REPORT OF AUDIT

2018

FISCAL YEAR ENDED JUNE 30, 2018

CRANFORD, NEW JERSEY

Union County College

Transforming Our Community... One Student at a Time

UNION COUNTY COLLEGE
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MEMBERS OF THE BOARD OF GOVERNORS AS OF JUNE 30, 2018

OTHER COLLEGE OFFICIALS AS OF NOVEMBER 30, 2018

Dr. Margaret M. McMenamin	President
Dr. Maris Lown	Vice President of Academic Affairs
Lynne A. Welch	Vice President of Financial Affairs and Treasurer
Dr. Demond Hargrove	Vice President of Student Development
Vacant	Vice President of Administrative Services and Executive Assistant to the President
Vacant	Associate Vice President of Finance
Vincent Lotano	Associate Vice President of Administration
Elizabeth A. Cooner	Executive Director, Assessment Planning & Research
Dr. Lisa Hiscano	Executive Director of Continuing Education and Workforce Development
Douglas E. Rouse	Executive Director of Union County College Foundation
Dr. Victoria Ukachukwu	Dean of the Plainfield Campus and Allied Sciences
Dr. Lester Sandres Rapalo (effective July 1, 2018)	Dean of Elizabeth Campus
Dr. Bernard Polnariev	Dean of Curriculum, Accreditation and American Honors
Dr. Jaime Segal	Secretary of the Boards and Director of College Relations
Dr. Liesl Jones	Dean of STEM
Dena Leiter	Dean of Learning Resources
Dr. Melissa Sande (effective June 1, 2018)	Dean of Humanities
Dr. Carlos Barrezueta (effective July 1, 2018)	Dean of Social Science, Business & History

INDEPENDENT AUDITORS' REPORT

The Honorable Chairman and
Members of the Board of Trustees
Union County College
Cranford, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Union County College (the College), a component unit of the County of Union, State of New Jersey, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit (Union County College Foundation) were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Union County College as of June 30, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statement, the College implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, for the year ended June 30, 2018. The adoption of this standard requires the retroactive restatement of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 6 through 17, the schedules of proportionate share of net pension liability and contributions on page 51, and the schedule of proportionate share of net OPEB liability and contributions on page 52 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of New Jersey Department of Treasury 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.

The Honorable Chairman and
Members of the Board of Trustees
Union County College

The schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
February 26, 2019

This section of Union County College's Financial Report presents management's discussion and analysis of the financial performance of Union County College (the College) during the fiscal years ended June 30, 2018 and 2017 and its changes in financial position for the fiscal years then ended with FY 2016 data presented for comparative purposes. This analysis is designed to focus on current activities, resulting changes, and currently known facts. Please read it in conjunction with the College's Basic Financial Statements, Notes to the Financial Statements and its Independent Auditors' Report. College management is responsible for the completeness and fairness of this information.

Overview of the Basic Financial Statements

The financial statements are presented in accordance with Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* presentation under which is designed to emulate corporate presentation models whereby all of the College's activities are consolidated into one total. Pursuant to GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* the College includes Union County College Foundation (the Foundation) as a discretely presented component unit since it is a separate legal entity. However, the focus in this analysis will be solely on the College's financial performance, exclusive of the Foundation.

The College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in FY 2015. These new statements establish standards for measuring and recognizing on each participating public employers' financial statements their allocated share of the Plan's net pension liability (NPL), deferred inflows and outflows, and pension expense. Each participating public employer must begin disclosing the information required under GASB 68 and 71 in their financial statements for reporting periods beginning after June 15, 2014. The College is required to report on its Statements of Net Position the difference between the College's allocated share of the total Public Employees Retirement System (PERS) pension liabilities and the funding set aside to pay the benefits. As a result, the opening fund balance for FY 2015 was restated in total by $24.5 million. This adjustment created a deficit in the unrestricted net position of the College. A negative balance in net position essentially means that the College does not currently have all of the resources needed to satisfy its liabilities. However, it is not necessarily a sign that a College is in dire financial difficulties. In addition, as a result of this change in reporting for pensions, annual pension expense increased $1.5 million for FY 2017 and decreased $1.7 million for FY 2018. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Correspondingly, there is $9.1 million for deferred outflows as well as a $7.5 million for deferred inflows in FY 2018 resulting from the adoption of GASB 68 and 71.

The College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* whereby the State is responsible for the employer contributions and the total liability resulting from a special funding situation. Other postemployment benefits (OPEB) are benefits, such as healthcare benefits, that are paid in the period after employment and that are provided separately from a pension plan. While the College does not report a liability related to OPEB due to the special funding situation, the College is required to recognize the OPEB expense paid by the State and the offsetting revenue. Therefore, for FY 2018 and FY 2017, the College has reported its proportionate share of the collective OPEB expense and revenue for the State's OPEB expense of $6,339,731 and $7,049,922, respectively.

The Statements of Net Position presents the financial position of the College at the end of the fiscal years and requires classification of assets and liabilities into current and noncurrent categories. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is reflected in the net position section, and displayed in three broad categories; net investment in capital assets, restricted and unrestricted. Net position is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

The Statements of Revenues, Expenses, and Changes in Net Position replace the fund perspective with the entity-wide perspective. Revenues and expenses are categorized as operating or nonoperating, and expenses are reported by natural classification. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to the students and the public.

			2018 vs. 2017			2017 vs. 2016	
Key Financial Data ($000)	2018	2017	Inc (Dec)	% Change	2016	Inc (Dec)	% Change
Operating Revenues	$ 56,090	$ 57,790	$ (1,700)	(2.9)%	$ 59,422	$ (1,632)	(2.7)%
Educational and General Expense	91,609	96,389	(4,780)	(5.0)	87,786	8,603	9.8
Operating (Loss)	(35,519)	(38,599)	3,080	8.0	(28,364)	(10,235)	(36.1)
Nonoperating Revenues, Net	32,008	32,591	(583)	(1.8)	23,678	8,913	37.6
Capital Contributions and Grants	7,143	23,480	(16,337)	(69.6)	5,095	18,385	360.8
Increase (Decrease) in Net Position	3,632	17,472	(13,840)	(79.2)	409	17,063	4171.9
Net Position - Beginning of Year	90,713	73,241	17,472	23.9	72,832	409	0.6
Net Position - End of Year	$ 94,345	$ 90,713	$ 3,632	4.0	$ 73,241	$ 17,472	23.9

The preceding table summarizes key financial data for fiscal years ended June 30, 2018 (FY 2018), June 30, 2017 (FY 2017), and June 30, 2016 (FY 2016). Comparisons represented above show FY 2018 contrasted with FY 2017 and FY 2017 contrasted with FY 2016 with dollar and percentage changes. This schedule is prepared from the College's statements of revenues, expenses, and changes in net position, which are presented on an accrual basis of accounting, including depreciation.

			2018 vs. 2017			2017 vs. 2016	
Operating Revenues ($000)	2018	2017	Inc (Dec)	% Change	2016	Inc (Dec)	% Change
Tuition and Fees (Net of Scholarship Allowance)	$ 26,705	$ 27,304	$ (599)	(2.2)%	$ 27,945	$ (641)	(2.3)%
Federal Grants	22,728	23,221	(493)	(2.1)	24,383	(1,162)	(4.8)
State Grants	4,950	4,523	427	9.4	5,200	(677)	(13.0)
Local Grants	51	152	(101)	(66.4)	140	12	8.6
Gifts and Contributions	357	413	(56)	(13.6)	285	128	44.9
Other Operating Revenues	1,299	2,177	(878)	(40.3)	1,469	708	48.2
Total Operating Revenues	$ 56,090	$ 57,790	$ (1,700)	(2.9)	$ 59,422	$ (1,632)	(2.7)

Total Operating Revenues decreased $1.7 million or 2.9% in FY 2018 as compared to FY 2017. The major areas of change were as follows:

- Net tuition and fees have decreased $599 thousand year over year. Enrollment for FY 2018 was down 2.5% as compared to FY 2017. Additionally, the College provides flat rate tuition for students enrolled in courses between 12-18 credit hours. During FY 2018, the average credit load increased which negatively affected revenue. The net enrollment offset by the tuition increase of 4% resulted in the variance presented.

- Federal grants decreased $493 thousand or 2.1% from FY 2017. The LEAP and TAACCCT grants ended in September of 2017 resulting in a decrease of $1.0 million. This is offset by the Pell increase of $600 thousand year over year.

- State grant revenues increased $427 thousand or 9.4% as compared to FY 2017. NJ TAG and STARS revenues increased $345 thousand combined year or year.

- Other operating revenues decreased by $878 thousand in FY 2018 as compared to FY 2017. During FY 2017, the College received an insurance settlement for $630 thousand pertaining to a fire that occurred on the Plainfield Campus in 2011. There were no insurance settlements during FY 2018. The decline in enrollment directly affected other operating revenues including parking and commission-based revenues which decreased by $23 thousand and $100 thousand, respectively.

Total Operating Revenues decreased $1.6 million or 2.7% in FY 2017 as compared to FY 2016. The major areas of change were as follows:

- Net tuition and fees have decreased $641 thousand year over year. The decrease would have been greater by $735 thousand as there was an error in the calculation of the scholarship allowance in FY 2016 which has no financial impact on the statements. Therefore, the amended decrease should have been $1.5 million or 5.3%. Enrollment for FY 2017 was down 9.6% as compared to FY 2016. The net decrease of enrollment offset by the tuition increase of 4% resulted in the variance that should have been presented.

- Federal grants decreased $1.2 million or 4.8% from FY 2016. PELL decreased $2.1 million year over year. This is directly related to a decline in enrollment in FY 2017 coupled with more stringent Satisfactory Academic Progress requirements. There was a net increase in Title V funding of $200 thousand and $100 thousand increase in Federal Workstudy. The Workforce Innovation Business Center (WIBC) revenues passed through the U.S. Department of Labor Employment and Trained Administration to the County of Union were $556 thousand in FY 2017.

- State grant revenues decreased $677 thousand or 13.0% as compared to FY 2016. NJ TAG and STARS revenues decreased by $300 thousand combined year over year. This is primarily attributed to the decline in enrollment. The Work First New Jersey program spending decreased $277 thousand in FY 2017 as compared to FY 2016. In FY 2017, the College limited its services and focused on those involving education and training only.

- Other operating revenues increased by $708 thousand in FY 2017 as compared to FY 2016. The College received an insurance settlement in FY 2017 for $600 thousand for the fire that occurred in 2011 at the Annex Building on the Plainfield campus.

Operating Expense ($000)	2018	2017	2018 vs. 2017 Inc (Dec)	2018 vs. 2017 % Change	2016	2017 vs. 2016 Inc (Dec)	2017 vs. 2016 % Change
Instructional	$ 37,850	$ 39,999	$ (2,149)	(5.4)%	$ 33,679	$ 6,320	18.8 %
Public Service	2,159	2,659	(500)	(18.8)	2,628	31	1.2
Academic Support	7,647	7,237	410	5.7	7,574	(337)	(4.4)
Student Services	9,113	8,855	258	2.9	7,366	1,489	20.2
Institutional Support	11,409	12,544	(1,135)	(9.0)	12,434	110	0.9
Plant	10,385	11,431	(1,046)	(9.2)	10,696	735	6.9
Student Aid	7,859	8,230	(371)	(4.5)	8,310	(80)	(1.0)
Depreciation	5,187	5,434	(247)	(4.5)	5,099	335	6.6
Total Operating Expenses	91,609	96,389	(4,780)	(5.0)	87,786	8,603	9.8
Interest on Capital Asset Related Debt	666	728	(62)	(8.5)	747	(19)	(2.5)
Total Expenses	$ 92,275	$ 97,117	$ (4,842)	(5.0)	$ 88,533	$ 8,584	9.7

Operating expenses in FY 2018 increased $4.8 million or 5.0% over the same period in FY 2017. The major areas of change were:

- Instructional expenses decreased $2.1 million or 5.4% in FY 2018 as compared to FY 2017. The completion of the LEAP and TAACCCT grants on September 30, 2017 resulted in a decrease of $1.0 million. A decrease of $600 thousand in plant pertains to computer classrooms and labs that were reconfigured for use in FY 2017. Additionally, with the implementation of GASB 75, other postemployment benefits decreased by $500 thousand year over year.

- Public Service was down $500 thousand year over year or 18.8%. Decreases in participation in noncredit customized training programs and continuing education resulted in a decline of $280 thousand. Additionally, Work First New Jersey (WFNJ) programs decreased by $170 thousand due to a reduction in funding.

- Academic support increased $410 thousand or 5.7% when FY 2018 is compared to FY 2017. The increase relates to compensation expenses including fringe benefits. Positions vacant during FY 2017 were filled during FY 2018. Additionally, the College implemented extended hours in the Library and Academic Learning Center to assist students during exam periods.

- Student Services increased $258 thousand or 2.9% year over year. The College realized a full year impact of the opening of the Helen E Chaney Student Center. Additional compensation expenses were necessary to continue the support of student success initiatives.

- Institutional Support decreased $1.1 million or 9.0% when comparing FY 2017 with FY 2018 primarily due to the decrease in GASB 68 and 71 pension expense of $1.7 million. The decrease is offset by an increase of $600 thousand in information technology (IT) stemming from the outsourced managed IT services for a full fiscal year.

- Plant decreased by $1.0 million or 9.2% year over year. In FY 2018, a process was established for capitalizing smaller value projects that normally would have previously been expensed.

- Student aid decreased $371 thousand year over year. The decline in student aid corresponds with the decrease in enrollment.

Operating expenses in FY 2017 increased $8.6 million or 9.8% over the same period in FY 2016 with the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The major areas of change were:

- Instructional expenses increased $6.3 million or 18.8% in FY 2017 as compared to FY 2016 primarily due to the recognition of $5.0 million and $1.1 million in expenses for other postemployment benefits and the Alternate Benefit Program, respectively. Additionally, $600 thousand was spent to reconfigure student and tech labs in FY 2017. Lastly, there was over $300 thousand more in instructional grants in FY 2017.

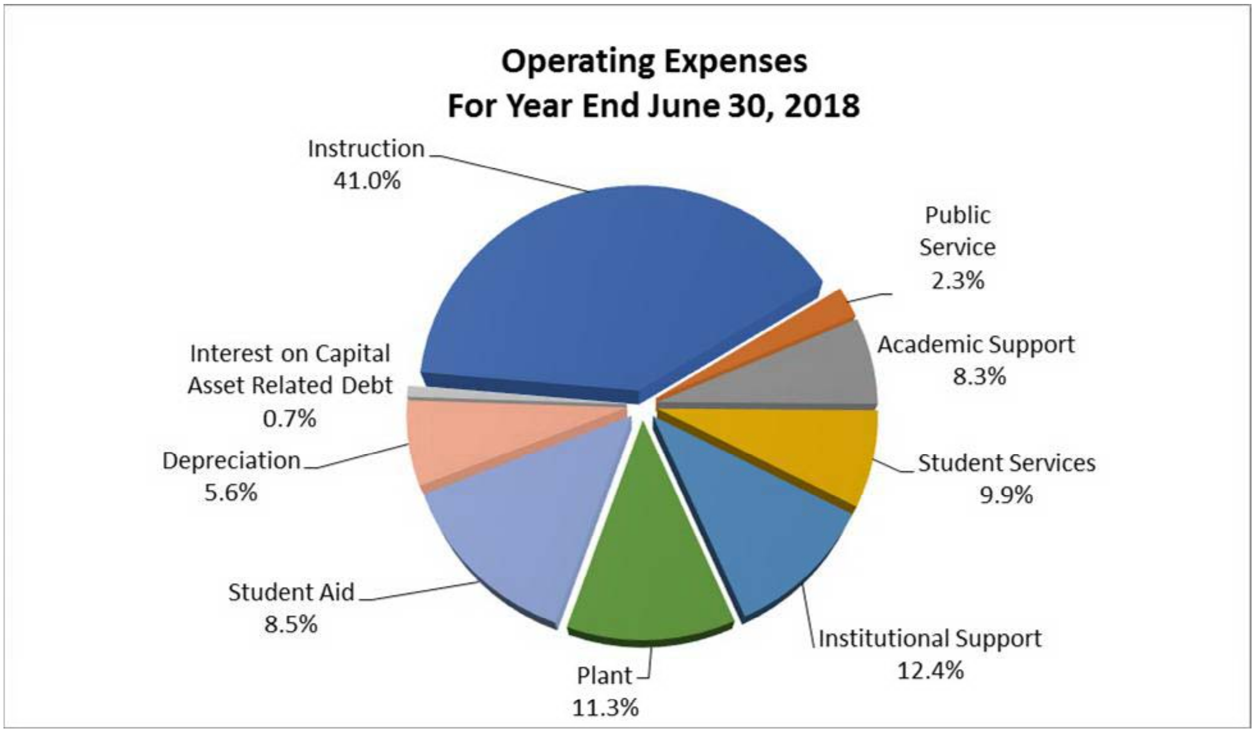
- Academic support decreased $337 thousand or 4.4% when FY 2017 is compared to FY 2016. Salary vacancies within academic affairs accounted for a decrease in salary costs net of fringe benefits of $168 thousand. In addition, because enrollment was down 9.6% in FY 2017, cost sharing with the nursing schools based upon FTEs was down another $168 thousand as well.

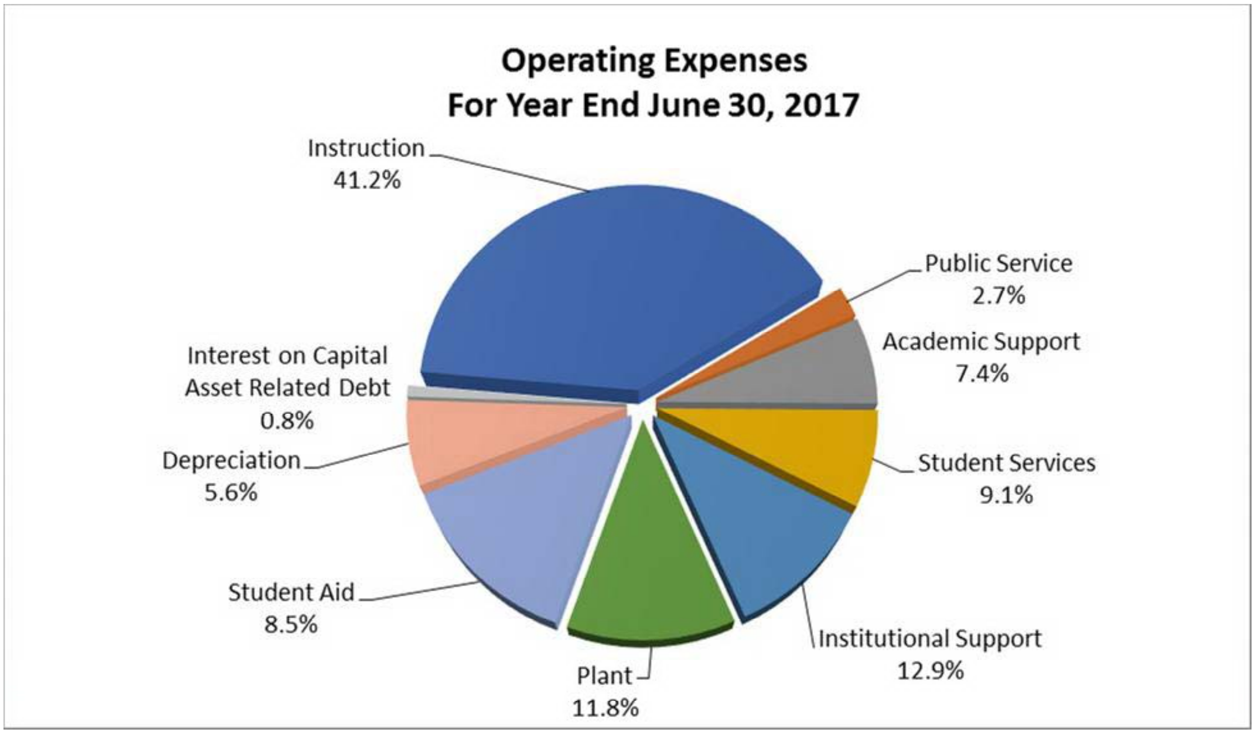
- Student Services increased $1.5 million or 20.2% year over year. The Student Development Building opened in August 2016. Salary costs plus fringe benefits were added to support the One Stop coupled with student success initiatives in FY 2017. Additionally, there was an increase due to the recognition of expenses of $410 thousand and $225 thousand for other postemployment benefits and the Alternate Benefit Program, respectively.

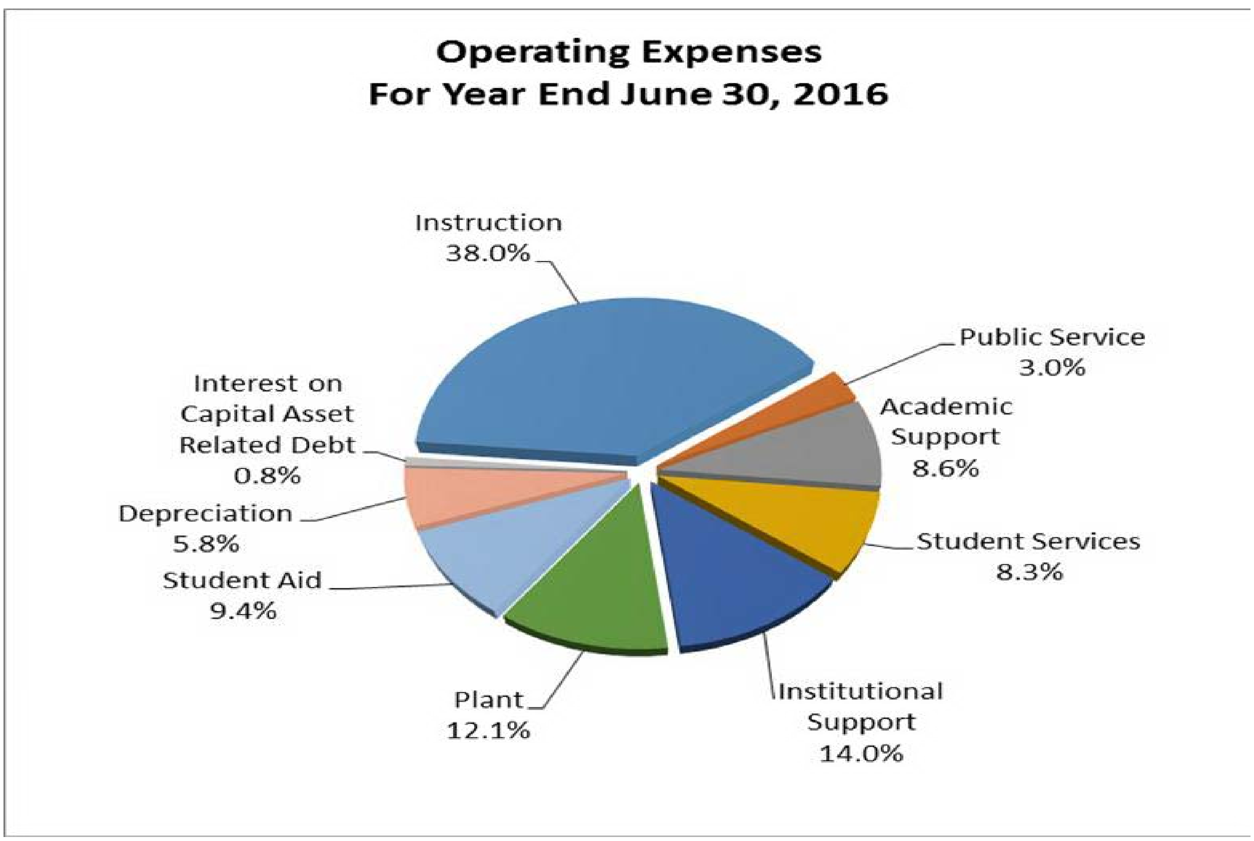
- Plant increased $735 thousand or 6.9% when comparing FY 2016 with FY 2017 primarily due to other postemployment benefit expense of $932 thousand. This was offset by additional architect and engineering cost estimates of $196 thousand in FY 2016 for construction projects in progress.

- Student aid decreased $80 thousand year over year. As mentioned previously under net tuition and fees, student aid should have been $9.0 million which is the other side of the $735 thousand miscalculation of the scholarship allowance. Therefore the decline in student aid in FY 2017 when compared to FY 2016 was $815 thousand or 9.0% which resulted from the decline in enrollment.

The following are graphic illustrations of operating expenses by categories for each fiscal year:




Operating Expenses
For Year End June 30, 2017
Instruction
41.2%
Public Service
2.7%
Academic Support
7.4%
Student Services
9.1%
Institutional Support
12.9%
Plant
11.8%
Student Aid
8.5%
Depreciation
5.6%
Interest on Capital
Asset Related Debt
0.8%


Operating Expenses
For Year End June 30, 2016
Instruction
38.0%
Public Service
3.0%
Academic
Support
8.6%
Student Services
8.3%
Institutional
Support
14.0%
Plant
12.1%
Student Aid
9.4%
Depreciation
5.8%
Interest on
Capital Asset
Related Debt
0.8%

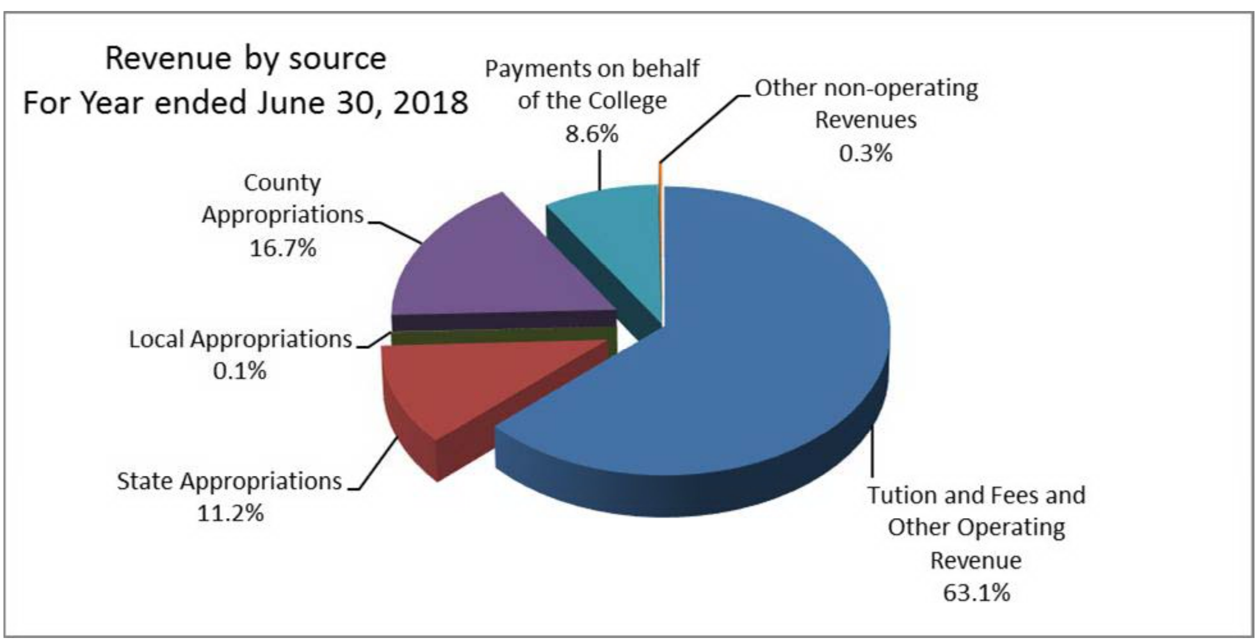
Operating Loss

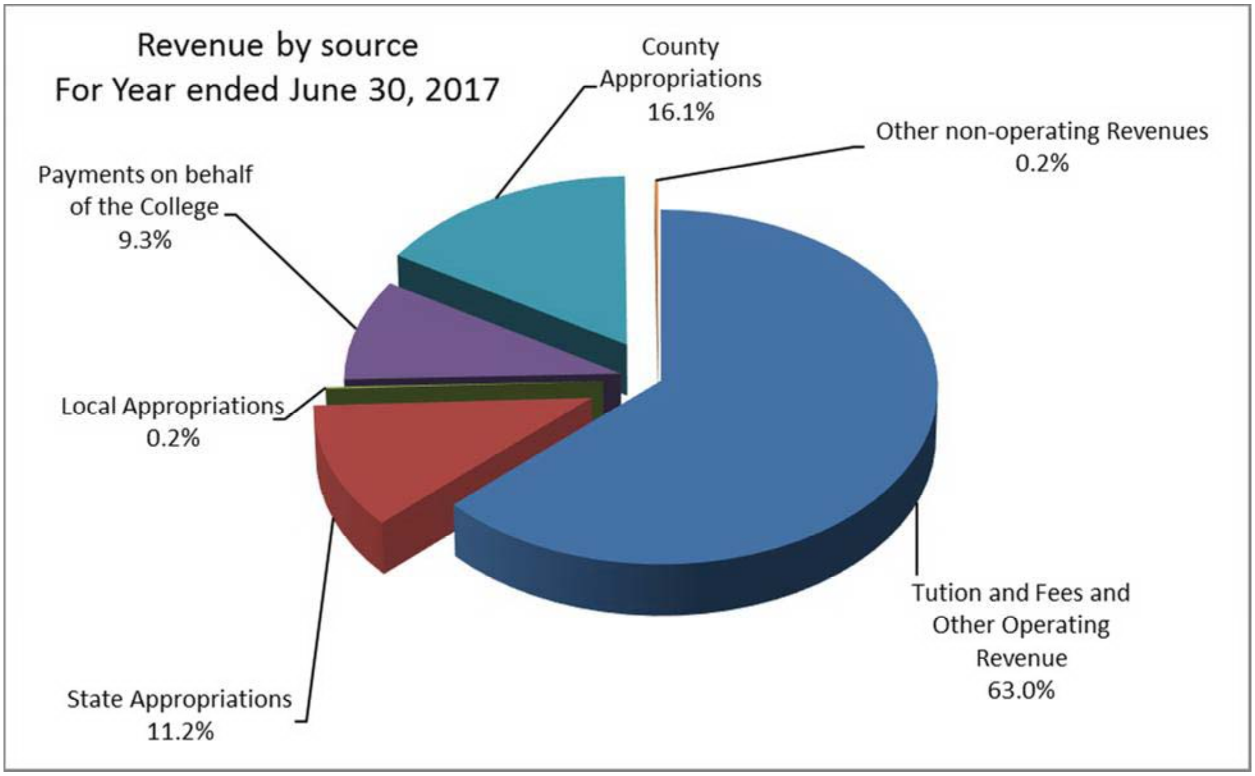
The College reported an operating loss of $35.5 million in FY 2018 as compared to a loss of $38.6 million in FY 2017. The decrease in operating loss year over year demonstrates a reduction of $4.8 million in Educational and General Expense (primarily due to $2.4 million decrease in pension and OPEB expense resulting from changes required by GASB 68, 71 and 75, $1.0 million decrease caused by the completion of two grants, and $1.0 million from smaller capitalized projects) offset by the decline in operating revenues of $1.7 million. The magnitude of this loss reinforces the dependence and importance to the institution of two major components of nonoperating revenue – the State and County Appropriations. Were it not for this aid to the College, the attainment of a two-year college education would not be a realistic goal for many students.

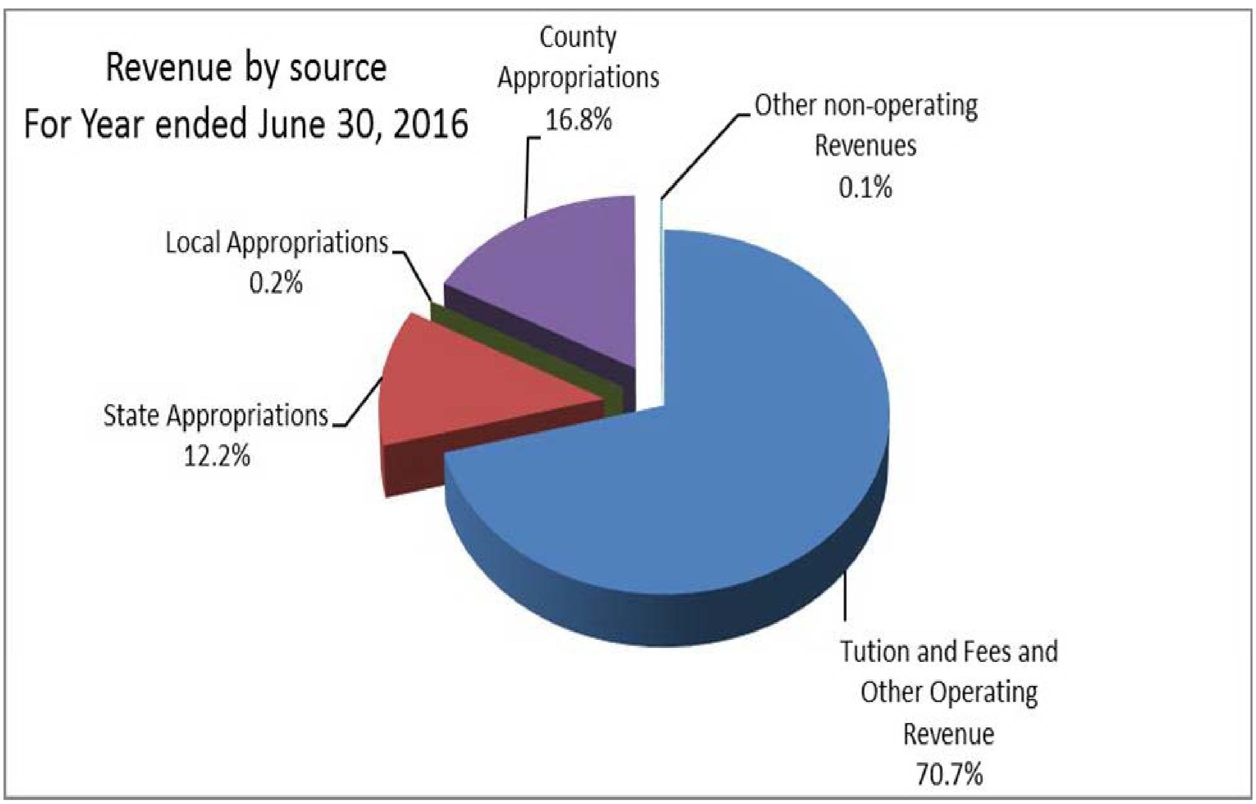
			2018 vs. 2017			2017 vs. 2016	
Nonoperating Revenues, Net ($000)	2018	2017	Inc (Dec)	% Change	2016	Inc (Dec)	% Change
State Appropriations	$ 9,964	$ 10,230	$ (266)	(2.6)%	$ 10,196	$ 34	0.3 %
County Appropriations	14,831	14,540	291	2.0	14,117	423	3.0
Payments on behalf of the College	7,649	8,374	(725)	(8.7)	-	8,374	N/A
Investment Income	230	176	54	30.7	112	64	57.1
Total Nonoperating Revenues, Net	$ 32,674	$ 33,320	$ (646)	(1.9)	$ 24,425	$ 8,895	36.4

The College relies on nonoperating revenue to subsidize the cost of education for its students. Chief among these revenues are the Appropriations of County and State aid. Funding from nonoperating revenues decreased $646 thousand, or 1.9% in FY 2018. Any decrease in Appropriations of State funds puts added pressure on the College's Tuition and Fee structure because income from students, inclusive of third-party payments on their behalf, provides only 63.1% of the College's operating expense. The College received a 2.0% increase from the County of Union in FY 2018.

The following are graphic illustrations of revenue by source for each fiscal year:




Revenue by source
For Year ended June 30, 2017
County
Appropriations
16.1%
Other non-operating Revenues
0.2%
Payments on behalf
of the College
9.3%
Local Appropriations
0.2%
Tution and Fees and
Other Operating
Revenue
63.0%
State Appropriations
11.2%


Revenue by source
For Year ended June 30, 2016
County
Appropriations
16.8%
Other non-operating
Revenues
0.1%
Local Appropriations
0.2%
State Appropriations
12.2%
Tution and Fees and
Other Operating
Revenue
70.7%

Capital Contributions and Grants

Capital Contributions and Grants decreased $16.3 million in FY 2018 as compared to FY 2017. The new Helen E Chaney Student Center on the Cranford campus opened in FY 2017. The contribution provided for this building by the County of Union during FY 2017 was $14.6 million.

			2018 vs. 2017			2017 vs. 2016	
Net Position ($000)	2018	2017	Inc (Dec)	% Change	2016	Inc (Dec)	% Change
Current Assets	$ 38,760	$ 40,445	$ (1,685)	(4.2)%	$ 37,290	$ 3,155	8.5 %
Noncurrent Assets:							
Capital Assets, Net of Depreciation	111,966	108,117	3,849	3.6	90,775	17,342	19.1
Total Assets	150,726	148,562	2,164	1.5	128,065	20,497	16.0
Deferred Outflows of Resources	9,167	12,827	(3,660)	(28.5)	6,591	6,236	94.6
Current Liabilities	12,042	14,136	(2,094)	(14.8)	13,420	716	5.3
Noncurrent Liabilities	46,053	55,516	(9,463)	(17.0)	47,480	8,036	16.9
Total Liabilities	58,095	69,652	(11,557)	(16.6)	60,900	8,752	14.4
Deferred Inflows of Resources	7,453	1,024	6,429	627.8	515	509	98.8
Capital Assets - Net Position	96,819	92,643	4,176	4.5	75,027	17,616	23.5
Unrestricted - Net Position	(2,474)	(1,930)	(544)	(28.2)	(1,786)	(144)	(8.1)
Total Net Position	$ 94,345	$ 90,713	$ 3,632	4.0	$ 73,241	$ 17,472	23.9

Current Assets in FY 2018 decreased $1.7 million or 4.2% year over year. The County of Union receivable decrease of $3.8 million resulted from streamlining the reimbursement process. Net Capital Assets increased by $3.8 million or 3.6% resulting from an increase of $7.7 million in construction in progress (CIP) of which $4.6 million was primarily from the Lessner Building first floor and lower level project and a $2.0 million contribution in lieu of construction for the future use of an athletic field at Oak Ridge Park. The increase in CIP is offset by an increase of $4.8 million in accumulated depreciation. The decrease in Noncurrent Liabilities year over year resulted from a $9.1 million decrease in the College's share of net pension liability recorded in FY 2018 based upon GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Current Assets in FY 2017 increased $3.2 million or 8.5% year over year. The County of Union receivable increase of $4.2 million stemmed from various projects, as well as purchases of equipment, invoiced at the end of the fiscal year which consists of $745 thousand for Logos, Annex and Student Development Building fit up; $2.5 million for the Lessner Building first floor and lower level rehabilitation and $500 thousand for the redundant internet project. Net Capital Assets increased by $17.3 million or 19.1% resulted from $14.6 million for the new Student Development Building that opened in August 2016 which was offset by a $335 thousand increase in depreciation expense. The increase in Noncurrent liabilities year over year resulted from an $8.0 million increase in the College's share of net pension liability recorded in FY 2017 based upon GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Summary and Outlook

The support of the College is dependent on three major revenue sources: State Appropriations, County Appropriations and student tuition. During economic times when increases for State and County Aid are tight, greater pressure falls upon students to bear the additional cost in the form of increased tuition. The College continues its efforts to contain costs in an environment of declining enrollment.

Looking forward begins with student enrollment which is dependent on an array of factors including population growth rate within the State, unemployment rate, and the number of high school graduates in Union County and the surrounding areas. During FY 2018 student academic credit hours decreased 2.5% from FY 2017. It is expected that this trend will continue throughout FY 2019. The decline will continue to present additional pressures to contain costs as it is greater than previously anticipated when the FY 2019 budget was created.

As mentioned above, management continues to place great emphasis on cost containment to mitigate rising costs and to minimize tuition increases for full time and part time which for FY 2019 are 7.0% and 9.0%, respectively. The College continues to utilize part time instructors to control instructional spending and has increased the classroom size for higher utilization of classroom capacity. The College looks to increase visibility by applying for grants and launching new programs that will best serve the students. The Allied Health Science division is set to introduce a Respiratory Care program on the Plainfield Campus while the STEM division has started a Cyber Security program. Additionally, the College was awarded a $1.5 million NSF grant for undergraduate research in FY 2019. The College was also selected as one of the NJ Community Colleges to participate in the Community College Opportunity Grant providing students with last dollar resources necessary to complete their degrees.

The College continues to expand, renovate, and improve facilities and this will continue throughout the up and coming fiscal years. Renovation on the first floor and lower levels at the Lessner Building in Elizabeth were completed in FY 2019. Renovation of Phase II of the Health Sciences Building in Plainfield is currently underway which will house the Respiratory Care program. In addition to the building, the adjacent lots will be part of a sub-surface water detention project which will be resurfaced for parking. The College is looking to create a University Center on the Scotch Plains campus with partners from other higher educational institutions to create new opportunities for students. Renovation of this campus will begin in early FY 2020. This is expected to be completed before the Spring of 2020. The College has experienced improved efficiencies and cost reductions in the area of information technology with its current managed services team. A complete update of the voice over internet protocol (VoIP) system is scheduled for the second half of FY 2019. The update is essential to the teaching and administrative functions and includes a new phone system and video conferencing. In addition, a reduction in future maintenance costs is expected once complete.

The College continues to maintain most of its liquid assets in cash. The next significant influx of tuition, financial aid, and grant monies starts to come in around August and September. Interest rates have continued to climb and the College will continue to take advantage of these money market and certificate of deposit rates as its average yield is steadily increasing month to month.

With ongoing cost considerations paramount resulting from challenges with the unpredictable nature of enrollment and continued support from the State and County of Union, the College expects that it will be able to continue to provide an affordable, high quality education to its students. The College will continue to assure that the quality of programs and extent of services provided to students will meet their needs and expectations. This is evident by the 2018 graduation rate of 29.7% as compared to 24.1% for 2017.

Union County College Foundation

In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units.* This statement requires the financial activities of a potential component unit to be reported in the financial statements of the reporting entity, when specific criteria are met. The statement also specifies the manner in which those activities should be reported.

The activities of Union County College Foundation (the Foundation) are considered a component unit of the College due to the fact that the Foundation's activities are entirely for the direct benefit of the College and/or its students. The financial statements for the Foundation have been discretely presented in the report as a component unit, pursuant to GASB Statement No. 39.

BASIC FINANCIAL STATEMENTS

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

	2018		2017	
	College	Component Unit - UCC Foundation	College	Component Unit - UCC Foundation
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 30,428,439	$ 82,960	$ 27,676,269	$ 56,793
Investments	-	7,611,960	-	6,433,879
Student Accounts Receivable, Net of Allowance of $517,614 in 2018 and $1,667,061 in 2017	584,666	-	752,688	-
Grants Receivable	1,659,020	-	2,904,606	-
State of New Jersey Receivable:				
Alternative Benefit Program	512,618	-	405,148	-
County of Union Receivable	4,183,597	-	8,016,579	-
Other Receivables	1,325,592	57,838	662,958	212,010
Other Assets	66,048	194,468	26,853	291,828
Total Current Assets	38,759,980	7,947,226	40,445,101	6,994,510
NONCURRENT ASSETS				
Endowment Investments	-	10,648,721	-	10,480,917
Capital Assets, Net	111,966,333	555,856	108,116,745	588,037
Total Noncurrent Assets	111,966,333	11,204,577	108,116,745	11,068,954
DEFERRED OUTFLOWS OF RESOURCES	9,166,940	-	12,827,386	-
Total Assets and Deferred Outflows of Resources	$ 159,893,253	$ 19,151,803	$ 161,389,232	$ 18,063,464

See accompanying Notes to Financial Statements.

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

	2018		2017	
	College	Component Unit - UCC Foundation	College	Component Unit - UCC Foundation
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	$ 4,458,106	$ 496,547	$ 4,269,320	$ -
Accrued Expenses	4,854,216	38,338	7,078,248	83,083
Due to State of New Jersey	253,307	-	263,968	-
Unearned Revenue	-	12,170	-	21,069
Unearned Student Tuition and Fee Revenue	1,755,169	-	1,798,104	-
Unearned Federal and State Grant Revenue	401,566	-	400,541	-
Capital Lease, Current Portion	319,793	-	325,771	-
Total Current Liabilities	12,042,157	547,055	14,135,952	104,152
NONCURRENT LIABILITIES				
Capital Lease, Noncurrent Portion	14,827,569	-	15,147,362	-
Net Pension Liability	31,224,747	-	40,368,460	-
Total Noncurrent Liabilities	46,052,316	-	55,515,822	-
Total Liabilities	58,094,473	547,055	69,651,774	104,152
DEFERRED INFLOWS OF RESOURCES	7,453,399	-	1,023,948	-
NET POSITION				
Net Investment in Capital Assets	96,818,971	555,856	92,643,612	588,037
Restricted for:				
Nonexpendable:				
Program	-	575,340	-	604,664
Scholarships	-	10,073,381	-	9,876,253
Expendable:				
Program	-	42,479	-	38,071
Scholarships	-	2,218,773	-	2,124,369
Other	-	4,109,041	-	3,623,792
Unrestricted (Deficit)	(2,473,590)	1,029,878	(1,930,102)	1,104,126
Total Net Position	94,345,381	18,604,748	90,713,510	17,959,312
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 159,893,253	$ 19,151,803	$ 161,389,232	$ 18,063,464

See accompanying Notes to Financial Statements.

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

	2018		2017	
	College	Component Unit - UCC Foundation	College (As Restated)	Component Unit - UCC Foundation
REVENUES				
Operating Revenues:				
Student Tuition and Fees	$ 41,277,609	$ -	$ 40,561,647	$ -
Less: Scholarship Allowances	(14,572,811)	-	(13,257,576)	-
Net Student Tuition and Fees	26,704,798	-	27,304,071	-
Federal Grants	22,727,897	-	23,220,898	-
State Grants	4,949,884	-	4,523,227	-
Local Grants	51,406	-	152,867	-
Gifts and Contributions	357,488	883,492	412,453	1,070,206
Other	1,298,569	-	2,176,805	-
Total Operating Revenues	56,090,042	883,492	57,790,321	1,070,206
EXPENSES				
Operating Expenses:				
Educational and General:				
Instructional	37,850,060	-	39,999,191	-
Public Service	2,158,838	-	2,659,042	-
Academic Support	7,647,240	-	7,237,492	-
Student Services	9,112,316	-	8,855,330	-
Institutional Support	11,409,016	-	12,543,900	-
Plant Operations and Maintenance	10,385,112	-	11,431,160	-
Student Aid	7,859,196	1,213,422	8,229,502	1,191,561
Depreciation	5,187,176	3,956	5,433,664	3,956
Other Expenses	-	557,511	-	492,958
Total Operating Expenses	91,608,954	1,774,889	96,389,281	1,688,475
OPERATING LOSS	(35,518,912)	(891,397)	(38,598,960)	(618,269)
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	9,964,291	-	10,229,524	-
County Appropriations	14,830,811	-	14,539,980	-
Investment Income (Loss)	229,739	1,369,029	175,716	1,784,801
Interest on Capital Asset Related Debt	(666,229)	-	(728,215)	-
Additions to Permanent Endowments	-	167,804	-	417,781
On-Behalf Payments:				
Alternate Benefit Plan	1,309,193		1,324,368	
Other Post Employment Benefits	6,339,731	-	7,049,922	-
Net Nonoperating Revenues	32,007,536	1,536,833	32,591,295	2,202,582
INCOME (LOSS) BEFORE OTHER REVENUES	(3,511,376)	645,436	(6,007,665)	1,584,313
CAPITAL GRANTS AND CONTRIBUTIONS	7,143,247	-	23,479,677	-
INCREASE IN NET POSITION	3,631,871	645,436	17,472,012	1,584,313
Net Position - Beginning of Year	90,713,510	17,959,312	73,241,498	16,374,999
NET POSITION - END OF YEAR	$ 94,345,381	$ 18,604,748	$ 90,713,510	$ 17,959,312

See accompanying Notes to Financial Statements.

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

	2018	2017 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Student Revenue	$ 19,387,495	$ 20,577,890
Receipts from Government Grants	28,974,773	28,074,639
Payments to Suppliers	(17,176,971)	(13,834,823)
Payments to and on Behalf of Employees	(52,228,508)	(61,422,135)
Receipts from Gifts and Contributions	357,488	412,453
Other Receipts	1,298,569	2,176,806
Net Cash Used by Operating Activities	(19,387,154)	(24,015,170)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	9,964,291	10,229,524
County Appropriations	14,830,811	14,539,980
Loan Program Receipts	9,130,305	9,600,485
Loan Program Disbursements	(9,130,305)	(9,600,485)
Net Cash Provided by Noncapital Financing Activities	24,795,102	24,769,504
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	7,143,247	23,479,677
Purchase of Capital Assets	(9,036,764)	(22,774,737)
Principal Paid on Debt	(325,771)	(274,877)
Interest Paid on Long-Term Debt	(666,229)	(728,215)
Net Cash Used by Capital and Related Financing Activities	(2,885,517)	(298,152)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	229,739	175,716
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,752,170	631,898
Cash and Cash Equivalents - Beginning of Year	27,676,269	27,044,371
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 30,428,439	$ 27,676,269
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (35,518,912)	$ (38,598,960)
Adjustment to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	5,187,176	5,433,664
On-Behalf Payments	7,648,924	8,374,290
Changes in Assets and Liabilities:		
Receivables, Net	4,437,291	(2,523,160)
Accounts Payable and Accrued Expenses	(2,045,907)	874,905
Net Pension Liability	946,184	2,634,254
Unearned Revenue:		
Student Tuition and Fees	(42,935)	30,407
Federal and State Grants	1,025	(240,570)
Net Cash Used by Operating Activities	$ (19,387,154)	$ (24,015,170)
SIGNIFICANT NONCASH TRANSACTIONS		
Expenses Paid on Behalf of the College	$ 7,648,924	$ 8,374,290

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Union County College (the College) was established in 1933 as a private college. In 1982, with the merger of then Union College and Union County Vocational Technical Institute, Union County College was established as a public comprehensive community college pursuant to N.J.S. 18A: 64A-50 et seq. It is a member of New Jersey's system of nineteen county colleges and is a component unit of the County of Union. The College operates campuses in Cranford, Elizabeth, Plainfield, and Scotch Plains. The College's enrollment for Fall 2017 was 4,297 full time students and 5,414 part time students. The College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools.

Pursuant to N.J.S. 18A-64A-55, the Board of Trustees of Union County College consists of the County Superintendent of Schools, four citizens of Union County appointed by the Union County Board of Chosen Freeholders, four trustees appointed by the Board of Governors of Union County College (see more on Board of Governors below) and two citizens of Union County appointed by the Governor of the State of New Jersey. The term of office of these appointed members is four years. In addition, one representative of the Student Body of Union County College is elected from the graduating class to serve as a nonvoting Trustee for a term commencing at the next reorganization meeting of the Board of Trustees following the graduation of his or her class. In addition, the President of the College serves as an ex-officio member of the Board of Trustees. The Board is responsible for the fiscal control and general supervision over the conduct of the College. A chairman is elected by the Board of Trustees from its voting membership.

In addition to the Board of Trustees, Union County College also has a Board of Governors. The Board of Governors is vested with specific areas of authority. It is authorized to give advice and consent to the Board of Trustees in connection with the appointment, compensation and term of office of the President of the College, act in an overall advisory capacity and control properties, funds and trust vested when Union College, a two year private College, began functioning as Union County College. The Board of Governors is appointed as follows: the President of the College who serves in an ex-officio capacity without a vote, three Alumni Governors nominated by the Union County College Alumni Association, three county residents nominated by the Union County Board of Chosen Freeholders, and all remaining Governors up to a maximum of 30 are appointed by the existing Board of Governors. The College currently has 23 members of the Board of Governors. The term of a member of the Board of Governors is three years.

The College offers a wide range of academic programs, including associates degrees in arts, science, and applied science.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

Union County College is a component unit of the County of Union as described in Governmental Accounting Standards Board (GASB) Statement No. 14 – *The Financial Reporting Entity*. The financial statements of the College would be either blended or discretely presented as part of the County's financial statements if the County prepared its financial statements in accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State of Local Governments*. The County of Union currently follows a basis of accounting and reporting model that is prescribed by the Department of Community Affairs, Division of Local Government Services, State of New Jersey. Therefore, the financial statements of the College are not presented with the County of Union's.

Component Unit

Union County College Foundation (the Foundation) is a New Jersey nonprofit corporation organized in December 1977. Its purpose is to support Union County College by providing scholarships to students and raising funds for capital projects. The Foundation solicits public and private contributions to carry out its objectives. The Foundation is governed by a board of trustees, some of which are management of the College. In addition, College employees and facilities are used for virtually all activities of the Foundation. The Foundation reports under Financial Accounting Standards Board (FASB) Standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. In addition, GASB Statement No. 61 clarifies the manner in which component units are presented (discretely presented, blended, or included in the fiduciary fund financial statements).

In accordance with GASB 61, the Foundation meets the requirements for discrete presentation in the financial statements of the College. In accordance with GASB Statement Nos. 34 and 35, certain presentation adjustments to the financial statements of the Foundation were required to conform to the classification and display requirements in the aforementioned GASB statements as applicable to the College.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit (Continued)

During the fiscal years ended June 30, 2018 and 2017, the Foundation distributed $1,213,422 and $1,191,561, respectively, to the College for both restricted and unrestricted purposes.

The individual report of audit of the Foundation for the fiscal year ended June 30, 2018 can be obtained at the Foundation offices; Union County College Foundation, 1033 Springfield Avenue, Cranford, New Jersey 07016.

Basis of Presentation

The accompanying financial statements include all activities that are directly controlled by the College. In addition, the financial statements include the financial position and activities of the College's discretely presented component unit, Union County College Foundation. The financial statements are presented in accordance with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as adopted by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

Basis of Accounting and Measurement Focus

For financial reporting purposes, the College is considered a special-purpose government engaged in only business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents and Investments

For the purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72*, Fair Value Measurement Application*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments (Continued)

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (GUDPA), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to 5% of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students and various other receivables. Accounts receivable are recorded net of estimated uncollectible amounts.

Prepaid Expenses

Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

Tuition

Each year the Board of Trustees sets tuition rates based upon full-time enrollment or part-time enrollment on a per credit hour rate or other basis. Rates vary based upon residence within Union County, out of county and out of state. Student revenues are presented in the statement of revenues, expenses, and changes in net position, net of scholarships applied to student accounts, while other payments made directly to students are presented as student aid expenses and are recognized in the period earned. Student revenues collected in advance of the fiscal year are recorded as unearned revenue in the accompanying financial statements.

State Aid

The New Jersey Department of Treasury, Office of Management and Budget (OMB) allocates the annual appropriation for community college operating aid according to credit hour enrollments as prescribed by N.J.S.A. 18A:64A-22. Aid is based upon audited enrollments, which, is made up of credit course categories.

County Aid

N.J.S.A. 18A:64A-22 states that each county which operates a county college shall continue to provide moneys for the support of the college in an amount no less than those moneys provided in the year in which this act is enacted or 25% of the operational expense in the base State fiscal year, whichever is greater.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue represents tuition revenue that has been billed before June 30 for classes that are scheduled to begin the next fiscal year. It also includes cash, which has been received for grants, but not yet earned.

Capital Assets

Capital assets include property, plant equipment, and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the College as assets with an initial unit cost of $5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Buildings and Improvements	20 to 40 Years
Equipment	3 to 20 Years

Depreciation expense for the fiscal years ending June 30, 2018 and 2017 was $5,187,176 and $5,433,664, respectively.

Financial Dependency

Among the College's largest revenue sources include appropriations from the State of New Jersey and County of Union, including contributions made by the State on behalf of the College for the Alternate Benefit Program. The College is economically dependent on these appropriations to carry on its operations.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the College and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the College and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

The allowance for doubtful accounts of student accounts receivable is based on average percentages of past years collection rates. The allowance for June 30, 2018 and 2017 was $517,614 and $1,667,061, respectively.

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 certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Federal Financial Assistance Programs

The College participates in the following federally funded financial assistance programs; Federal Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Work-Study Grants and Federal Direct Loan Program (FDL). Federal programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

Scholarship Discounts and Allowances

Student tuition and fee revenues are reported net of scholarship discount and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discount and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, as well as other federal grants and state grants, are recorded as operating revenue in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the College has recorded a scholarship discount and allowance. The amount of scholarship discount and allowances for the fiscal years ending June 30, 2018 and 2017 was $14,572,811 and $13,257,576, respectively.

On-Behalf Payments, Pension and OPEB

The College follows the requirements of GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, which recommends that revenue and expenditures be recorded in the financial statements for the State of New Jersey On-Behalf Payments for the Alternate Benefit Program.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The College is a political subdivision of the State of New Jersey and is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

Classification of Revenue

The College has classified its revenues as either operating or nonoperating revenues in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and (3) most federal and state grants and contracts as well as federal appropriations.

The College classifies Pell Revenue as Federal Grant revenue, as these funds pay for student tuition and other related costs, included in Operating Revenues in the Statement of Revenue, Expenses, and Changes in Net Position. This is done in accordance with Footnote 42 of GASB 34 stating "Revenue and expense transactions normally classified as other than operating cash flows from operations in most proprietary funds may be classified as operating revenues and expenses if those transactions constitute the reporting proprietary fund's principal ongoing operations."

Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 35, such as state and county appropriations and investment income.

Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets

This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Restricted

Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first and then unrestricted resources as they are needed.

Unrestricted Net Position

Unrestricted net position represents resources derived from student tuition and fees, state and county appropriations and sales and services of educational departments or auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the Board to meet current expenses for any purposes. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statements of net position report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

Deferred charges for defined benefit plans result from the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the state's proportion of expenses and liabilities to the pension as a whole, differences between the College's pension contributions and its proportionate share of contributions, and the College's pension contributions subsequent to the pension valuation measurement date.

Reclassifications

Certain reclassifications have been made to the 2017 amounts to conform with 2018 presentation.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB)

The College has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* whereby the State is responsible for the employer contributions and the total OPEB liability resulting from a special funding situation. For the fiscal years ended June 30, 2018 and 2017, the College has reported its proportionate share of the collective OPEB expense and revenue for the State's OPEB expense. As a result, the following statement line items for 2017 were restated:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB) (Continued)

	As Previously Reported	As Restated
Statements of Revenues, Expenses, and Changes in Net Position, June 30, 2017:		
Instructional	$ 33,909,094	$ 39,999,191
Public Service	2,203,520	2,659,042
Academic Support	7,153,502	7,237,492
Student Services	8,220,644	8,855,330
Institutional Support	12,365,658	12,543,900
Plant Operations and Maintenance	10,499,407	11,431,160
On-Behalf Payments:		
Other Post Employment Benefits	-	7,049,922
Statements of Cash Flows, June 30, 2017:		
Operating Loss	(30,224,670)	(38,598,960)
On-Behalf Payments	-	7,049,922

New Accounting Standards

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

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

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The College has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

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

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

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. Although the College does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first $250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the College in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the College relative to the happening of a future condition. Such funds would be shown as uninsured and uncollateralized in the schedule below.

As of June 30, 2018 and 2017, the College's bank balances were exposed to custodial credit risk as follows:

	2018	2017
Insured	$ 2,000,000	$ 1,500,000
Collateralized Under GUDPA	29,467,955	26,935,018
Total	$ 31,467,955	$ 28,435,018

NOTE 3 CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets by source at June 30, 2018 and 2017:

	Balance July 1, 2017	Increases	Decreases	Adjustments	Balance June 30, 2018
Capital Assets, Nondepreciable:					
Land	$ 4,833,320	$ -	$ -	$ -	$ 4,833,320
Construction in Progress	6,606,870	7,704,158	-	-	14,311,028
Total Capital Assets, Nondepreciable	11,440,190	7,704,158	-	-	19,144,348
Capital Assets, Depreciable:					
Building and Improvements	152,098,906	161,477	-	-	152,260,383
Intangible Asset - Easement	14,415,112	-	-	-	14,415,112
Equipment, Software, and Vehicles	19,923,476	1,173,101	(403,844)	-	20,692,733
Total Capital Assets, Depreciable	186,437,494	1,334,578	(403,844)	-	187,368,228
Less: Accumulated Depreciation for:					
Buildings and Improvements	(72,702,448)	(3,684,296)	-	-	(76,386,744)
Intangible Asset - Easement	(2,602,729)	(480,504)	-	-	(3,083,233)
Equipment, Software, and Vehicles	(14,455,762)	(1,057,946)	401,870	35,572	(15,076,266)
Total Depreciation	(89,760,939)	(5,222,746)	401,870	35,572	(94,546,243)
Total Capital Assets, Depreciable Net	96,676,555	(3,888,168)	(1,974)	35,572	92,821,985
Capital Assets, Net	$ 108,116,745	$ 3,815,990	$ (1,974)	$ 35,572	$ 111,966,333

	Balance July 1, 2016	Increases	Decreases	Adjustments	Balance June 30, 2017
Capital Assets, Nondepreciable:					
Land	$ 4,833,320	$ -	$ -	$ -	$ 4,833,320
Construction in Progress	6,013,288	5,499,828	-	(4,906,246)	6,606,870
Total Capital Assets, Nondepreciable	10,846,608	5,499,828	-	(4,906,246)	11,440,190
Capital Assets, Depreciable:					
Building and Improvements	132,615,086	16,330,335	-	3,153,485	152,098,906
Intangible Asset - Easement	14,415,112	-	-	-	14,415,112
Equipment, Software, and Vehicles	17,537,255	3,372,706	(2,739,246)	1,752,761	19,923,476
Total Capital Assets, Depreciable	164,567,453	19,703,041	(2,739,246)	4,906,246	186,437,494
Less: Accumulated Depreciation for:					
Buildings and Improvements	(69,158,132)	(3,543,604)	(712)	-	(72,702,448)
Intangible Asset - Easement	(2,122,225)	(480,504)	-	-	(2,602,729)
Equipment, Software, and Vehicles	(13,358,029)	(1,505,326)	407,593	-	(14,455,762)
Total Depreciation	(84,638,386)	(5,529,434)	406,881	-	(89,760,939)
Total Capital Assets, Depreciable Net	79,929,067	14,173,607	(2,332,365)	4,906,246	96,676,555
Capital Assets, Net	$ 90,775,675	$ 19,673,435	$ (2,332,365)	$ -	$ 108,116,745

Adjustments represent transfers of completed projects from construction in progress.

NOTE 4 ACCRUED COMPENSATED ABSENCES

It is the College's policy to reimburse employees upon termination for accrued vacation at their current rate of pay. Physical Plant and Public Safety employees can accrue up to 192 hours of accrued vacation and all other employees can accrue up to 168 hours of accrued vacation. An employee may request to carry forward additional hours; however, in no event shall they carry forward more than 192 hours and 168 hours, respectively. As of June 30, 2018 and 2017, the liabilities for accrued compensated absences, included in accrued expenses on the statements of net position, consist of the following:

	2018	2017
Vacation:		
Balance - Beginning of Fiscal Year	$ 1,187,978	$ 1,006,567
(Decrease)/Increase	(13,190)	181,411
Balance - End of Fiscal Year	$ 1,174,788	$ 1,187,978

NOTE 5 PENSION PLANS

A substantial number of the College's employees participate in one of the two following defined benefit pension plans: (1) the Public Employees' Retirement System or (2) the New Jersey Alternate Benefit Program, both of which are administered and/or regulated by the New Jersey Division of Pensions and Benefits. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of Plan members are determined by state statute. In accordance with Chapter 62, P.L. 1994, Plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, Plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.0% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012, and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

Annually, employer contributions to the PERS are actuarially determined and include the College's normal contribution plus any accrued liability, which ensures adequate funding for future pension system liability. The amount of contributions recognized by PERS from the College as of June 30, 2018, 2017, and 2016 were $1,295,016, $1,260,728, and $1,210,879, respectively.

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2016. This actuarial valuation used the following actuarial assumptions, applied to the June 30, 2017 measurement date:

- Actuarial cost method is entry age normal, level percent of pay.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.25%.
- Investment return of 7.00%, including inflation.
- Salary increases of 1.65 – 4.15% based on age for years 2017-2026, and 2.65 – 5.15% based on ages subsequent years.
- Asset Valuation using fair (market) value.
- Mortality rates based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base year of 2013 base on Projection Scale AA.

In accordance with state statute, the long-term expected rate of return on pension plan investments was determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table below.

PERS's policy in regard to the allocation of invested Plan assets is established and may be amended by the PERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 and 2016.

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

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

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

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

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

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

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

	1% Decrease 4.00%	Current Rate 5.00%	1% Increase 6.00%
2017	$ 38,736,418	$ 31,224,747	$ 24,966,595
	1% Decrease 2.98%	Current Rate 3.98%	1% Increase 4.98%
2016	$ 49,466,835	$ 40,368,460	$ 32,856,961

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

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

PERS measured the net pension liability as of June 30, 2017. The total PERS pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability calculated as of June 30, 2016 to June 30, 2017. PERS calculated the employer's proportion of the net pension liability using the ratio of each employer's one-year contributions to total participating employers' contributions for the group. At June 30, 2017, the College's proportion was 0.1341%, a decrease of 0.0022% from its proportion calculated as of June 30, 2016.

At June 30, 2018, the amount recognized as the College's proportionate share of the PERS June 30, 2017 net pension liability (measurement date) was $31,224,747. For the year ended June 30, 2018, the College recognized PERS pension expense of $2,206,902. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Expected and Actual Experience	$ 735,235	$ -
Changes of Assumptions	6,290,711	-
Net Difference Between Projected and Actual Investment Earnings	212,619	-
Changes in Proportions	649,547	7,453,400
Total Contributions and Proportionate Share of Contributions after the Measurement Date	1,295,016	-
Total	$ 9,183,128	$ 7,453,400

At June 30, 2017, the amount recognized as the College's proportionate share of the PERS June 30, 2016 net pension liability (measurement date) was $40,368,460. For the year ended June 30, 2017, the College recognized PERS pension expense of $3,894,908. At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Expected and Actual Experience	$ 750,731	$ -
Changes of Assumptions	8,362,189	-
Net Difference Between Projected and Actual Investment Earnings	1,539,286	-
Changes in Proportions	914,452	1,023,948
Total Contributions and Proportionate Share of Contributions after the Measurement Date	1,260,728	-
Total	$ 12,827,386	$ 1,023,948

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The College will recognize the $1,295,016 reported as 2018 deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PERS net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as PERS pension expense as follows.

Year Ending June 30,	Amortization
2019	$ 689,777
2020	1,063,941
2021	481,681
2022	(1,107,782)
2023	(692,905)
Total	$ 434,712

New Jersey Alternate Benefit Program

The New Jersey Alternate Benefit Program (ABP) is a defined contribution pension plan, which was established pursuant to P.L. 1969, c. 242 (N.J.S.A. 18A:66-167 et seq.). The ABP provides retirement, death and disability, and medical benefits to qualified members.

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 up to $141,000, 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 nonacademic employees.

Plan members direct the investment of contributions to insurance companies and mutual fund companies selected by the New Jersey Division of Pensions' Pension Provider Selector Board. These companies administer Plan funds based on alternate benefit contracts with the New Jersey Division of Pensions.

Amounts deferred under the Plan are not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan carriers are as follows:

AXA Financial; MassMutual Retirement Services; MetLife; Prudential; TIAA; VALIC; and Voya Financial

The State of New Jersey is responsible for contributing the employer's share of certain defined academic positions towards the annual pension cost of Alternate Benefits for qualified employees. The 2018 Employer's share was 8% of annualized wages. The College pays the employer's share and is reimbursed by the State of New Jersey. During fiscal years 2018 and 2017, the state reimbursed $1,309,193 and $1,324,368, respectively, to the College for the employer share of qualified employees. This amount is reflected in the accompanying financial statements as both revenues and expenditures.

NOTE 5 PENSIONS PLANS (CONTINUED)

New Jersey Alternate Benefit Program (Continued)

Amounts billed and paid for the New Jersey Alternate Benefit Program were:

Fiscal Year	Total Liability	Funded by State	Paid by College
2018	$ 1,970,413	$ 1,309,193	$ 661,220
2017	2,018,819	1,324,368	694,451
2016	1,945,643	1,396,239	549,404
2015	1,969,402	1,409,623	559,779

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

SEHBP

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

State's proportionate share of the OPEB liability	$ 69,935,001
College's proportionate share of the OPEB liability	-
Total	$ 69,935,001

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

SEHBP (Continued)

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

For the year ended June 30, 2018, the College recognized OPEB expense of $6,339,731 and revenue of $6,339,731 for support provided by the State. Due to the special funding situation noted above related to the SEHBP, the College did not report deferred outflows of resources and deferred inflows of resources related to the SEHBP.

Plan Description

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

The SEHBP provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers. The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for the SEHBP. The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14- 17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: Teachers' Pensions and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L, 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible. The SEHBP does not issue a stand-alone financial report but is reported in the State's Comprehensive Annual Financial Report (CAFR). The CAFR is an audited financial statement and is available at https://www.nj.gov/treasury/omb/publications/archives.shtml.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

SEHBP (Continued)

Actuarial Assumptions and Other Inputs

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

	TPAF/ABP	PERS	PFRS
Salary Increases:	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
Through 2026	Based on Years of Service	Based on Age	Based on Age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	Based on Years of Service	Based on Age	Based on Age

- Inflation of 2.50%

- Healthcare cost trend assumptions - For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

- The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher

- Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount- Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount- Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

- The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 June 30, 2015 July 1, 2010 June 30, 2013, and July 1, 2011 June 30, 2014 for TPAF, PFRS and PERS, respectively.

NOTE 7 DEFERRED COMPENSATION

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 403(b) plan is administered by the State of New Jersey and the 457(b) plan is administered by the College. Both Plans 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 carriers are as follows:

403(b)

AXA Financial; MassMutual Retirement Services; MetLife; Prudential; TIAA; VALIC; and Voya Financial

457(b)

TIAA, AXA Financial; Valic; and Voya Financial

NOTE 8 RISK MANAGEMENT

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

Property and Liability Insurance

The College maintains commercial insurance coverage for a broad range of insurance coverage with the exception of Workman’s Compensation Insurance.

Joint Insurance Pool

Union County College is a member of the New Jersey Community College Insurance Pool for Workman’s Compensation Insurance. The Insurance Pool is generally self-insured for losses and liabilities arising from workers’ compensation claims. Losses are accrued based upon estimates of the aggregate liability for claims incurred using certain actuarial assumptions followed in their insurance industry and on the historical experience of the Insurance Pool. The Insurance Pool maintains cash balances in financial institutions that may exceed federally insured limits. It historically has not experienced any credit-related losses.

NOTE 8 RISK MANAGEMENT (CONTINUED)

Joint Insurance Pool (Continued)

The contributions to the fund, are payable in an annual premium that are based on actuarial assumptions determined by the fund's actuary. Contributions to the pool totaled $237,749 and $254,344, respectively, for fiscal years ended 2018 and 2017.

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

NOTE 9 CAPITAL LEASE PAYABLE

Kellogg Building

On March 1, 2006, the College entered into Sublease Purchase Agreement (Sublease), a capital lease, with the County of Union (County) for the Kellogg Building on the Elizabeth campus. The County obtained its rights under a capital lease agreement (Master Lease) with the Union County Improvement Authority (UCIA) who had acquired the property and constructed the Kellogg Building through the issuance of $48,626,000 County of Union General Obligation Lease Revenue Bonds, of which $36,097,620 was issued under the provisions of the College Bond Act, pursuant to which the State of New Jersey remits, on behalf of the County, one-half of the principal and interest due, otherwise known as "Chapter 12" funding.

The Kellogg Building was issued a Certificate of Occupancy in August 2009 and under the terms of the Sublease, annualized College payments of $200,000 begin on the date of occupancy and end February 1, 2026. Immediately prior to the expiration of the Sublease, per the terms of both the Master Lease and the Sublease, title to the property and building is to be passed from UCIA to the County to the College for a nominal amount. The following is a schedule of the future minimum lease payments at June 30, 2018:

Fiscal Year(s)	Principal	Interest	Total
2019	$ 148,024	$ 51,976	$ 200,000
2020	154,336	45,664	200,000
2021	160,918	39,082	200,000
2022	167,780	32,220	200,000
2023	174,935	25,065	200,000
2024-2026	503,831	29,501	533,332
Total	$ 1,309,824	$ 223,508	$ 1,533,332

Principal and interest payments for the above capital lease were $141,970 and $58,030, respectively, for fiscal year 2018 and $136,163 and $63,837, respectively, for fiscal year 2017.

NOTE 9 CAPITAL LEASE PAYABLE (CONTINUED)

Easement (Parking Authority of the City of Elizabeth)

On November 5, 2009, the College entered into a Special Use Easement Agreement (Agreement) with the Parking Authority of the City of Elizabeth (the Parking Authority). Under the terms of the Agreement, the College is to receive the irrevocable right to exclusive use, twenty-four (24) hours per day, seven days per week, of 600 parking spaces (The Easement) in a 1515 parking space garage (the Facility) located between the Lessner and Kellogg buildings on the College's Elizabeth Campus in the City of Elizabeth. The Easement expires 30 years subsequent to the issuance to the Parking Authority of a temporary certificate of occupancy for the Facility. In exchange for the Easement, the County contributed $2,500,000 funded through Chapter 12, and the College has an obligation of annual payments at an initial annual rate of $720,000 escalating 10% after the first three years and 10% after each subsequent four-year period. The annual payments have a present value of $14,415,112 assuming the cost of debt of the Facility, and the first monthly payment began February 1, 2012. The Easement expires upon expiration of the Agreement, and the 600 parking spaces are to be returned to the Parking Authority.

The following is a schedule of the future minimum lease payments at June 30, 2018:

Fiscal Year(s)	Principal	Interest	Total
2019	$ 171,769	$ 653,231	$ 825,000
2020	169,663	701,537	871,200
2021	211,778	659,422	871,200
2022	270,738	600,462	871,200
2023	272,243	635,257	907,500
2024-2028	1,791,988	3,135,374	4,927,362
2029-2033	2,771,159	2,754,354	5,525,513
2034-2038	4,112,517	2,081,504	6,194,021
2039-2042	4,065,683	887,601	4,953,284
Total	$ 13,837,538	$ 12,108,742	$ 25,946,280

Principal and interest payments for the above easement were $183,801 and $608,199, respectively, for fiscal year 2018 and $138,678 and $653,321, respectively, for fiscal year 2017.

NOTE 10 AUXILIARY OPERATIONS — BOOKSTORE

The College contracts with a private contractor for the operation of the official Campus Store (Bookstore). A new five-year contract was approved by the board of trustees on May 13, 2013, for the period starting July 1, 2013. Under the contract, the contractor has agreed to make minimum annual guarantee payments in the greater amounts of:

(1) Minimum Annual Guarantee $500,000 or

(2) 14.75% on all gross revenue from $-0- to $4,000,000 plus 15.75% on all gross revenue between $4,000,000 and $5,000,000 plus 16.75% in excess of $5,000,000 in any contract year.

(3) Also the contractor has agreed to provide capital facilities funding of $258,312 and equipment purchases funding of $331,000.

(4) The contractor has also agreed to provide an annual textbook scholarship of $10,000 and a tuition scholarship of $5,000.

NOTE 11 EDUCATION AND GENERAL EXPENSES BY FUNCTION

The College's operating expenses by functional classification are presented as follows:

	2018						
	Salaries and Benefits	Supplies and Materials	Services	Scholarships	Utilities	Depreciation	Total
Educational and General Expenditures:							
Instruction	$ 34,073,311	$ 722,322	$ 3,054,427	$ -	$ -	$ -	$ 37,850,060
Public Service	1,484,322	28,416	646,100	-	-	-	2,158,838
Academic Support	3,840,209	112,221	3,694,810	-	-	-	7,647,240
Student Services	8,226,677	113,791	771,848	-	-	-	9,112,316
Institutional Support	7,899,428	789,993	2,719,595	-	-	-	11,409,016
Operation and Maintenance of Plant	6,718,543	-	1,944,058	-	1,722,511	-	10,385,112
Scholarship Aid	-	-	-	7,859,196	-	-	7,859,196
Depreciation	-	-	-	-	-	5,187,176	5,187,176
Total	$ 62,242,490	$ 1,766,743	$ 12,830,838	$ 7,859,196	$ 1,722,511	$ 5,187,176	$ 91,608,954

	2017						
	Salaries and Benefits	Supplies and Materials	Services	Scholarships	Utilities	Depreciation	Total
Educational and General Expenditures							
Instruction	$ 35,554,033	$ 1,215,764	$ 3,229,394	$ -	$ -	$ -	$ 39,999,191
Public Service	2,367,329	72,939	218,774	-	-	-	2,659,042
Academic Support	4,400,271	94,001	2,743,220	-	-	-	7,237,492
Student Services	8,162,983	159,605	532,742	-	-	-	8,855,330
Institutional Support	11,007,330	369,812	1,166,758	-	-	-	12,543,900
Operation and Maintenance of Plant	7,155,061	361,678	2,043,008	-	1,871,413	-	11,431,160
Scholarship Aid	-	-	-	8,229,502	-	-	8,229,502
Depreciation	-	-	-	-	-	5,433,664	5,433,664
Total	$ 68,647,007	$ 2,273,799	$ 9,933,896	$ 8,229,502	$ 1,871,413	$ 5,433,664	$ 96,389,281

NOTE 12 OTHER RECEIVABLES

Other receivables as of June 30, 2018 and 2017 consist of the following amounts due to the College:

	2018	2017
Noncredit Sponsors	$ 198,951	$ 193,673
JFK Muhlenberg	69,847	30,058
Trinitas Regional Medical Center	119,775	71,923
EMT - State of NJ	74,812	59,625
Other Corporate Receivables	11,215	62,679
County Chargebacks	333	51,466
Union County College Foundation	496,547	-
Other	354,112	193,534
Total	$ 1,325,592	$ 662,958

NOTE 13 LITIGATION

The College is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the College from such litigation is either unknown or potential losses, if any, would not be material to the financial statements or would be covered by insurance coverages less the deductible.

NOTE 14 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

The Union County College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising entity that provides funding for scholarships and awards for qualifying students attending the College, that supplements funding provided by federal, state, and other programs. The Foundation support comes primarily from special events and donations from public and private donors. Although the College does not control the timing or amount of the receipts from the Foundation, the assets of the Foundation are used for the benefit, support and the promotion of the College and its educational activities. The Foundation meets the criteria to be discretely presented in the College's financial statements. Complete financial statements for the Foundation, for the fiscal year ended June 30, 2018 can be obtained from the Foundation at 1033 Springfield Avenue, Cranford, New Jersey 07016.

Cash and Investments

During the year, the Foundation could have cash balances in excess of $250,000 in their banking institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. At June 30, 2018 and 2017, the Foundation's uninsured balances were $-0- and $-0-, respectively.

NOTE 14 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Investments are stated at fair value and consist primarily of common stock, U.S. government obligations, and short-term investments. Fair values and unrealized appreciation are summarized as follows:

	2018		
	Cost	Fair Market Value	Unrealized Appreciation
Common Stock	$ 10,740,070	$ 12,426,408	$ 1,686,338
Bond Fixed Income	5,782,409	5,670,389	(112,020)
Short-Term Investments	164,008	163,884	(124)
Total	$ 16,686,487	$ 18,260,681	$ 1,574,194

	2017		
	Cost	Fair Market Value	Unrealized Appreciation
Common Stock	$ 9,332,984	$ 11,013,624	$ 1,680,640
Bond Fixed Income	5,711,558	5,777,196	65,638
Short-Term Investments	123,976	123,976	-
Total	$ 15,168,518	$ 16,914,796	$ 1,746,278

NOTE 14 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used on the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended June 30, 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments at fair value.

Marketable Securities: The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

NOTE 14 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Fair Value on a Recurring Basis

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis:

	2018	2017
Quoted Prices in Active Markets for Identical Assets (Level 1)		
Common Stock:		
Consumer Discretionary	$ 1,475,513	$ 730,615
Consumer Staples	640,809	536,390
Emerging Markets	193,086	181,937
Energy	747,715	392,237
Financials	1,812,418	939,150
Foreign Stock	13,536	16,680
Healthcare	1,345,618	834,387
Industrials	1,038,193	576,871
Information Technology	2,359,916	1,294,696
International Equity	67,162	1,742,691
Large Cap Funds	424,027	377,514
Materials	455,252	177,248
Other Equity	976,575	914,874
Real Estate	326,784	133,765
Small Cap Funds	25,242	1,875,551
Telecommunications Services	242,691	121,539
Utilities	281,871	167,479
Total Common Stock	12,426,408	11,013,624
Bond Fixed Income:		
Funds	3,912,794	3,576,506
Individual Holding	1,743,532	2,187,201
Other	14,063	13,489
Total Bond Fixed Income	5,670,389	5,777,196
Total	$ 18,096,797	$ 16,790,820

Not included above are short-term investments at June 30, 2018 and 2017 of $163,884 and $123,976, respectively. These assets are recorded at cost that approximates fair value and are not subject to the above classification.

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY COLLEGE
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2018 AND 2017
(SEE INDEPENDENT AUDITORS' REPORT)

Schedule of Proportionate Share of Net Pension Liability (NPL)
Determined as of Measurement Date
(in Thousands)

Measurement Date	College's Proportion	College's Proportion Share	College's Covered Employee Payroll	College's Proportionate Share of NPL as a Percent of Covered-Employee Payroll	PERS Fiduciary Net Position as a % of Total Pension Liability
2017	0.1341361313%	$ 31,225	$ 9,175	340.33%	48.10%
2016	0.1363010432%	$ 40,368	$ 9,743	414.33%	40.14%
2015	0.1425842332%	$ 32,007	$ 10,051	318.45%	47.94%
2014	0.1422470301%	$ 26,633	$ 9,665	275.56%	52.08%

Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent of Covered-Employee Payroll
2018	$ 1,295	$ 1,242	$ 53	$ 9,175	13.54%
2017	$ 1,261	$ 1,210	$ 51	$ 9,743	12.42%
2016	$ 1,210	$ 1,226	$ (16)	$ 10,051	12.20%
2015	$ 1,226	$ 1,223	$ 3	$ 9,665	12.65%

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

		2018
College's Proportion of the OPEB Liability		0.0%
College's Proportionate Share of the OPEB Liability	$	-
State's Proportionate Share of the OPEB Liability of the College		69,935,001
Total	$	69,935,001
College's Covered Employee Payroll	$	5,522,049
College's Proportionate Share of the OPEB Liability as a Percentage of its Covered Employee Payroll		0.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		0.00%

SEHBP - LOCAL EDUCATION GROUP:

		2017		2018
Contractually Required Contribution	$	7,049,922	$	6,339,731
Contributions in Relation to the Contractually Required Contribution		(7,049,922)		(6,339,731)
Contribution Deficiency (Excess)	$	-	$	-
College's Covered-Employee Payroll	$	5,087,590	$	5,522,049
Contributions as a Percentage of Covered-Employee Payroll		138.57%		114.81%

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

SUPPLEMENTARY INFORMATION

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number or Grant Number, if Applicable	Passed Through to Subrecipients	FY 2018 Expenditures
U.S. Department of Education:				
Student Financial Aid Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A		$ 325,589
Federal Direct Student Loans	84.268	N/A		9,130,305
Federal Pell Grant Program	84.063	N/A		18,456,000
Federal Work-Study Program	84.033	N/A		286,684
Total Student Financial Aid Cluster				28,198,578
Title V Funding:				
Learning Enhanced through Accelerated Paths (LEAP)	84.031	N/A		141,411
STEMpact	84.031	N/A	$ 373,045	732,933
Total Title V Funding				874,344
Passed Through Bergen County Community College:				
Alternative Math Placement, an Unprecedented Program	84.116E	P116F150138		239,305
Passed Through State of New Jersey Department of Treasury:				
Vocational Education - Perkins	84.048	PSF Consol 7185-039		470,029
Passed Through State Department of Labor and Workforce Development:				
Adult Education and Family Literacy:				
Adult Basic Skills	84.002	ASB - FY2014-009	441,425	1,114,407
Total U.S. Department of Education				30,896,663

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

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number or Grant Number, if Applicable	Passed Through to Subrecipients	FY 2018 Expenditures
U.S. Department of Labor:				
Employment and Training Administration:				
Trade Adjustment Assistance Community College Career Training Grant	17.282	N/A		$ 56,092
NJ Health Professions Pathway to Regional Excellence Project	17.282	N/A		306,569
Total U.S. Department of Employment and Training				362,661
Passed Through County of Union, NJ:				
WIOA - Adult	17.258	22-6002481		58,533
WIOA - Dislocated Worker	17.278	22-6002481		90,017
WIOA - Youth Services	17.259	22-6002481		7,460
WIOA - Workforce Innovation Business Center	17.258	22-6002481		227,138
Total WIA Cluster				383,148
Total U.S. Department of Labor				745,809
U.S. Department National Science Foundation:				
Cyber Service!	47.076	N/A		44,000
Passed Through Whatcom Community College:				
Catalyzing Computer and Cybersecurity in Community Colleges	47.076	1548315		65,800
Total CFDA 47.076				109,800
Passed Through Passaic County Community College:				
Northern New Jersey Bridges to the Baccalaureate Program	47.070	1410389		23,745
Total U.S. Department National Science Foundation				133,545
National Aeronautics and Space Administration:				
Passed through Rutgers, The State University of New Jersey:				
New Jersey Space Grant	43.008	NNX14AR02A		5,289
Total Federal Financial Assistance			$ 814,470	$ 31,781,306

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

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2018

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	State GMIS Number or Grant Account Number, if Applicable	Program or Award Amount	Program Funds Received	Grant Period From	Grant Period To	FY 2018 Expenditures	Cumulative Expenditures
N.J. Commission of Higher Education:							
Educational Opportunities Fund - Article III	10-100-074-2401-001	$ 156,324	$ 156,324	07/01/17	06/30/18	$ 156,324	$ 156,324
Educational Opportunities Fund - Article III Summer	10-100-074-2401-001	129,124	127,707	07/01/17	06/30/18	127,707	127,707
Educational Opportunities Fund - Winter	10-100-074-2401-001	21,929	21,929	07/01/17	06/30/18	21,929	21,929
Educational Opportunities Fund - Article IV	10-100-074-2401-002	310,721	310,628	07/01/17	06/30/18	310,628	310,628
N.J. Higher Education Student Assistance Authority:							
Tuition Aid Grants	10-100-074-2405-007	2,827,979	2,827,979	07/01/17	06/30/18	2,827,979	2,827,979
New Jersey Stars Program	10-100-074-2405-313	218,743	218,743	07/01/17	06/30/18	218,743	218,743
Urban Scholars Program	10-100-074-US11-278	3,000	3,000	07/01/17	06/30/18	3,000	3,000
NJ Class Loans	Not Applicable	45,044	45,044	07/01/17	06/30/18	45,044	45,044
Total N.J. Commission on Higher Education						3,711,354	3,711,354
N.J. Office of the Secretary of Higher Education:							
Passed Through NJ Council of County Colleges:							
College Readiness Now III	Not Applicable	55,734	55,734	07/01/16	06/30/18	43,663	55,734
College Readiness Now IV	Not Applicable	67,280	53,380	07/01/17	06/30/18	53,380	53,380
NJ Best/Gear-Up	Not Applicable	1,500	1,500	07/01/17	06/30/18	1,500	1,500
Total N.J. Office of the Secretary						98,543	110,614
N.J. Department of Labor and Workforce Development:							
New Jersey Youth Corps	ACNY16N	450,000	435,615	07/01/17	06/30/18	434,615	434,615
TDL - Workforce Partnership	TDC-P-FY16003	900,000	306,139	07/01/17	06/30/18	75,711	75,711
Opportunity Partnership Grant	OPGFY1801011	120,000	43,662	07/01/17	06/30/18	43,662	43,662
Trade Relocation Act	Not Applicable	40,480	40,480	07/01/17	06/30/18	40,480	40,480
Total N.J. Department of Labor						594,468	594,468
N.J. Department of Children and Family							
Sandy Displaced Homemaker	10-100-016-1630-014	830,540	641,670	05/01/14	06/30/18	123,795	614,670

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

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2018

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	State GMIS Number or Grant Account Number, if Applicable	Program or Award Amount	Program Funds Received	Grant Period From	Grant Period To	FY 2018 Expenditures	Cumulative Expenditures
N.J. Department of Treasury - Vocational Education:							
Passed Through County of Union,							
Department of Human Services:							
Work First New Jersey:							
Job Search/Job Readiness (JS/JR):							
TANF/GA/SNAP	17 WFNJ 100/101	$ 300,000	$ 178,697	08/01/16	06/30/18	$ 178,967	$ 178,967
N.J. Department of Treasury -							
Higher Education Administration:							
Operational Costs - County Colleges	10-100-082-2155-015	9,964,291	9,964,291	07/01/17	6/30/2018	9,964,291	9,964,291
Employer Contributions - Alternate Benefit Program - Faculty	10-100-082-2155-017	1,058,351	1,058,351	07/01/17	6/30/2018	1,058,351	1,058,351
Employer Contributions - Alternate Benefit Program - Adjuncts	10-100-082-2155-017	250,842	250,842	07/01/17	6/30/2018	250,842	250,842
FICA for Members of TPAF	10-100-082-2155-020	5,901	5,901	07/01/17	6/30/2018	5,901	5,901
Building Our Future Bond Act	5860742400080	3,961,671	-	09/01/16	Open	69,455	69,455
Total N.J. Department of Treasury						11,348,840	11,348,840
Total State Financial Assistance						$ 16,055,967	$ 16,558,913

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

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

NOTE 1 GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance (the Schedules) present the activity of all federal awards and state financial assistance programs of Union County College. The College is defined in Note 1 to the College's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the Schedules.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedules are presented using the accrual basis of accounting. The accrual basis of accounting is described in Note 1 to the financial statements. The information in the Schedules is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The College has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the financial statements.

NOTE 5 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6 STUDENT LOAN PROGRAMS

The College is responsible only for the performance of certain administrative duties with respect to Federal Direct Student Loans; 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 this program as of June 30, 2018.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Chairman and
Members of the Board of Trustees
Union County College
Cranford, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Union County College (the College), in the County of Union, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 26, 2019. The financial statements of the discretely presented component unit, Union County College Foundation, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with Union County College Foundation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The College's Response to Finding

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
February 26, 2019

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

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

The Honorable Chairman and
Members of the Board of Trustees
Union County College
Cranford, New Jersey

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

The Honorable Chairman and
Members of the Board of Trustees
Union County College

Opinion on Each Major Federal and State Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and the State of New Jersey Circular 15-08 and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 through 2018-005. Our opinion on the major federal and state programs is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

The Honorable Chairman and
Members of the Board of Trustees
Union County College

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-002 through 2018-005 that we consider to be significant deficiencies.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
February 26, 2019

UNION COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? ____ yes __x__ no
   - Significant deficiency(ies) identified? __x__ yes ____ none reported

3. Noncompliance material to financial statements noted? ____ yes __x__ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ____ yes __x__ no
   - Significant deficiency(ies) identified? __x__ yes ____ none reported

2. Type of auditors' report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with Part 200 of the Uniform Guidance or NJ OMB 15-08? __x__ yes ____ no

Section I – Summary of Auditors' Results (Continued)

Identification of Major Federal Programs

CFDA Number(s)/State Account Number	Name of Federal/State Program or Cluster
Federal:	
84.007, 84.033, 84.038 84.063, 84.268	Student Financial Assistance Cluster
84.048	Vocational Education - Perkins
84.031	Title V Funding
State:	
10-100-082-2155-015	N.J. Department of Treasury - Higher Education Administration - Operational Costs - County Colleges
10-100-074-2405-007	N.J. Higher Education Student Assistance Authority - Tuition Aid Grant
ACNY16N	N.J. Department of Labor and Workforce Development - N.J. Youth Corps.

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

Federal	$ 750,000
State	$ 750,000

Auditee qualified as low-risk auditee? ___x___ yes ________ no

Section II – Financial Statement Findings

<u>2018 – 001</u>

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During testing of capital assets, it was noted that 7 invoices were recorded twice for a construction in progress project.

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

Context: Various invoices were counted and recorded twice during the fiscal year, resulting in an overstatement in the Construction in Progress account balance.

Effect: The potential effects of the above matters are that financial statements prepared throughout the year and at year-end are not accurate.

Cause: The College's internal control procedures in place failed to detect that the invoices in question were previously recorded in the system.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend the College review the year-end process surrounding capital assets and construction in progress to ensure the balance at year-end is accurate and invoices were recorded properly.

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

Section III – Findings and Questioned Costs – Major Federal Awards and State Financial Assistance

2018 – 002 – Return of Title IV (R2T4) Calculation – Period of Enrollment

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.268, 84.063, 84.033

Award Period: 7/1/17 – 6/30/18

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

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

Condition: For one of forty R2T4s tested, incorrect calculation inputs were utilized incorrect payment period start and end dates. The sample size tested was a statistically valid sample.

Questioned costs: None.

Context: During our testing, it was noted that the College had incorrectly calculated the number of total calendar days in the payment period or period of enrollment. The College calculated 17 total days for the Winter Intersession when the actual total days of the term was 24 days. This was due to the system grouping the Winter Intersession and the Spring session together for who students attending both; however, for students who withdrew during the Winter Intersession (prior to the start of the Spring Session), the 7 day scheduled break that occurs during the Spring session was still being subtracted from the total days in the calculation of a Winter Intersession withdraw. This error resulted in the College returning funds that were $18.92 less than the correct calculation.

Cause: The College did not have a review process to ensure the student was calculated correctly.

Effect: The College is not completing accurate R2T4 calculations as defined by Federal regulations.

Repeat Finding: No.

Recommendation: We recommend the College review its policies and procedures surrounding the completion of Return of Title IV (R2T4) calculations and additionally recommend that the College review any students who withdraw during the Winter Intersession to ensure dates in the software used for the calculation reflect what is documented within the academic calendar for the semester.

Views of responsible officials: See corrective action plan attached.

Section III – Findings and Questioned Costs – Major Federal Awards and State Financial Assistance (Continued)

2018 – 003 – Return of Title IV (R2T4) Calculation – Institutional Charges

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.268, 84.063, 84.033

Award Period: 7/1/17 – 6/30/18

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

Criteria or specific requirement: Per 34 CFR 668.22(g)(ii) institutional charges are tuition, fees, room and board (if the student contracts with the institution for the room and board) and other educationally-related expenses assessed by the institution.

Condition: For one of forty R2T4 calculations tested, incorrect calculation inputs were utilized incorrect institutional charges. The sample size tested was a statistically valid sample.

Questioned costs: None.

Context: During our testing, it was noted that the College did not review the calculations within the software to ensure that the correct institutional charges were being applied.

Cause: The College did not have a review process to ensure the student was calculated correctly.

Effect: The College is not completing accurate R2T4 calculations as defined by Federal regulations.

Repeat Finding: No.

Recommendation: We recommend the College review the R2T4 requirements and implement procedures to ensure the R2T4 calculations are including only the allowable institutional charges under the compliance requirements.

Views of responsible officials: See corrective action plan attached.

Section III – Findings and Questioned Costs – Major Federal Awards and State Financial Assistance (Continued)

2018 – 004 – Pell Disbursement

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.268, 84.063, 84.033

Award Period: 7/1/17 – 6/30/18

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

Criteria or specific requirement: Per 34 CFR Pell Grants 668.60(c), a student selected for verification may submit a valid SAR or a school can receive a valid ISIR after the Pell deadline but before the verification deadline published in the Federal Register. If a student does not provide the verification documentation or the College does not receive the valid SAR or ISIR (if necessary) within this additional time, the student forfeits their Pell Grant for the award year and must return any Pell money already received for that year.

Condition: For one of the forty students tested during the eligibility testing, the student's Fall semester Pell Grant disbursement was incorrectly not returned due to incomplete verification documentation. The sample size tested was a statistically valid sample.

Questioned costs: $2,960

Context: During our testing eligibility, one student out of forty was selected for verification during the Spring semester and did not provide the correct documentation. The Fall Pell Grant disbursement was not properly returned.

Effect: The College did not have a review process to ensure that students who did not provide verification documentation and received Pell Grant monies returned the monies.

Repeat Finding: No.

Auditors' Recommendation: We recommend the College review their procedures around verification and ensure students who are selected for verification provide the correct documentation in a timely manner. If the College is unable to obtain verification documentation, there should be procedures in place to ensure Pell Grant monies disbursed to the student is returned.

Views of responsible officials: See attached corrective action plan.

Section III – Findings and Questioned Costs – Major Federal Awards and State Financial Assistance (Continued)

2018 – 005 – Performance and Financial Reporting

State agency: N.J. Department of Labor and Workforce Development

State program title: New Jersey Youth Corps.

State GMIS Number: ACNY16N

Award Period: 7/1/17 – 6/30/18

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

Criteria or specific requirement: Performance and Financial reports are required to be submitted to the State on certain dates as described in the grant agreement.

Condition: For four of the sixteen Performance and Financial reports tested, the submission to the State was not before or on the due date described in the grant agreement. The sample size tested was a statistically valid sample.

Questioned costs: None.

Context: During our testing of reporting requirements, it was noted that one Performance and three Financial reports tested were submitted late to the State.

Effect: The College did not have a process to ensure that reports are provided to the State on a timely manner.

Repeat Finding: No.

Auditors' Recommendation: We recommend the College review their procedures around reporting and ensure that the reports are submitted to the State before or on the dates that are outlined the in the grant agreement.

Views of responsible officials: See attached corrective action plan.

Union County College

1033 SPRINGFIELD AVENUE, CRANFORD, NEW JERSEY 07016

CRANFORD CAMPUS (908) 709-7000 ELIZABETH CAMPUS (908) 965-6000 PLAINFIELD CAMPUS (908) 412-3599 SCOTCH PLAINS CAMPUS (908) 709 7000

Union County College respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2017.

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

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

FINDINGS—FINANCIAL STATEMENT AUDIT

2017 – 001 Accounts Payable

Condition: During the search for unrecorded liabilities, an invoice was incorrectly excluded from the accounts payable at year end.

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

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2017 – 002 Return of Title IV (R2T4) Calculation – Withdrawal Date During Scheduled Break

Condition: During our testing, we noted three instances where a student withdrew during a scheduled break of five consecutive days or more and the withdrawal date was not changed to the last day of scheduled class prior to the start of the scheduled break.

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

2017 – 003 Enrollment Reporting

Condition: During our testing of 40 students, we noted nine instances whose enrollment status was not timely reported.

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

2017 – 004 Trade Adjustment Assistance Community College and Career Training

Condition: We noted that the College did not submit its financial report for the reporting period ending September 30, 2016 on a timely basis.

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

If The Honorable Chairman and Members of the Board of Trustees has questions regarding this schedule, please call Lynne Welch, Vice President of Finance at 908-709-7167.

Union County College

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

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

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

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2018-001 Capital Asset Activity

Recommendation: We recommend the College review the year end process surrounding capital assets and construction in progress to ensure the balance at year end is accurate and invoices were recorded properly.

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

Action taken in response to finding: The College updated the year-end process based upon the finding 2018-001. Instead of two staff members preparing the entries, only one Accountant will be responsible for the entire process. The reports and entries will then be reviewed by the Manager.

Name of the contact person responsible for corrective action: Marlene Sousa, Director of Financial Reporting & Budgets at 908-709-7583

FINDINGS — FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF EDUCATION

2018-002 Student Financial Aid – CFDA No. 84.007, 84.268, 84.063, 84.033

Recommendation: We recommend the College review its policies and procedures surrounding the completion of Return of Title IV (R2T4) calculations and additionally recommend that the College review any students who withdraw during the winter intersession to ensure dates in the software used for the calculation reflect what is documented within the academic calendar for the semester.

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

Action taken in response to finding: Union County College will revise its policies and procedures surrounding the completion of R2T4 calculations and incorporate a review of the College's software system output. The College will review any students who withdrew during the winter intersession and recalculate their R2T4 calculations.

Name of the contact person responsible for corrective action: Dayne Chance, Director of Financial Aid at 908-709-7089

2018-003 Student Financial Aid – CFDA No. 84.007, 84.268, 84.063, 84.033

Recommendation: We recommend the College review the R2T4 requirements and implement procedures to ensure the R2T4 calculations are including only the allowable institutional charges under the compliance requirements.

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

Action taken in response to finding: Union County College will review the R2T4 requirements and implement a procedure to evaluate institutional charges to ensure that they align with R2T4 guidelines. Additionally, College software provider will review financial aid best practices with staff and make recommendations accordingly to align processes and procedures with current Federal regulations.

Name of the contact person responsible for corrective action: Dayne Chance, Director of Financial Aid at 908-709-7089

FINDINGS — FEDERAL AWARD PROGRAMS AUDITS (CONTINUED)

2018-004 Student Financial Aid – CFDA No. 84.007, 84.268, 84.063, 84.033

Recommendation: We recommend the College review their procedures around verification and ensure students who are selected for verification provide the correct documentation in a timely manner. If the College is unable to obtain verification documentation, there should be procedures in place to ensure Pell Grant monies disbursed to the student is returned.

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

Action taken in response to finding: Union County College will revise our procedures surrounding verification and create an internal comparison report to ensure students who are selected provide the correct documentation or return any Pell Grant funds, if disbursed.

Name of the contact person responsible for corrective action: Dayne Chance, Director of Financial Aid at 908-709-7089

NEW JERSEY DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

2018-005 New Jersey Youth Corps. – ACNY16N

Recommendation: We recommend the College review their procedures around reporting and ensure that the reports are submitted to the State before or on the dates that are outlined the in the grant agreement.

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

Action taken in response to finding: The Master Grant File maintained by Finance which contains all reporting due dates will now include grant submittal dates. The report for this grant has an unusually short submittal deadline and will now require an earlier collaboration between Finance and the Grant Administration to ensure timely reporting.

Name of the contact person responsible for corrective action: Jane Kane, Director, Financial Operations & Grants Accounting at 908-709-7169

If the Department of Education or Department of Labor has questions regarding these plans, please contact the appropriate individual outlined above.