meets the criteria in paragraph 4 of GASB Statement 75.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

Employees Covered by Benefit Terms

At June 30, 2024, the following employees were covered by the benefit terms:

Active plan members	48
Inactive plan members or beneficiaries currently receiving benefits	60
	108

Total OPEB Liability

The total OPEB liability from College's plan is \$6,148,021. The liability was determined by an actuarial valuation as of the same date.

Actuarial Assumptions and Other Inputs

Discount rate	3.93%
Salary increases	3.00%
Inflation rate	2.70%
Healthcare cost trend rates -	
Supplemental Retiree	4.50%
Medicare Part D Plan	5.50%

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2023 through June 30, 2024.

Mortality Rates

Pre-Retirement:	PUB-2010 (G) Headcount-Weighted Healthy Employee Male / Female Mortality Projected with Scale MP-2021
Post-Retirement:	PUB-2010 (G) Headcount-Weighted Healthy Annuitant Male / Female Mortality Projected with Scale MP-2021.
Disabled:	PUB-2010 (G) Headcount-Weighted Disabled Retiree Male / Female Mortality Projected with Scale MP-2021.

Changes in the total OPEB liability

	Total OPEB Liability
Beginning total OPEB liability - June 30, 2023	\$ 6,148,021
Changes for the year:	
Service Cost	209,725
Interest	227,351
Changes in assumptions	(211,274)
Benefit payments	(257,890)
Net Changes	(32,088)
Ending total OPEB liability - June 30, 2024	\$ 6,115,933

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 8 – Other Postemployment Benefits (continued):

Changes of benefit terms reflect no increase in the retirees' share of health insurance premiums. Changes of assumptions and other inputs reflect a change in the discount rate from 3.65% at June 30, 2023 to 3.93% at June 30, 2024.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the College, as well as what the College's total OPEB 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 discount rate:

	At 1% decrease (2.93%)	At current discount rate (3.93%)	At 1% increase (4.93%)
Total OPEB Liability	\$ 6,924,816	\$ 6,115,933	\$ 5,444,234

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Total OPEB Liability	\$ 5,374,020	\$ 6,115,933	\$ 7,012,797

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the College recognized OPEB expense of (\$136,298) and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions		\$ 698,984
Difference between expected and actual experience	\$ 591,277	
	<u>\$ 591,277</u>	<u>\$ 698,984</u>

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 9 – Early Retirement Incentive Program:

The College participated in an early retirement incentive for certain employees that were in the State of New Jersey pension plans. The County of Middlesex issued bonds on behalf of the College to fund the plan and the following represents the remaining principal and interest due at June 30, 2025:

June 30,	Principal	Interest	Total
2026 \$	10,000	\$ 29,076	\$ 39,076
2027	20,000	28,260	48,260
2028	30,000	27,150	57,150
2029	45,000	24,725	69,725
2030	55,000	22,385	77,385
2031-2034	395,000	46,910	441,910
\$	545,000	\$ 178,506	\$ 733,506

Note 10 – Deferred Compensation Salary Account:

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

403(b)

AXA Financial (Equitable)

Empower (formerly MassMutual Retirement Services - the Hartford

Met Life Insurance Company (Brighthouse)

Teacher's Insurance and Annuity Association / College Retirement Equities Fund (TIAA)

Corebridge Financial (formerly AIG)

VOYA Financial Services (ING)

457(b)

Teacher's Insurance and Annuity Association / College Retirement Equities Fund (TIAA) 52

Note 11 - Risk Management:

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

Property and Liability Insurance – The College maintains commercial insurance coverage for property (including liability (general and automobile), law enforcement liability, public officials' liability, employee benefits liability (errors & omissions), boiler and machinery, contractor's equipment, cyber insurance and surety bonds.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 11 - Risk Management (continued):

Joint Insurance Pool – The College is a member of the New Jersey County College Insurance Pool for the purpose of obtaining workers' compensation insurance coverage. Contributions to the Fund are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. Contributions to the pool for the fiscal years ended June 30, 2025 and 2024 were \$252,017 and \$282,000, respectively. The audit report for the fund can be obtained from:

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

Note 12 - New Jersey Unemployment Compensation Insurance:

The College is on a direct reimbursement basis with the State for New Jersey for Unemployment Compensation Insurance claims.

Note 13 - Commitments and Contingencies:

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, 2025, the College estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the College's financial statements.

The College is involved in several claims and lawsuits incidental to its operations. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the College and the College's insurance coverage is sufficient to address the risk presented by the claims.

Note 14 - Component Unit - Middlesex County Community College Foundation:

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation's Board is comprised of community leaders from the public and private sector. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources and income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the College, the Foundation is considered a component unit of the College and is presented in the College's financial statements.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 14 - Component Unit - Middlesex County Community College Foundation (continued):

At June 30, 2025 and 2024, the College has a receivable due from the Foundation in the amounts of \$779,268 and \$876,738 respectively. Complete financial statements for the Foundation can be obtained from the administrative office at 2600 Woodbridge Avenue, P.O. Box 3050, Edison, New Jersey 08818.

The Foundation is a private nonprofit organization that conforms with Statement of Financial Accounting Standards Board Accounting Standards Certification (FASB ASC) Topic 958, *Financial Statements for Non-for-Profit Organizations*. Thus, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity to account for these differences.

Note 15 - Components of Net Position:

At June 30, 2025 and 2024, the College's components of net position consisted of the following:

	Net Investment in Capital Assets	Restricted	Unrestricted	Total FY 2025	Total FY 2024
NET INVESTMENT IN CAPITAL ASSETS	\$ 93,321,613	\$ -	\$ -	\$ 93,321,613	\$ 89,165,983
RESTRICTED FOR:					
Student Loans	-	9,820	-	9,820	10,309
BOARD DESIGNATED FOR:					
IT Software Upgrade	-	-	4,842,205	4,842,205	7,740,734
Other Capital Assets	-	-	13,250,000	13,250,000	7,996,967
Long-Term Projects	-	-	3,225,000	3,225,000	5,799,458
Subsequent Year Budget Support	-	-	250,000	250,000	1,089,146
Student Support Services	-	-	250,000	250,000	1,000,000
EFFECT OF GASB 68 and 71 Pension Adjustments	-	-	(34,270,531)	(34,270,531)	(38,052,513)
EFFECT OF GASB 75 Other Postemployment Benefits	-	-	(6,182,770)	(6,182,770)	(6,223,640)
UNDESIGNATED	-	-	14,545,224	14,545,224	21,158,470
Total Per Statements of Net Position	<u>\$ 93,321,613</u>	<u>\$ 9,820</u>	<u>\$ (4,090,872)</u>	<u>\$ 89,240,561</u>	<u>\$ 89,684,914</u>

Note 16 - Middle States Commission on Higher Education:

The College is fully accredited by the Middle States Commission on Higher Education ("MSCHE"), 1007 North Orange Street, 4th Floor, MB #166, Wilmington, DE 19801. Regular accreditation visits by a team of MSCHE visitors are scheduled to take place every eight years.

The College was first accredited in 1970, and most recently re-accredited on June 23, 2022. The most recent full-team visit from Middle States occurred in March of 2021. The College was re-accredited on June 23, 2022. More of the College's accreditation information is available on the MSCHE website at <https://www.msche.org/institution/0222/>.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024

Note 17: Community Innovation and Opportunity

The College, in collaboration with Middlesex County and the State of New Jersey, finalized its Community Innovation and Opportunity ("CIO") Strategic Investment Plan (the "Plan") during the year ended June 30, 2025. The plan is designed to transform and bolster Middlesex College (the "College") as well as meet the diverse needs of the community. The Plan will fund the construction of a Multipurpose Community Venue for concerts, cultural and sporting events, an Academic Workforce Development and Conference Center, and a student center. The total estimated cost for this project is \$250,000,000, for which Middlesex County will be taking the lead in assuming overall project responsibility for procurement of consultants and contractors, adhering to guidelines and reporting requirements. An interlocal agreement is in place with the County to seek reimbursement from the College for project costs. The College was approved \$73,500,000 in construction funding for the CIO project, of which it received \$67,000,000 as of June 30, 2025. The College has reimbursed Middlesex County for construction costs incurred in the amount of \$10,523,835, less interest earned and bank service charges, leaving a balance of \$56,815,435 as of June 30, 2025. These funds are held in trust for the CIO project in a restricted bank account solely and exclusively for the CIO project.

Note 18: Restricted Deposits Held by Trustees

Restricted deposits held by trustees represent restricted funds held by financial institutions, under the terms of various obligations. Restricted deposits held by trustees under bond indenture agreements are carried in the financial statements at fair value and have been valued using Level 1 inputs. As of June 30, 2025 and 2024 these amounts totaled \$1,461,542 and \$2,062,411, respectively, related to equipment leases payable.

Note 19: Change in Accounting Principle and Restatement of Net Position

Effective for the year ended June 30, 2025, the College implemented the provisions of GASB Statement No. 101, *Compensated Absences*. This statement establishes new recognition and measurement criteria for certain types of compensated absences when the leave is earned, rather than when it is paid. In addition to the value of unused leave time owed to employees upon separation from employment, the College now also recognizes as part of the compensated absences liability an estimated amount of unused leave earned as of year-end that will be used by employees as time off in future years. As a result of this implementation and in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the beginning net position as of July 1, 2024 was restated to reflect the cumulative effect change of (\$6,309,393) recognized in the 2024 changes in net position.

MIDDLESEX COLLEGE
Schedule of the College's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Required Supplementary Information
Last Ten Fiscal Years

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
College's proportion of the net pension liability (asset) - Local Group	0.2040054559%	0.1995523086%	0.2209377400%	0.2332288582%	0.2312665122%	0.2394454594%	0.2422552443%	0.2435575949%	0.2314776330%	0.2510439872%
College's proportionate share of the net pension liability (asset)	\$ 27,720,355	\$ 28,903,903	\$ 33,342,546	\$ 27,629,455	\$ 37,713,520	\$ 43,144,439	\$ 47,698,850	\$ 56,696,315	\$ 72,013,393	\$ 56,354,345
College's covered payroll	\$ 18,620,473	\$ 16,278,714	\$ 15,603,803	\$ 16,554,295	\$ 16,857,383	\$ 16,831,714	\$ 16,999,440	\$ 16,787,415	\$ 17,031,045	\$ 17,053,011
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	148.87%	177.56%	213.68%	166.90%	223.72%	256.33%	280.59%	337.73%	422.84%	330.47%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	68.22%	65.23%	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%

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.

MIDDLESEX COLLEGE
Schedule of the College's Contributions
Public Employees' Retirement System
Required Supplementary Information

Last Ten Fiscal Years

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,788,139	\$ 2,775,973	\$ 2,667,074	\$ 2,731,381	\$ 2,529,939	\$ 2,527,941	\$ 2,337,214	\$ 2,487,582	\$ 2,409,657	\$ 2,256,301
Contributions in relation to the contractually required contribution	(2,788,139)	(2,775,973)	(2,667,074)	(2,731,381)	(2,529,939)	(2,527,941)	(2,337,214)	(2,487,582)	(2,409,657)	(2,256,301)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	<u>\$ 16,278,714</u>	<u>\$ 15,603,803</u>	<u>\$ 16,554,295</u>	<u>\$ 15,132,265</u>	<u>\$ 16,554,295</u>	<u>\$ 16,857,383</u>	<u>\$ 16,831,714</u>	<u>\$ 16,999,440</u>	<u>\$ 16,787,415</u>	<u>\$ 17,031,045</u>
Contributions as a percentage of covered payroll	17.13%	17.79%	16.11%	18.05%	15.28%	15.00%	13.89%	14.63%	14.35%	13.25%

MIDDLESEX COLLEGE
Schedule of the College's Proportionate Share of the Net Pension Liability
Police and Firemen's Retirement System
Required Supplementary Information

Last Ten Fiscal Years

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
College's proportion of the net pension liability (asset) - Local Group	0.0279035600%	0.0278734700%	0.0280572900%	0.0304514686%	0.0286182726%	0.0269450693%	0.0299566101%	0.0275054150%	0.0301471559%	0.0267128959%
College's proportionate share of the net pension liability (asset)	<u>\$ 2,881,489</u>	<u>\$ 3,079,680</u>	<u>\$ 3,211,537</u>	<u>\$ 2,225,744</u>	<u>\$ 3,697,858</u>	<u>\$ 3,297,489</u>	<u>\$ 4,053,623</u>	<u>\$ 4,246,304</u>	<u>\$ 5,758,878</u>	<u>\$ 4,449,437</u>
College's covered payroll	<u>\$ 798,455</u>	<u>\$ 647,347</u>	<u>\$ 647,347</u>	<u>\$ 675,932</u>	<u>\$ 422,276</u>	<u>\$ 586,862</u>	<u>\$ 555,165</u>	<u>\$ 540,376</u>	<u>\$ 438,282</u>	<u>\$ 368,722</u>
College's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	360.88%	475.74%	496.11%	329.29%	875.70%	561.88%	730.17%	785.81%	1313.97%	1206.72%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	72.66%	62.98%	68.33%	77.26%	63.52%	65.00%	62.48%	58.60%	52.01%	56.31%

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.

MIDDLESEX COLLEGE
Schedule of the College's Contributions
Police and Firemen's Retirement System
Required Supplementary Information

Last Ten Fiscal Years

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 415,603	\$ 385,973	\$ 371,052	\$ 364,900	\$ 319,715	\$ 272,175	\$ 282,266	\$ 292,870	\$ 243,428	\$ 245,802
Contributions in relation to the contractually required contribution	(415,603)	(385,973)	(371,052)	(364,900)	(319,715)	(272,175)	(282,266)	(292,870)	(243,428)	(245,802)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	<u>\$ 933,545</u>	<u>\$ 798,455</u>	<u>\$ 647,347</u>	<u>\$ 630,704</u>	<u>\$ 675,932</u>	<u>\$ 422,276</u>	<u>\$ 586,862</u>	<u>\$ 555,165</u>	<u>\$ 540,376</u>	<u>\$ 438,282</u>
Contributions as a percentage of covered payroll	44.52%	48.34%	57.32%	57.86%	47.30%	64.45%	48.10%	52.75%	45.05%	56.08%

MIDDLESEX COLLEGE
Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the College
Teacher's Pension and Annuity Fund
Required Supplementary Information

Last Ten Fiscal Years

	Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
State's proportion of the net pension liability (asset) associated with the College	0.02823323%	0.02882990%	0.00255935%	0.00287480%	0.00274323%	0.00247207%	0.00251969%	0.00250183%	0.00248775%	0.00241752%
College's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the College	\$ 139,543	\$ 147,127	\$ 1,320,480	\$ 1,382,065	\$ 1,806,384	\$ 1,517,130	\$ 1,602,973	\$ 1,686,823	\$ 1,957,021	\$ 1,527,976
Total proportionate share of the net pension liability (asset) associated with the College	<u>\$ 139,543</u>	<u>\$ 147,127</u>	<u>\$ 1,320,480</u>	<u>\$ 1,382,065</u>	<u>\$ 1,806,384</u>	<u>\$ 1,517,130</u>	<u>\$ 1,602,973</u>	<u>\$ 1,686,823</u>	<u>\$ 1,957,021</u>	<u>\$ 1,527,976</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	32.28%	35.52%	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%

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

Benefit Changes

There were none.

Changes of Assumptions

There were none.

MIDDLESEX COLLEGE
Schedule of the State's Proportionate Share of the Net OPEB Liability Associated With the College
and Changes in the Total OPEB Liability and Related Ratios
and Note to Required Supplementary Information
Public Employee's Retirement System, Police and Firemen's Retirement System and Alternate Benefit Program/Teachers Pension Annuity Fund
Required Supplementary Information

Last Ten Fiscal Years*

	Fiscal Year Ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
State's proportion of the net OPEB liability (asset) associated with the College	0.20%	0.21%	0.22%	0.23%	0.23%	0.23%	0.21%	0.20%	0.20%
College's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the College	\$ 121,658,605	\$ 108,618,814	\$ 108,769,920	\$ 130,659,316	\$ 154,048,711	\$ 93,983,167	\$ 96,897,712	\$ 108,649,915	\$ 116,464,462
Total proportionate share of the net OPEB liability (asset) associated with the College	<u>\$ 121,658,605</u>	<u>\$ 108,618,814</u>	<u>\$ 108,769,920</u>	<u>\$ 130,659,316</u>	<u>\$ 154,048,711</u>	<u>\$ 93,983,167</u>	<u>\$ 96,897,712</u>	<u>\$ 108,649,915</u>	<u>\$ 116,464,462</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total OPEB Liability									
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Service cost	\$ 3,859,244	\$ 3,997,911	\$ 5,478,892	\$ 6,425,699	\$ 3,529,418	\$ 3,373,825	\$ 4,182,663	\$ 4,993,852	
Changes of benefit terms				(139,071)					
Interest cost	4,004,713	3,825,422	2,882,523	3,389,440	3,367,822	3,826,853	3,995,024	3,427,264	
Differences between expected and actual	(972,109)	(5,309,423)	1,691,323	(30,611,089)	27,629,472	(8,717,037)	(6,308,932)	-	
Changes of assumptions	9,101,682	218,931	(29,178,507)	128,905	28,139,406	1,401,297	(11,119,497)	(13,811,766)	
Member contributions	104,725	98,032	91,597	86,651	81,287	85,520	(2,591,010)	(2,516,563)	
Gross benefit payments	(3,058,464)	(2,981,979)	(2,855,224)	(2,669,930)	(2,681,861)	(2,885,003)	89,549	92,666	
Net change in total OPEB liability	13,039,791	(151,106)	(21,889,396)	(23,389,395)	60,065,544	(2,914,545)	(11,752,203)	(7,814,547)	
Total OPEB liability - beginning	108,618,814	108,769,920	130,659,316	154,048,711	93,983,167	96,897,712	108,649,915	116,464,462	
Total OPEB liability - ending	<u>\$ 121,658,605</u>	<u>\$ 108,618,814</u>	<u>\$ 108,769,920</u>	<u>\$ 130,659,316</u>	<u>\$ 154,048,711</u>	<u>\$ 93,983,167</u>	<u>\$ 96,897,712</u>	<u>\$ 108,649,915</u>	
Covered-employee payroll	<u>\$ 15,532,041</u>	<u>\$ 17,077,169</u>	<u>\$ 15,603,803</u>	<u>\$ 15,789,715</u>	<u>\$ 17,594,676</u>	<u>\$ 17,733,864</u>	<u>\$ 17,657,868</u>	<u>\$ 17,643,079</u>	
Total OPEB liability as a percentage of covered-employee payroll	<u>783.28%</u>	<u>636.05%</u>	<u>697.07%</u>	<u>827.50%</u>	<u>875.54%</u>	<u>529.96%</u>	<u>548.75%</u>	<u>615.82%</u>	

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

** information not available.

MIDDLESEX COLLEGE
Schedule of Changes in the College's Total OPEB Liability - College Plan
Required Supplementary Information

Last Ten Fiscal Years*

	Fiscal Year Ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 242,087	\$ (136,298)	\$ (177,668)	\$ (147,291)	\$ 250,814	\$ 592,000	\$ 410,000	\$ 334,000	
Contributions in relation to the contractually required contribution	(242,087)	136,298	177,668	147,291	(250,814)	(592,000)	(410,000)	(334,000)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

	Fiscal Year Ended June 30,								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service cost	\$ 195,716	\$ 209,725	\$ 226,762	\$ 308,634	\$ 321,000	\$ 237,000	\$ 217,000	\$ 230,000	
Interest cost	242,488	227,351	194,800	138,888	176,363	251,000	248,000	235,000	
Benefit payments	(282,954)	(257,890)	(260,278)	(242,414)	(217,000)	(177,000)	(158,000)	(153,000)	
Actuarial assumption changes	(747,134)	(211,274)	(675,093)	-	(1,773,912)	1,052,000	214,000	120,000	
Actuarial demographic (gain)/loss	450,196		1,255,635	(1,041,495)	(67,869)	(578,000)	15,000	(512,000)	
Net change in total OPEB liability	(141,688)	(32,088)	741,826	(836,387)	(1,561,418)	785,000	536,000	(80,000)	
Total OPEB liability - beginning	\$ 6,115,933	\$ 6,148,021	\$ 5,406,195	\$ 6,242,582	\$ 7,804,000	\$ 7,019,000	\$ 6,483,000	\$ 6,563,000	
Total OPEB liability - ending	\$ 5,974,245	\$ 6,115,933	\$ 6,148,021	\$ 5,406,195	\$ 6,242,582	\$ 7,804,000	\$ 7,019,000	\$ 6,483,000	
Covered-employee payroll	\$ 40,591,716	\$ 38,482,724	\$ 36,226,471	\$ 33,373,359	\$ 35,201,870	\$ 46,654,433	\$ 49,331,998	\$ 49,580,983	
Total OPEB liability as a percentage of covered-employee payroll	14.72%	15.89%	16.97%	16.20%	17.73%	16.73%	14.23%	13.08%	

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

* 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.

**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
Middlesex 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 Middlesex College (the "College"), a component unit of Middlesex County, and the discretely presented component unit, Middlesex College Foundation, (the "Foundation"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 30, 2026. The financial statements of the Middlesex College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

**The Board of Trustees
Middlesex College**

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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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
January 30, 2026

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

Independent Auditors' Report

The Board of Trustees
Middlesex College

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited Middlesex College's (the "College") 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, 2025. 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 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, 2025.

Basis for Opinion on Each Major Federal and State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *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 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 obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 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.

**The Board of Trustees
Middlesex College**

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A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

PKF O'Connor Davies, LLP

Cranford, New Jersey
January 30, 2026

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Grant or FAIN Number</u>	<u>Passed through to Subrecipients</u>	<u>FY 2025 Expenditures</u>
U.S. DEPARTMENT OF EDUCATION				
Direct Awards:				
Student Financial Assistance Cluster:				
Federal Pell Grant Program (PELL)	84.063	P063Q231814		\$ 24,401,367
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	P007A242584		406,500
Federal Direct Student Loans	84.268	P268K251814		2,562,548
Federal Work-Study Program (FWS)	84.033	P033A222584		463,810
Total Student Financial Assistance Cluster				<u>27,834,225</u>
Fund for the Improvement of Postsecondary Education				
Enhancing Holistic Student Support for Adult Learners & Justice-Impacted Students	84.116Z	P116Z230078		<u>255,854</u>
Total Direct Awards				<u>28,090,079</u>
U.S. Department of Education Passed through the Office of the Secretary of Higher Education:				
Educational Stabilization Fund:				
Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) (COVID-19):				
Governor's Emergency Education Relief Fund II: Hunger-Free Campus (GEERF II)	84.425C	P425E200826		70,262
Developing Hispanic-Serving Institutions Program (Title V)	84.031S	Not available		<u>382,862</u>
Total U.S. Department of Education Passed Through the Office of the Secretary of Higher Education:				<u>453,124</u>
U.S. Department of Education Passed Through the NJ Department of Education:				
Career and Technical Education - Basic Grants to States -				
Carl D. Perkins Vocational and Applied Technology Grant	84.048A	V048A200030		878,902
Adult Basic Education - Basic Grants to States	84.002	V002200031		193,932
Passed through Board of Chosen Freeholders of the County of Middlesex				
HSE Youth Program in Edison	84.002	V002200031		<u>80,084</u>
Total U.S. Department of Education Passed Through the State of NJ Department of Education				<u>1,152,918</u>
U.S. Department of Education Passed Through the NJ EDGE.NET INC.:				
Open Textbook Collaboration	84.116T	P116T2000028		<u>285,792</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>29,981,913</u>

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

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Grant or FAIN Number</u>	<u>Passed through to Subrecipients</u>	<u>FY 2025 Expenditures</u>
U.S. Department of Labor, Education and Training Administration				
Passed through Middlesex County Office of Workforce Development:				
WIOA Adult Program - WIOA Cluster - One Stop Operator	17.258	Not available		<u>\$ 27,397</u>
TOTAL U.S. DEPARTMENT OF LABOR, EDUCATION, AND TRAINING ADMINISTRATION				<u>27,397</u>
U.S. DEPARTMENT OF AGRICULTURE				
U.S Department of Agriculture				
Passed through the State of NJ - Division of Food and Nutrition:				
Child and Adult Care Food Program	10.558	201NJ304N1099		<u>27,449</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through State of NJ Department of Law and Public Safety:				
Juvenile Justice Commission Associate Degree Pathway	16.540	Not available		<u>97,862</u>
Total U.S. Department of Justice Passed through NJ Department of Law and Public Safety				<u>97,862</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Passed through Rutgers University:				
National Space Grant College and Fellowship Program - Education	43.008	NNX15AK05H		<u>8,411</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Middlesex County Department of Community Affairs				
COVID-19 Coronavirus State and Local Fiscal Recovery - Community Innovation and Opportunity (CIO)	21.027	FR-002000		<u>4,079,512</u>
U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through County of Middlesex:				
CDBG- Entitlement Grants Cluster				
Community Development Block Grant COVID-19 (CDBG-CV)	14.218	Not available		<u>52,646</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 34,275,190</u>

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

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2025

State of New Jersey Grantor/Program or Cluster Title	State of New Jersey Account/ Grant Number	Grant Period	Passed through to Subrecipients	FY 2025 Expenditures
Student Financial Assistance Cluster:				
N.J. Higher Education Assistance Authority				
Tuition Aid Grant (TAG)	100-074-2405-007	7/1/24-6/30/25		\$ 5,317,394
New Jersey STARS	100-074-2405-313	7/1/24-6/30/25		269,202
Community College Opportunity Grant (CCOG)	Not Available	7/1/24-6/30/25		2,018,859
New Jersey BEST	Not Available	7/1/24-6/30/25		9,000
New Jersey GIVS	Not Available	7/1/24-6/30/25		1,829
Subtotal N.J. Higher Education Assistance Authority				<u>7,616,284</u>
N.J. Department of State:				
Educational Opportunity Fund Article IV	100-074-2401-001	7/1/24-6/30/25		1,242
Educational Opportunity Fund Undergraduate Article IV	100-074-2401-001	7/1/24-6/30/25		390,802
Educational Opportunity Fund Article III Summer	100-074-2401-001	7/1/24-6/30/25		61,952
Subtotal N.J. Department of State				<u>453,996</u>
Total Student Financial Assistance Cluster				<u>8,070,280</u>
N.J. Office of the State Secretary of Higher Education:				
Securing Our Children's Future Bond Act - Career and Technical Education (CTE)	Not Available	7/1/2022-Completion		179,536
Community College Opportunity Implementation Grant (CCOG)	100-074-2400-061	7/1/24-6/30/25		324,319
Center for Adult Transition	Not Available	7/1/24-6/30/25		211,157
Some College No Degree	Not Available	7/1/24-6/30/25		115,994
Educational Opportunity Fund Article IV	100-074-2401-002	7/1/24-6/30/25		326,715
Educational Opportunity Fund - Step Ahead	Not Available	7/1/24-6/30/25		143,289
Mental Health Community Provider Partnership and Professional Development-Leveraging				
Community Provider Partnership	Not Available	7/1/24-6/30/25		116,609
Mental Health Community Provider Partnership and Professional Development-Professional Development	Not Available	7/1/24-6/30/25		6,696
Subtotal N.J. Office of the State Secretary of Higher Education				<u>1,424,315</u>
N.J. Department of Education				
McKinney-Vento Education for Homeless Children and Youth Program	Not Available	7/1/24-6/30/25		<u>62,765</u>
N.J. Department of Education				
Passed through Edison Township Public Schools:				
Preschool Education Aid (Preschool Expansion Program)		12/17/24-6/30/25		<u>500,220</u>
N.J. Council of Community Colleges				
N.J. College Access Challenge Grant - College Readiness Now	Not Available	7/1/24-6/30/25		49,231
Work Force Innovation	Not Available	7/1/24-6/30/25		69,353
Subtotal N.J. Council of Community Colleges				<u>118,584</u>
N.J. Department of Food and Nutrition				
Child and Adult Care Food Program	100-010-3350-029	7/1/24-6/30/25		<u>506,803</u>
N.J. Department of Human Services, Division of Family Development				
WorkFirst NJ	Not Available	7/1/24-6/30/25		<u>119,664</u>
Subtotal N.J. Department of Human Services, Division of Family Development				<u>119,664</u>
N.J. Department of Community Affairs				
Community Innovation and Opportunity (CIO)	100-082-2000-245	7/1/23-Completion	\$ 1,020,580	1,020,580
Subtotal N.J. Department of Community Affairs			<u>1,020,580</u>	<u>1,020,580</u>
N.J. Department of Treasury - Higher Education Administration:				
Operational Costs - County Colleges	100-082-2155-015	7/1/24-6/30/25		11,198,199
Chapter 12 Debt Service	100-082-2155-016	7/1/24-6/30/25		2,722,850
Employer Contributions - Alternate Benefit Program - FT Faculty	100-082-2155-017	7/1/24-6/30/25		1,260,588
Employer Contributions - Alternate Benefit Program - Adjunct	100-082-2155-017	7/1/24-6/30/25		353,428
Subtotal N.J. Department of Treasury				<u>15,535,065</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 1,020,580</u>	<u>\$ 27,358,276</u>

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

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025**

1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal award and state grant activity of Middlesex College (the "College") under programs of the federal and state governments for the year ended June 30, 2025 and are presented on the accrual basis of accounting. The College is defined in Note 1 to the College's Notes to Financial Statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the purposes of these schedules, Federal Awards and State Financial Assistance include any assistance provided by a Federal and State agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations and other non-cash assistance. Because these schedules present only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position, changes in net position and other changes of the College in conformity with generally accepted accounting principles.

Expenditures for direct costs reported on the schedules are recognized as incurred and reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

2. Federal Student Loan Programs

Middlesex College is responsible only for the performance of certain administrative duties with respect to the Loan Programs; accordingly, these loan balances are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under these programs as of June 30, 2025.

3. Alternate Benefit Program

During the year ended June 30, 2025, the State of New Jersey, Department of Treasury made payments on behalf of Middlesex College to the Alternate Benefit Program of \$1,614,016. 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, 2025. The June 30, 2025 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of state financial assistance.

4. Indirect Costs

The College has elected not use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2025**

5. Funds Provided to Subrecipients

Of the state expenditures presented in the schedule of expenditures of state financial assistance, the College provided state financial assistance to the County of Middlesex for the Community Innovation and Opportunity (CIO) Project. The funding is to be used to expand the educational offerings of both Middlesex College and the Middlesex County Magnet School system and will turn the College's campus and surrounding facilities into a multi-faceted destination for the region.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Part I- Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to the financial statements noted? Yes X No

Federal Awards and State Financial Assistance

Internal control over major federal and state programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified Yes X None reported

Type of auditors' report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a) or NJ OMB 15-08?

 Yes X No

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)
YEAR ENDED JUNE 30, 2025

Part I- Summary of Auditors' Results

Identification of major federal and state programs:

<u>AL Number/State Account Number</u>	<u>Grantor FAIN Number</u>	<u>Name of Federal and State Program or Cluster</u>
Federal Awards:		
United States Department of Education		
Direct Awards		
Student Financial Assistance Cluster		
84.063	P063P161814	Federal Pell Grant Program (PELL)
84.007	P007A202584	Federal Supplemental Educational Opportunity Grants (FSEOG)
84.268	P268K211814	Federal Direct Student Loans
84.033	P033A178578	Federal Work-Study Program (FWS)
United States Department of Education		
Passed Through the NJ Department of Community Affairs		
21.027	FR-002000	COVID-19 Coronavirus State and Local Fiscal Recovery - Community Innovation and Opportunity (CIO)
State Awards:		
100-082-2155-015		Operational Costs - County Colleges
100-082-2000-245		Community Innovation and Opportunity (CIO)

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

Federal	\$ 1,028,256
State	\$ 820,748

Auditee qualified as low-risk auditee? X Yes No

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)
YEAR ENDED JUNE 30, 2025

Part II – Schedule of Financial Statement Findings

None to report.

MIDDLESEX COLLEGE
(A Component Unit of the County of Middlesex)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (CONTINUED)
YEAR ENDED JUNE 30, 2025

**Part III - Schedule of Federal and State Award Findings
and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by 2 CFR 200 Section 516(a) and New Jersey Treasury Circular OMB 15-08, respectively.

Federal Award Programs

No compliance or internal control findings noted that are required to be reported in accordance with 2 CFR 200 Section 516(a).

State Financial Assistance Programs

No compliance or internal control findings noted that are required to be reported in accordance with New Jersey Treasury Circular OMB 15-08.