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**Union County College**

Cranford - Elizabeth  
Plainfield - Scotch Plains

# REPORT OF AUDIT

FISCAL YEAR ENDED JUNE 30, 2010 • CRANFORD, NEW JERSEY

**UNION COUNTY COLLEGE**  
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# **INTRODUCTORY SECTION**

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2010**

UNION COUNTY COLLEGE

**MEMBERS OF THE BOARD OF TRUSTEES**

AS OF JUNE 30, 2010

<b><u>NAME</u></b>	<b><u>TERM EXPIRES</u></b>
Victor M. Richel, Chair	2014
James R. Perry, Vice Chair	2012
Frank A. Bolden, Esq.	2010
George A. Castro, II	2010
Dr. Carmen M. Centuolo	By virtue of office as County Supt of Schools
Dr. John R. Farrell, Jr.	Ex-Officio
Edward J. Hobbie, Esq.	2011
Wilson Londono	2011
Leibnitz Martinez	2010
Ralph N. Milteer	2013
Roderick Spearman	2012
Mary M. Zimmermann	2013

**MEMBERS OF THE BOARD OF GOVERNORS**

AS OF JUNE 30, 2010

<b><u>NAME</u></b>	<b><u>TERM EXPIRES</u></b>
Elizabeth Garcia, Chair	2012
Edward J. Hobbie, Esq., Vice Chair	2011
Lawrence D. Bashe	2011
Nancy J. Benz	2011
Rhea Brown	2011
Eugene J. Carmody	2011
Dr. John R. Farrell, Jr.	Ex-Officio
Dr. Michael P. Graziano	2013
Andrew Hamilton	2012
Thomas H. Hannen, Jr.	2012
Stephen F. Hehl, Esq.	2013
Donna M. Herran	2013
Jeffrey H. Katz	2013
Karen Lledo	2012
Chester Lobrow	2013
John R. Malcolm	2012
Eric G. Mason	2012
Francis Raudelunas	2013
Victor M. Richel	2012
Frances Sabatino	2012
Carlos N. Sanchez	2012
Roderick Spearman	2012
Mary M. Zimmermann	2012

**UNION COUNTY COLLEGE**

**OTHER COLLEGE OFFICIALS**

**AS OF JUNE 30, 2010**

Dr. John R. Farrell, Jr., Interim President

Dr. Jose Adames, Associate Vice President for Academic Affairs, Plainfield Campus Provost

Dr. Patricia S. Biddar, Executive Director, Assessment Planning & Research

Ellen Dotto, Secretary to the Boards and Executive Director of College Relations

Dr. Ralph L. Ford, Vice President for Student Services

Dr. Barbara Gaba, Associate Vice President for Academic Affairs, Elizabeth Campus Provost

Bernard F. Lenihan, Vice President for Financial Affairs and Treasurer

James Masterson, Executive Director, Development

Dr. Wallace Smith, Vice President for Academic Affairs

# **FINANCIAL SECTION**

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2010**

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Chairman and  
Members of the Board of Trustees  
Union County College  
Cranford, New Jersey 07016

We have audited the accompanying basic financial statements of the business-type activities of Union County College, State of New Jersey, a component unit of the County of Union, State of New Jersey, as of and for the fiscal years ended June 30, 2010 and 2009, which collectively comprise the College's basic financial statements as listed in the table of contents and the financial statements of the discretely presented component unit (Union County College Foundation) for the fiscal year ended June 30, 2010. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit (Union County College Foundation) for the fiscal year ended June 30, 2009. Those financial statements were audited by another auditor whose report thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Union County College Foundation, is based on the report of the other auditor.

We conducted our audits 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 in compliance with audit requirements as prescribed by the Department of Treasury, State of New Jersey. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of the other auditor, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Union County College, State of New Jersey, and the discretely presented component unit, as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2010, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

The accompanying management's discussion and analysis (MD&A) as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
November 23, 2010

**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 07016

We have audited the accompanying basic financial statements of the business-type activities of Union County College, State of New Jersey, a component unit of the County of Union, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 23, 2010. We did not audit the financial statements of the discretely presented component unit (Union County College Foundation) as of June 30, 2009. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Union County College Foundation, is based on the report of the other auditor. We did audit the financial statements of the discretely presented component unit (Union County College Foundation) as of June 30, 2010. We conducted our audit 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 in compliance with audit requirements as prescribed by the Department of Treasury, State of New Jersey. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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 that are required to be reported under Government Auditing Standards, and audit requirements as prescribed by the Department of Treasury, State of New Jersey.

This report is intended solely for the information and use of the audit committee, board of trustees and management of the College, the Department of Treasury, State of New Jersey, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
November 23, 2010

# **REQUIRED SUPPLEMENTARY INFORMATION**

# Union County College

## Management's Discussion and Analysis

June 30, 2010 and 2009

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, 2010 and 2009. This analysis is designed to focus on current activities, resulting change 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, 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 Statements of Net Assets present 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 total liabilities is reflected in the net assets section, which displays net assets in three broad categories: invested in capital assets, restricted and unrestricted. Net assets are one indicator of the current financial condition of the College, while the change in net assets 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 Assets replace the fund perspective with the entity-wide perspective. Revenues and expenses are categorized as operating or non-operating, 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.

Key Financial Data (\$000)	2010	2009	2008	2010 vs. 2009	
				Inc/(Dec)	% Change
Operating Revenues	\$60,937	\$48,270	\$43,984	\$12,667	26.2%
Educational and General Expense	<u>85,507</u>	<u>71,481</u>	<u>68,008</u>	<u>14,026</u>	19.6%
Operating (Loss)	(24,570)	(23,211)	(24,024)	(1,359)	5.9%
Non-Operating Revenues	23,656	24,170	25,225	(514)	(2.1%)
Capital Contributions and Grants	<u>49,320</u>	<u>321</u>	<u>333</u>	<u>48,999</u>	N/M
Increase (Decrease) in Net Assets	48,406	1,280	1,534	47,126	N/M
Net Assets – Beginning of Year	<u>50,430</u>	<u>49,150</u>	<u>47,616</u>		
<b>Net Assets End of Year</b>	<u>\$98,836</u>	<u>\$50,430</u>	<u>\$49,150</u>	<u>\$48,406</u>	96.0%

# Union County College

## Management's Discussion and Analysis

June 30, 2010 and 2009

The preceding table summarizes key financial data for fiscal years ended June 30, 2010 ("FY 2010"), June 30, 2009 ("FY 2009"), and June 30, 2008 ("FY 2008"). Comparisons represented above show FY 2010 contrasted with FY 2009 with dollar and percentage changes. FY 2009 has been restated to reflect a change in accounting principle as explained in note 14 in the Notes to Financial Statements and to reflect classifications to conform to FY 2010 presentations. This schedule is prepared from the College's Statements of Revenues, Expenses and Changes in Net Assets, which are presented on an accrual basis of accounting, including depreciation.

Operating Revenues (\$000)	2010	2009	2008	2010 vs. 2009	
				Inc/(Dec)	% Change
Tuition & Fees <small>(net of Scholarship Allowance)</small>	\$25,048	\$23,434	\$22,989	\$1,614	6.9%
Federal Grants	25,274	15,532	12,250	9,742	62.7%
State Grants	6,066	5,547	5,208	519	9.4%
Local Grants	1,649	835	219	814	97.5%
Gifts and Contributions	1,186	1,336	1,331	(150)	(11.2%)
Other Operating Revenues	1,714	1,586	1,987	128	8.1%
<b>Total Operating Revenues</b>	<b>\$60,937</b>	<b>\$48,270</b>	<b>\$43,984</b>	<b>\$12,667</b>	<b>26.2%</b>

Total Operating Revenues increased \$12.7 million to \$60.9 million in FY 2010 from \$48.3 million in FY 2009. The principle reasons for the increase were:

- ❖ Student Tuition and Fee revenues reflected a 4.4% tuition rate increase in FY 2010 and a 3.5% increase in student enrollment. Scholarship Allowances, which principally represents tuition and fees paid by Federal, State and local grants and netted against tuition and fees, increased \$3.0 million or 25.8% in FY 2010 over FY 2009 primarily because of increases in awarded institutional financial aid in the current fiscal year as explained below.
- ❖ Revenue from Federal grants increased \$9.7 million, or 62.7%, primarily from an increase in the Pell financial aid award. Pell is Federal need-based financial aid awarded to students. The amount of the award is based on cost of attendance, enrollment status, the student's expected family contribution and the student's full-time or part-time status. Pell Grants are considered a foundation of federal financial aid, to which aid from other federal and non-federal sources might be added. The maximum Pell grant award for the 2009-10 award year was \$5,350, an increase of \$619 from the 2008-09 award year. This figure included the maximum amount of \$4,850 appropriated in the American Recovery and Reinvestment Act of 2009 ("ARRA"), as well as the automatic \$490 increase established by the College Cost Reduction and Access Act of 2007. The combination of the increased award availability, increased eligibility because of worsening economic conditions and increased staff efficiencies in processing financial aid applications accounted for the year over year growth in Pell awards.

In addition, during FY 2010, The College obtained approximately \$350 thousand from the United States Department of Labor Employment and Training Administration under its Workforce Innovation in Regional Economic Development Initiative to integrate economic development, workforce development, education and private industry into developing talent in regional economies. The College had no similar funding in FY 2009.

# Union County College

## Management's Discussion and Analysis

June 30, 2010 and 2009

- ❖ Revenues from State grants increased as a result of an approximate increase of \$1.1 million from the Tuition Aid Grant ("TAG") NJ Financial Aid Program, a state financial aid program that is administered by the New Jersey Higher Education Student Assistance Authority, net of a reduction in other State workforce training programs due to overall State budget reductions.

Total Operating Revenues increased \$4.3 million to \$48.3 million in FY 2009 from \$44.0 million in FY 2008. The principal reasons for the increase were:

- ❖ Student Tuition and Fee revenues reflected a 3.4 % tuition rate increase in FY 2009 and a 3.8% increase in student enrollment. Scholarship Allowances, which principally represents tuition and fees paid by Federal, State and local grants and netted against tuition and fees, increased \$2.1 million or 22.7% in FY 2009 over FY 2008 primarily because of an increase in awarded institutional financial aid in the current fiscal year as a result of increased grants as explained below.
- ❖ Revenue from Federal grants grew \$3.3 million primarily from an increase in the Pell financial aid award. The per student maximum has increased year to year since FY 2006. In addition, more eligible students have enrolled at the College resulting from economic factors. During FY 2009, the College obtained funding from several new and supplemental Federal competitive grants that contributed an additional \$1.0 million to the Federal Grants revenues.
- ❖ Revenues from State grants increased as a result of a \$170 thousand increase in NJ STARS scholarship program for NJ residents who are in the top 15% of their class, and an increase of \$135 thousand in an existing State contract for occupational training in the areas of accounting, office skills and medical billing.
- ❖ Local Grant and Other Operating Revenues decreased \$262 thousand reflecting a \$183 thousand increase in the Prisoner Reentry Initiative program from the Nicholson Foundation, net of an accounts receivable write off reversing amounts written up in FY 2008.

# Union County College

## Management's Discussion and Analysis

June 30, 2010 and 2009

Operating Expense (\$000)	2010	2009	2008	2010 vs. 2009	
				Inc/(Dec)	% Change
Instructional	\$36,325	\$33,158	\$30,501	\$3,167	9.6%
Public Service	1,451	1,486	1,558	(35)	(2.4%)
Academic Support	4,293	3,964	3,950	329	8.3%
Student Services	5,786	5,350	5,233	436	8.1%
Institutional Support	14,626	12,689	11,988	1,937	15.3%
Plant	7,797	6,354	6,850	1,443	22.7%
Student Aid	11,898	5,622	4,911	6,276	111.6%
Depreciation	3,282	2,848	2,950	434	15.2%
Total Operating Expenses	<u>85,458</u>	<u>71,471</u>	<u>67,941</u>	<u>13,987</u>	<u>19.6%</u>
Interest on Capital Asset Related Debt	49	10	67	39	390.0%
<b>Total Operating Expenses</b>	<u><b>\$85,507</b></u>	<u><b>\$71,481</b></u>	<u><b>\$68,008</b></u>	<u><b>\$14,026</b></u>	<u><b>19.6%</b></u>

Operating Expenses in FY 2010 increased \$14.0 million over the same period in FY 2009. The major areas of change were:

- ❖ Instructional Expense increased \$3.2 million or 9.6%, as a result of 3.5% enrollment growth requiring additional instructional staff with a corresponding increase in benefits costs and requiring an increase in instructional material and service expenses to support the enrollment increase. In addition, bargaining units' increases approximating 3.25% contributed to the FY 2010 increase.
- ❖ Institutional Support increased \$1.9 million or 15.3% reflecting \$800 thousand of project management cost incurred in conjunction with the software implementation of a College-wide Enterprise Resource Planning ("ERP") project. Other factors contributing to this increase included the approximate 3.25% bargaining units' increases that added \$451 thousand of additional employee salary and benefit costs.
- ❖ Plant Expense increased \$1.4 million or 22.7% year over year as a result of the opening of a new classroom building, the Elizabeth 1 Kellogg Building ("Kellogg Building"), on the Elizabeth Campus in September 2009
- ❖ Student Aid increased \$6.3 million or 111.6%, primarily as a result of the significant increase in Pell grants in FY 2010 compared with FY 2009. Pell grants include funds for other expenses incurred while attending College. The combination of increased Pell award availability, increased eligibility because of worsening economic conditions and increased staff efficiencies in processing financial aid applications provided increased amounts of other expenses remitted to students.

# ***Union County College***

## **Management's Discussion and Analysis**

**June 30, 2010 and 2009**

Operating Expenses in FY 2009 increased \$4.2 million over the same period in FY 2008. The major areas of change were:

- ❖ Instructional Expense increased \$3.5 million or 5.1%, as a result of 3.8% enrollment growth requiring additional instructional staff with a corresponding increase in benefits costs also requiring an increase in instructional material and service expenses to support the enrollment increase. In addition, bargaining unit increases of 4% contributed to the FY 2009 increase.
- ❖ Institutional Support increased \$701 thousand or 5.8% reflecting a 4% increase in institutional salaries, and reclassification of employees' tuition remission, formerly classified principally Instructional Expense, to Institutional Support to better reflect its nature.
- ❖ Plant Expense decreased \$496 thousand or 7.2% year over year due to an above average level of higher cost maintenance initiatives in FY 2008, including projects for security notification, parking lot paving, and storm water drainage, gymnasium lighting and plumbing replacements. FY 2009 Plant Expense reflects more normal levels of maintenance activity.
- ❖ Student Aid increased \$711 thousand primarily resulting from a \$1.7 million increase in Pell grants in FY 2009 compared with FY 2008.

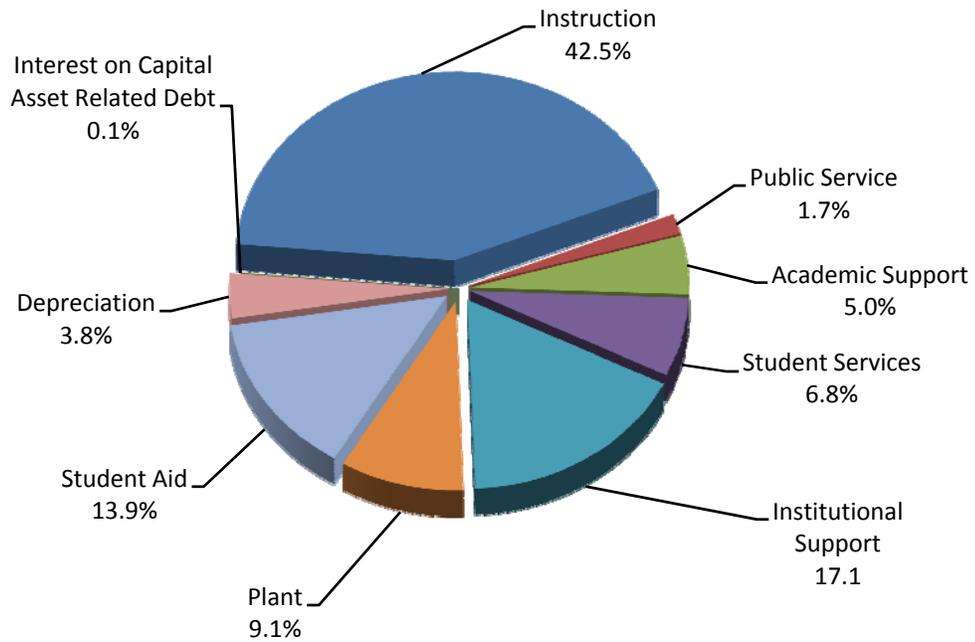
# Union County College

## Management's Discussion and Analysis

June 30, 2010 and 2009

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

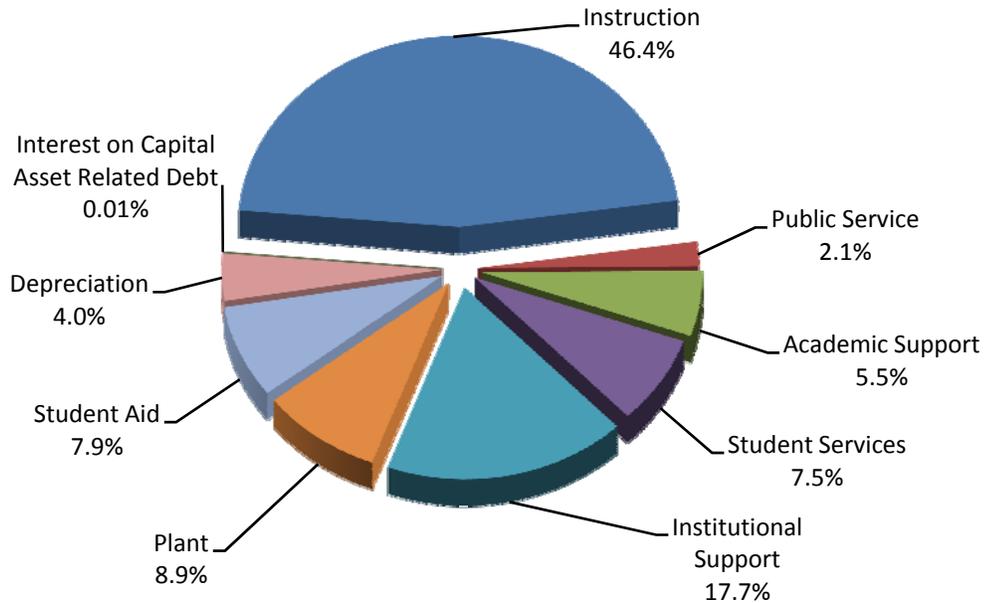
### Operating Expenses For Year End June 30, 2010



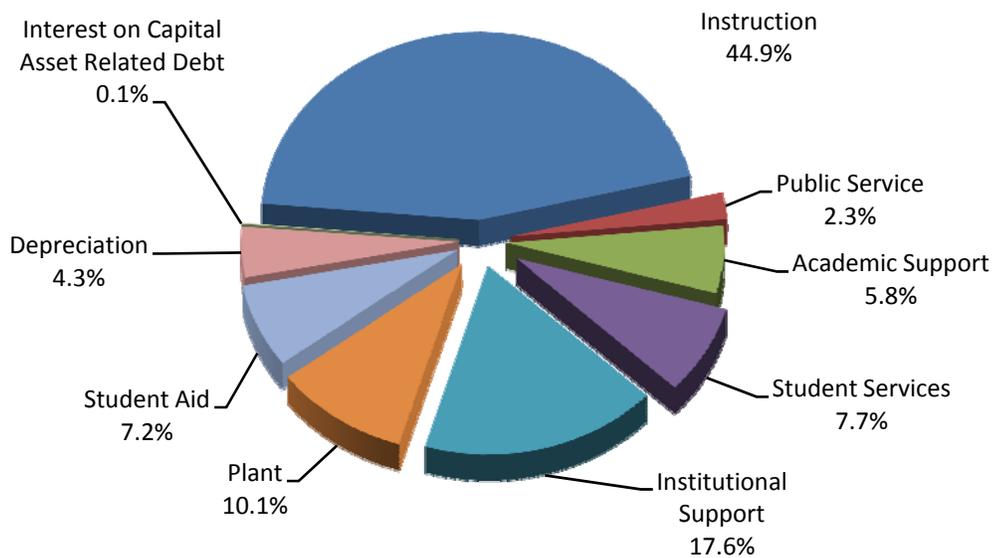
# Union County College

Management's Discussion and Analysis  
June 30, 2010 and 2009

## Operating Expenses For Year End June 30, 2009



## Operating Expenses For Year End June 30, 2008



# Union County College

## Management's Discussion and Analysis

June 30, 2010 and 2009

### Operating Loss

The College reported an operating loss of \$24.5 million in FY 2010 as compared to a loss of \$23.2 million in FY 2009. The continual magnitude of this loss reinforces the dependence and importance to the institution of two major components of non-operating 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.

<b>Non-Operating Revenues (\$000)</b>	2010	2009	2008	2010 vs. 2009	
				Inc/(Dec)	% Change
State Appropriations	\$10,473	\$11,015	\$12,088	(\$ 542)	(4.9%)
Federal Appropriations	<u>518</u>	<u>0</u>	<u>0</u>	<u>518</u>	
State and Federal Appropriations	10,991	11,015	12,088	(24)	(0.2%)
County Appropriations	12,523	12,523	12,217	0	0.0%
Investment Income	<u>142</u>	<u>632</u>	<u>920</u>	<u>(490)</u>	<u>(77.5%)</u>
<b>Total Non-Operating Revenues</b>	<b>\$23,656</b>	<b>\$24,170</b>	<b>\$25,225</b>	<b>(\$514)</b>	<b>(2.1%)</b>

The College relies on non-operating revenue to subsidize the cost of education of its students. Chief among these revenues are the Appropriations of County and State aid. Funding from non-operating revenues decreased \$514 thousand, or 2.1%, in FY 2010. The impact of flat or little growth in Appropriations of County and State funds in an increasing enrollment environment puts added pressure on the College's Tuition and Fee structure because income from students, including from all sources, provides only 68% of the College's operating expense. The result is a continuance of a significantly higher proportion of the College's revenue sources coming from its student base than is the case with other community colleges in New Jersey.

During FY 2010, New Jersey State Appropriations for the Community College Sector decreased 11.0% from Appropriations granted in FY 2009. However, this was partially offset by an effective 5% increase that was funded through the ARRA. State Appropriations, and in FY 2010 Federal ARRA, are allocated among the State's community colleges based upon a formula that includes the preceding year's credit hours. The net decrease of \$24 thousand in FY 2010 State and Federal Appropriations from FY 2009 levels resulted as a consequence of the reduction in State Appropriations to the sector, partially offset by Federal ARRA to the sector, and further offset by a 0.3% increase in fundable credit hours for the College relative to the rest of the sector.

Also contributing to the year over year decrease in FY 2010 non-operating revenues was a \$490 thousand reduction in Investment Income that was a consequence of an increased operating loss of \$1.3 million in FY 2010 over 2009 and reduced returns realized during the economic downturn that began in late 2008.

In FY 2009, funding from non-operating revenues decreased \$1.1 million, or 4.2%, from the previous fiscal year principally because State Appropriations decreased 8.9% year over year. This was a result of an overall Appropriation reduction for the New Jersey Community College sector of 8.8% plus a decrease in fundable credit hours for the College relative to the rest of the sector of 0.5%. Partially offsetting this decrease was a 2.5% increase in appropriations from the

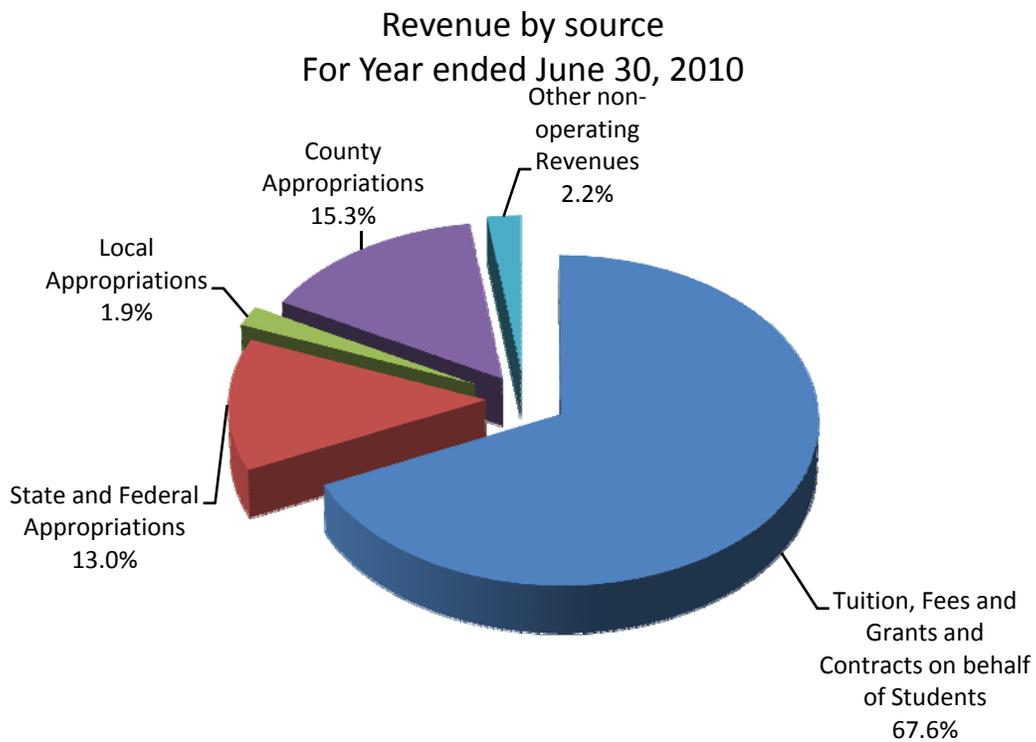
# Union County College

## Management's Discussion and Analysis

June 30, 2010 and 2009

County of Union reflecting the economic conditions at the time of its appropriation. In addition, Investment Income decreased \$288 thousand, or 31.3% reflecting both an increased operation loss in FY 2009 compared to FY 2008 and the economic downturn that began in late 2008

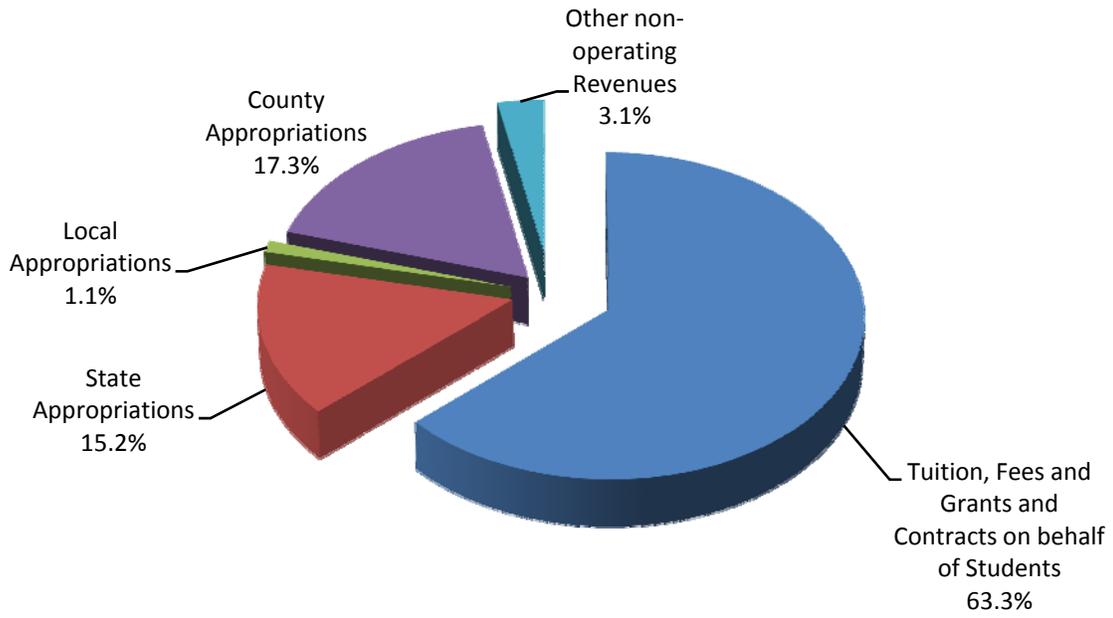
The following are graphic illustrations of revenue by source for each fiscal year:



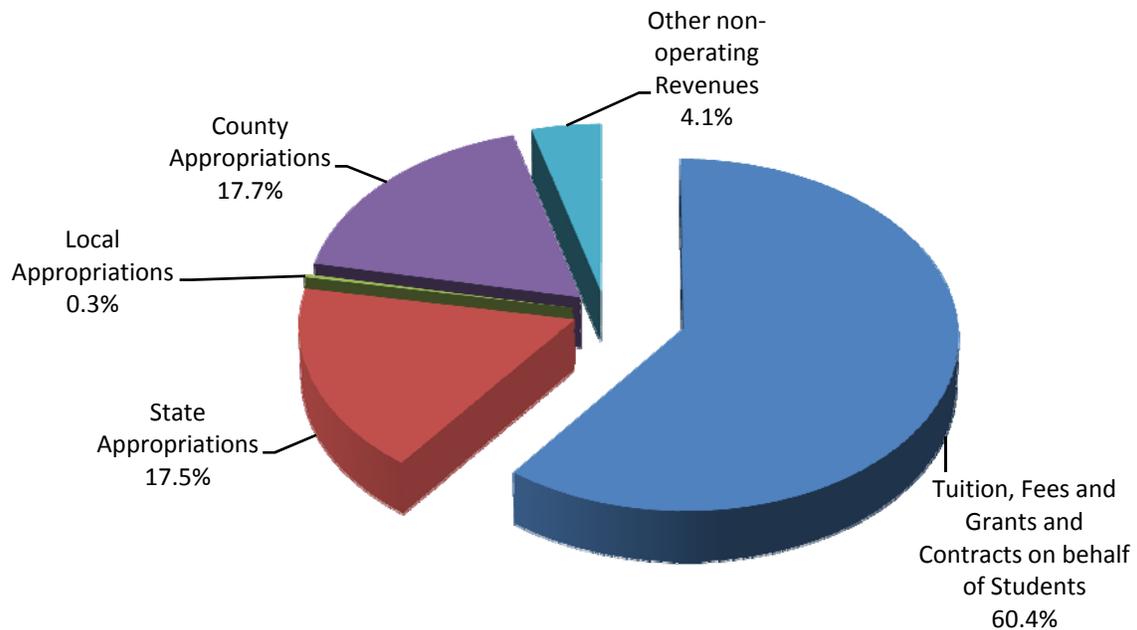
# Union County College

Management's Discussion and Analysis  
June 30, 2010 and 2009

Revenue by source  
For Year ended June 30, 2009



Revenue by source  
For Year Ended June 30, 2008



# Union County College

## Management's Discussion and Analysis

June 30, 2010 and 2009

### Capital Contributions and Grants

Capital Contributions and Grants increased \$46.9 million in FY 2010 compared to FY 2009, reflecting the capital contribution made by the County of Union ("County") in August 2009 of the Kellogg Building on the College's Elizabeth Campus. The value of the contribution represents the difference between the value of the College's lease payments and the value of the building at contribution date.

<b>Net Assets (\$000)</b>	2010	2009	2008	2010 vs. 2009	
				Inc/(Dec)	% Change
Current Assets	\$26,118	\$25,835	\$23,958	283	1.1%
Non-current Assets					
Deposits held by trustees	0	0	188	0	
Capital assets, net of depreciation	100,379	35,773	35,080	64,606	180.6%
Total Assets	<u>126,497</u>	<u>61,608</u>	<u>59,226</u>	<u>64,889</u>	<u>105.3%</u>
Current Liabilities	11,057	11,178	10,076	(121)	(1.1%)
Non-current Liabilities	16,604	0	0	2,190	
Total Liabilities	<u>27,661</u>	<u>11,178</u>	<u>10,076</u>	<u>2,069</u>	<u>18.5</u>
<b>Total Net Assets</b>	<u>\$98,836</u>	<u>\$50,430</u>	<u>\$49,150</u>	<u>\$48,406</u>	<u>96.0</u>

Current Assets increased \$283 thousand or 1.1% when comparing FY 2010 and FY 2009. Cash levels were \$19.8 million in FY 2010 versus \$21.9 million in FY 2009. Much of this decrease in cash was expended on the Kellogg Building fit-up during the first quarter of fiscal year 2010. Net Capital Assets (the only non-current asset in FY 2010) increased \$64.6 million because of \$68.5 million of capital acquisitions related primarily to the Kellogg Building and a \$14.1 million easement that the College entered into with the Parking Authority of the City of Elizabeth providing the College exclusive rights to 600 parking spaces. Offsetting these additions was depreciation expense of \$3.3 million.

Current Liabilities decreased \$121 thousand year over year or 1.1%. Decreases in Deferred Revenue related to Student Tuition and Fees and Federal and State Grants contributed to this reduction.

Current Assets increased \$1.9 million or 7.8% when comparing FY 2009 and FY 2008. Cash levels were \$21.9 million in FY 2009 versus \$21.0 million in FY 2008. Much of this additional increase in cash was expended on the Kellogg Building fit-up during the first quarter of fiscal year 2010. Grants receivables increased \$1.0 million in FY 2009, principally from a delay in the receipt of \$555 thousand in the grant monies incurred for expenditures in conjunction with the Carl D. Perkins Grant due to a processing change instituted by the provider. In addition, receivables reflected growth of \$95 thousand from the Center for Student Success (Title V) and \$233 thousand from the Adult Basic Skills grant. Net Capital Assets (the only non-current asset in FY 2009) increased because of \$3.6 million of capital acquisitions during the current fiscal year, offset by depreciation expense of \$2.8 million.

# **Union County College**

## **Management's Discussion and Analysis**

**June 30, 2010 and 2009**

### **Summary and Outlook**

Although the College's financial position is currently sound, the economic position of the College is closely tied to that of the State of New Jersey and the County of Union New Jersey because the College is dependent upon State and County Appropriations to offset the Operating Loss it incurs from the excess of the cost of education over the revenues it receives from tuition, fees and tuition assistance grants, contracts and gifts. These appropriations and Federal, State and local grants and contracts are influenced by the national, State and local economic climate.

Looking forward begins with student enrollment growth which is dependent on an array of factors including population growth rate, unemployment rate, and the number of high school graduates in Union County and the surrounding areas. During FY 2010 student enrollment increased 3.5%, and the fall 2010 enrollment increased approximately 3.2% over the preceding fall semester. Further, the College Tuition and Fee credit hour rates for FY 2011 will increase \$9.00 (7.4%). If realized, the combination of increases in student enrollment and the increase in tuition rates will likely add \$3.8 million (6.6%) to FY 2011 Operating Revenues from FY 2010 amounts.

Although management continues to place great emphasis on cost containment to mitigate rising costs and to minimize tuition increases, major operating expenses have increased this past year and are expected to increase in the future. Salaries and benefits account for approximately 70% of the College's operating expenses. Bargaining agreements, both existing and in process of negotiation, will likely dictate salary increases approximating \$1.3 million dollars (3.2%), annually through June 30, 2012. In addition, health benefit premiums will increase 15% in January 2011 and despite employee contributions, will increase \$846 thousand (17%) to fringe benefit expense for the year ending June 30, 2011. In total, the known events impacting expense to provide for educational and general services are expected to increase approximately \$2.5 million (2.7%) from the FY 2010 level.

The College continues to maintain most of its liquid assets in cash. At fiscal year-end the cash position of the College is seasonally high to prepare for payment of continued operating expenses during the months before the next significant influx of tuition and grant monies. Interest rates on the cash position have decreased significantly during FY 2010, and we do not expect a turnaround during FY 2011.

The College is continuing its investment in technology; it is in the implementation stage of replacing the current management information system with a College-wide ERP, intended to provide systematic, integrated management information. This project is expected to extend throughout next year at an estimated cost of \$3.5 million.

Additional capital projects planned in FY 2011 include extensive renewal and replacement of HVAC units in various buildings throughout the College, and elevator replacements at the Lessner Building at the Elizabeth campus. In addition, pending funding, the College is planning significant renovation of the Lessner Building to provide for increased student services attendant with the increased capacity of the Elizabeth campus. Such renovations will continuously be in the planning stages in FY 2011, with renovation to begin in FY 2012, and a preliminary estimate of \$3.5 million.

# ***Union County College***

## **Management's Discussion and Analysis**

**June 30, 2010 and 2009**

Identifying the funding sources for the facilities maintenance, renewal and replacement plans continues to be challenging in this economic environment. The College currently relies principally on two sources of funding to support its capital initiatives: capital appropriations from the County, and capital support from state under "Chapter 12" funding pursuant to various sections of New Jersey Statutes Annotated. "Chapter 12" Funding will be eliminated in FY 2011 and the State has made no final determination if it will be in existence thereafter.

With consideration of the current economic climate, and with the continued support of the County and the State, the College expects to remain financially sound and able to assure that the quality and extent of services and instruction to students is not compromised.

# **BASIC FINANCIAL STATEMENTS**

**UNION COUNTY COLLEGE**  
Statements of Net Assets  
As of June 30, 2010 and 2009

	<u>2010</u>		<u>2009</u>	
	<u>College</u>	<u>Component Unit UCC Foundation</u>	<u>(Restated) College</u>	<u>Component Unit UCC Foundation</u>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 8,777,945	\$ 141,012	\$ 5,571,637	\$ 171,947
Investments	11,000,000	1,074,359	16,300,000	2,073,967
Student Accounts Receivable, net	170,791		685,365	
Grants Receivable	3,361,143		1,888,422	
State of New Jersey Receivable:				
Alternative Benefit Program	385,039		214,422	
State Appropriation	381,000			
County of Union Receivable	725,247		406,566	
Accrued Interest Receivable	37,548		70,688	
Other Receivables	1,279,300	118,365	695,906	1,101,946
Prepaid Expenses			1,867	
Other Assets		124,508		155,975
	<u>26,118,013</u>	<u>1,458,244</u>	<u>25,834,873</u>	<u>3,503,835</u>
Non-Current Assets:				
Endowment Investments		8,540,918		8,654,914
Other Receivables		13,518		32,024
Capital Assets, net	100,379,425	598,129	35,773,097	515,760
	<u>100,379,425</u>	<u>9,152,565</u>	<u>35,773,097</u>	<u>9,202,698</u>
Total Assets	<u>126,497,438</u>	<u>10,610,809</u>	<u>61,607,970</u>	<u>12,706,533</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	2,853,337	19,903	2,962,381	
Accrued Expenses	5,873,963	26,809	5,367,687	29,895
Due to State of New Jersey	379,840		371,609	
Deferred Revenue:				
Student Tuition and Fees	1,279,384		1,530,634	
Federal and State Grants	564,537		945,542	
Other		14,060		15,760
Capital Lease, Current Portion	105,985			
	<u>11,057,046</u>	<u>60,772</u>	<u>11,177,853</u>	<u>45,655</u>
Non-Current Liabilities:				
Capital Lease, Non-Current Portion	16,604,771			
Gift Annuity Fund Payable		39,008		44,693
	<u>16,604,771</u>	<u>39,008</u>	<u>-</u>	<u>44,693</u>
Total Liabilities	<u>27,661,817</u>	<u>99,780</u>	<u>11,177,853</u>	<u>90,348</u>
<b>NET ASSETS</b>				
Investment in Capital Assets, net of related debt	83,617,312	598,129	35,773,097	515,760
Restricted for:				
Non-Expendable:				
Program		834,508		682,255
Scholarships		7,706,410		7,972,659
Debt Service Reserve				
Expendable:				
Program		10,043		8,112
Scholarships		373,062		334,784
Other		988,877		3,101,754
Unrestricted	15,218,309		14,657,020	861
Total Net Assets	<u>\$ 98,835,621</u>	<u>\$ 10,511,029</u>	<u>\$ 50,430,117</u>	<u>\$ 12,616,185</u>

The Accompanying Notes to Financial Statements are an integral part of this statement.

**UNION COUNTY COLLEGE**  
 Statements of Revenues, Expenses and Changes in Net Assets  
 For the Fiscal Years Ended June 30, 2010 and 2009

	<u>2010</u>		<u>2009</u>	
	<u>College</u>	<u>Component Unit UCC Foundation</u>	<u>(Restated) College</u>	<u>Component Unit UCC Foundation</u>
<b>REVENUES</b>				
Operating Revenues:				
Student Tuition and Fees	\$ 39,655,161		\$ 35,045,379	
Less Scholarship Allowances	(14,607,484)		(11,611,243)	
Net Student Tuition and Fees	25,047,677		23,434,136	
Federal Grants	25,274,362		15,532,263	
State Grants	6,065,966		5,547,217	
Local Grants	1,649,413		834,861	
Gifts and Contributions	1,186,771	\$ 484,428	1,336,027	\$ 656,704
Other	1,712,607		1,585,504	
Total Operating Revenue	<u>60,936,796</u>	<u>484,428</u>	<u>48,270,008</u>	<u>656,704</u>
<b>EXPENSES</b>				
Operating Expenses:				
Educational and General:				
Instructional	36,324,810		33,157,319	
Public Service	1,450,904		1,485,866	
Academic Support	4,292,918		3,963,529	
Student Services	5,785,889		5,350,213	
Institutional Support	14,626,287		12,689,446	
Operations and Maintenance of Plant	7,797,450		6,353,700	
Student Aid	11,897,808	405,272	5,622,709	463,942
Depreciation	3,282,178	3,956	2,848,430	3,956
Other Expenses		3,451,894		1,034,351
Total Operating Expenses	<u>85,458,244</u>	<u>3,861,122</u>	<u>71,471,212</u>	<u>1,502,249</u>
Operating Gain (Loss)	<u>(24,521,448)</u>	<u>(3,376,694)</u>	<u>(23,201,204)</u>	<u>(845,545)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State Appropriations	10,473,496		11,015,015	
County Appropriations	12,522,650		12,522,650	
Federal Appropriations	518,483			
Investment Income (Loss)	141,034	985,534	632,456	(1,441,217)
Interest on Capital Asset Related Debt	(48,644)		(9,818)	
Additions to Permanent Endowments		286,004		312,092
On-Behalf Payments - Alternative Benefit Program:				
Teachers Insurance Annuity Association (TIAA):				
Revenues	1,460,248		1,367,105	
Expenses	(1,460,248)		(1,367,105)	
Net Non-Operating Revenues	<u>23,607,019</u>	<u>1,271,538</u>	<u>24,160,303</u>	<u>(1,129,125)</u>
Income (Loss) before Other Revenues	(914,429)	(2,105,156)	959,099	(1,974,670)
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>49,319,933</u>		<u>320,980</u>	
Increase (Decrease) in Net Assets	48,405,504	(2,105,156)	1,280,079	(1,974,670)
Net Assets - Beginning of Year	50,430,117	12,616,185	49,150,038	14,590,855
Net Assets - End of Year	<u>\$ 98,835,621</u>	<u>\$ 10,511,029</u>	<u>\$ 50,430,117</u>	<u>\$ 12,616,185</u>

The Accompanying Notes to Financial Statements are an integral part of this statement.

**UNION COUNTY COLLEGE**  
 Statements of Cash Flows  
 For the Fiscal Years Ended June 30, 2010 and 2009

	<b>2010</b>	<b>2009</b>
	<b><u>College</u></b>	<b><u>(Restated)</u></b>
		<b><u>College</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Revenue	\$ 12,563,701	\$ 16,302,112
Government Grants	31,136,015	20,537,599
Payments to Suppliers	(16,213,621)	(13,453,485)
Payments for Employee Salaries and Benefits	(55,023,613)	(48,045,565)
Gifts and Contributions	1,186,771	1,032,961
Other Receipts (Payments), net	<u>2,899,379</u>	<u>2,377,871</u>
Net Cash Used in Operating Activities	<u>(23,451,368)</u>	<u>(21,248,507)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	10,473,496	11,015,015
County Appropriations	12,522,650	12,522,650
Federal Appropriations	<u>518,483</u>	<u></u>
Net Cash Provided by Noncapital Financing Activities	<u>23,514,629</u>	<u>23,537,665</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Change in Deposits Held by Bond Trustees		(187,990)
Capital Grants	49,228	320,980
Purchase of Capital Assets	(2,331,711)	(1,279,782)
Principal Paid on Long-term Debt		(855,000)
Interest Paid on Long-term Debt	<u>(48,644)</u>	<u>(9,818)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(2,331,127)</u>	<u>(2,011,610)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(11,000,000)	(16,300,000)
Maturity of Investments	16,300,000	
Interest on Investments	<u>174,174</u>	<u>570,330</u>
Net Cash Provided by (Used in) Investing Activities	<u>5,474,174</u>	<u>(15,729,670)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,206,308	(15,452,122)
Cash and Cash Equivalents - Beginning of Year	<u>5,571,637</u>	<u>21,023,759</u>
Cash and Cash Equivalents - End of Year	<u>\$ 8,777,945</u>	<u>\$ 5,571,637</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	\$ (24,521,448)	\$ (23,201,204)
Adjustment to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	3,282,178	2,848,430
Changes in Assets and Liabilities:		
Receivables, net	(2,093,157)	(933,616)
Prepaid Expenses	1,867	769,287
Accounts Payable and Accrued Expenses	511,447	1,152,211
Deferred Revenue:		
Student Tuition and Fees	(251,250)	(1,994,268)
Federal and State Grants	<u>(381,005)</u>	<u>110,653</u>
Net Cash Used in Operating Activities	<u>\$ (23,451,368)</u>	<u>\$ (21,248,507)</u>

The Accompanying Notes to Financial Statements are an integral part of this statement.

**UNION COUNTY COLLEGE**  
Notes to Financial Statements  
For the Fiscal Years Ended June 30, 2010 and 2009

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Reporting Entity** - 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. It enrolls approximately 5,400 full-time and 11,000 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 non-voting 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 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 trusts vested as of the date Union College, a two year private College, began functioning as Union County College. The Board of Governors are 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 27 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.

**Component Units** – 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 discreetly 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 and 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.

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 and awards to qualifying students. The Foundation solicits public and private contributions to carry out its objectives. The board of trustees of the Foundation, which consist of at least 15 and no more than 25 persons, is self-perpetuating and consists of qualified persons elected by majority vote of the board of trustees of the Foundation.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Component Units (Cont'd)** - Although the College does not control the timing or amount of receipts from the Foundation, the Foundation's assets are used exclusively for the benefit, support, and promotion of the College and its educational activities. Because these resources held by the Foundation can only be used by, or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented as part of the College's basic financial statements.

During the fiscal years ended June 30, 2010 and 2009, the Foundation distributed \$3,396,977 and \$851,462 respectively, to the College for both restricted and unrestricted purposes.

The individual reports of audit for the Foundation for the fiscal years end June 30, 2010 and 2009 can be obtained at the Foundation offices at the following address during normal business hours:

Union County College Foundation  
1033 Springfield Avenue  
Cranford, New Jersey 07016

**Basis of Presentation** - The College financial statements are presented in accordance with 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 assets, revenues, expenses, changes in net assets, 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*. 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 assets.

New Jersey community colleges are limited as to the types of securities and types of financial institutions they may invest in. N.J.S.A. 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Community Colleges.

Additionally, the College has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. 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 five percent 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.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Prepaid Expenses** - Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2010.

**Tuition** - Each year the Board of Trustees sets tuition rates on a per credit hour basis. Rates vary based upon residence within Union County, out of county or out of state. Tuition revenue is earned in the fiscal year the classes are taken.

**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 and non-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 college in an amount no less than 25% of the operational expense in the base State Fiscal year.

**Deferred Revenue** - Deferred revenue represents tuition revenue that has been received before June 30, 2010 for classes that are scheduled in fall 2010 as well as some end of summer semesters of 2010. It also includes cash, which has been received for grants, but not yet earned.

**Capital Assets** - Capital assets include land, buildings and improvements and equipment. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

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

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	20 - 40
Equipment	3 - 20

Depreciation expense for the fiscal years ending June 30, 2010 and 2009 was \$3,282,178 and \$2,848,430 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 Alternative 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.

**Reclassifications** – Certain prior year amounts have been reclassified to conform to current year presentation.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**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, 2010 and 2009 was \$921,982 and \$882,744 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 the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the OMB A-133 Compliance Supplement.

**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 assets. 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 either operating or non-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, 2010 and 2009 was \$14,607,484 and \$11,611,243 respectively.

**On-Behalf Payments for Pension Contributions** - In fiscal year 1997 the College adopted the requirements of Governmental Accounting Standards Board (GASB) Statement No. 24 – *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. GASB No. 24 recommends that revenue and expenditures be recorded in the financial statements for the State of New Jersey On-Behalf Payments for the Alternative Benefit Program.

**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 non-operating 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.

**Non-operating Revenues** – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating 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 appropriations and investment income.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Net Assets** – The College’s net assets are classified as follows:

**Investment in Capital Assets** – This represents the College’s total investment in capital assets.

**Restricted for Non-Expendable Net Assets** – Restricted non-expendable net assets include resources in which the College is prohibited from expending the principal portion of the funds and is legally or contractually obligated to spend the interest earnings in accordance with restrictions imposed by external third parties.

**Restricted for Expendable Net Assets** – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

**Unrestricted Net Assets** – Unrestricted net assets represent 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.

**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 may not be returned to it. Although the College does not have a formal policy regarding custodial credit risk, as described in Note 1, 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. As of June 30, 2010 and 2009 the College’s bank balances were exposed to custodial credit risk as follows:

	<b><u>2010</u></b>	<b><u>2009</u></b>
Insured Under F.D.I.C.	\$ 506,296	\$ 250,000
Collateralized under GUDPA	<u>9,712,578</u>	<u>5,688,901</u>
	<u>\$ 10,218,874</u>	<u>\$ 5,938,901</u>

**Note 3: INVESTMENTS - DEPOSITS HELD BY BOND TRUSTEES**

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either the counterparty or the counterparty’s trust department or agent but not in the College’s name. The College’s investments for FY 2010 and FY 2009 are \$11,000,000 and \$16,300,000 in Certificates of Deposits at various banks.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. does not limit the investment types that County Colleges may purchase and the College has no investment policy that would limit its investment choices.

**Note 3: INVESTMENTS - DEPOSITS HELD BY BOND TRUSTEES (CONT'D)**

**Concentration of Credit Risk** – The College does not place a limit on the amount that may be invested in any one issuer. All of the College's investments are in mutual funds.

As of June 30, 2010 and 2009, the College had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>	
			<u>2010</u>	<u>2009</u>
Certificates of Deposit	> 3 mos.	N/A	\$ <u>11,000,000</u>	\$ <u>16,300,000</u>

**Note 4: CAPITAL ASSETS**

The following schedule is a summarization of the changes in capital assets by source at June 30, 2010 and 2009:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Capital Assets, Non-Depreciable:</b>					
Land	\$ 3,911,727	\$ 989,310			\$ 4,901,037
Construction in Progress	3,508,236	662,208		\$ (1,426,829)	2,743,615
	<u>7,419,963</u>	<u>1,651,518</u>	<u>-</u>	<u>(1,426,829)</u>	<u>7,644,652</u>
<b>Capital Assets, Depreciable:</b>					
Buildings and Improvements	73,052,446	47,401,784		1,426,829	121,881,059
Intangible Asset - Easement		14,415,112			14,415,112
Equipment	9,979,466	5,034,152	\$ (614,060)		14,399,558
	<u>83,031,912</u>	<u>66,851,048</u>	<u>(614,060)</u>	<u>1,426,829</u>	<u>150,695,729</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Improvements	(46,851,663)	(2,928,187)			(49,779,850)
Equipment	(7,827,115)	(873,420)	519,429		(8,181,106)
	<u>(54,678,778)</u>	<u>(3,801,607)</u>	<u>519,429</u>	<u>-</u>	<u>(57,960,956)</u>
<b>Total Capital Assets, Depreciable net</b>	<u>28,353,134</u>	<u>63,049,441</u>	<u>(94,631)</u>	<u>1,426,829</u>	<u>92,734,773</u>
<b>Capital Assets, net</b>	<u>\$ 35,773,097</u>	<u>\$ 64,700,959</u>	<u>\$ (94,631)</u>	<u>\$ -</u>	<u>\$ 100,379,425</u>

Adjustments represent transfers of completed projects from Construction in Progress.

**Note 4: CAPITAL ASSETS (CONT'D)**

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Capital Assets, Non-Depreciable:</b>					
Land	\$ 3,911,727				\$ 3,911,727
Construction in Progress	1,145,385	\$ 2,607,311		\$ (244,460)	3,508,236
	<u>5,057,112</u>	<u>2,607,311</u>	<u>-</u>	<u>(244,460)</u>	<u>7,419,963</u>
<b>Capital Assets, Depreciable:</b>					
Buildings and Improvements	72,341,426	508,560		202,460	73,052,446
Equipment	9,571,638	472,611	(64,783)		9,979,466
	<u>81,913,064</u>	<u>981,171</u>	<u>(64,783)</u>	<u>202,460</u>	<u>83,031,912</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Improvements	(44,582,569)	(2,269,094)			(46,851,663)
Equipment	(7,308,205)	(579,336)	60,426		(7,827,115)
	<u>(51,890,774)</u>	<u>(2,848,430)</u>	<u>60,426</u>	<u>-</u>	<u>(54,678,778)</u>
<b>Total Capital Assets, Depreciable net</b>	<u>30,022,290</u>	<u>(1,867,259)</u>	<u>(4,357)</u>	<u>202,460</u>	<u>28,353,134</u>
<b>Capital Assets, net</b>	<u>\$ 35,079,402</u>	<u>\$ 740,052</u>	<u>\$ (4,357)</u>	<u>\$ (42,000)</u>	<u>\$ 35,773,097</u>

Adjustments represent transfers of completed projects from Construction in Progress. The \$42,000 net adjustment was reclassified to expense for fiscal year 2009.

**Note 5: ACCRUED COMPENSATED ABSENCES**

It is the College policy to reimburse employees upon termination for accrued vacation at their current rate of pay. Physical Plant 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 240 hours and 210 hours respectively. As of June 30, 2010 and 2009, the liabilities for accrued expenses consist of the following:

	<u>2010</u>	<u>2009</u>
<b>Vacation:</b>		
Balance Beginning of Fiscal Year	\$ 1,013,651	\$ 944,559
Increase	<u>106,759</u>	<u>69,092</u>
Balance End of Fiscal Year	<u>\$ 1,120,410</u>	<u>\$ 1,013,651</u>

**Note 6: PENSION PLANS**

Substantially all of the College's employees participate in one of the two following defined benefit pension plans or defined contribution pension plan: (1) the Public Employees' Retirement System or (2) the New Jersey Alternative Benefit Program, both of which are administered and/or regulated by the New Jersey Division of Pensions. 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 6: PENSION PLANS (CONT'D)**

**Public Employees' Retirement System** - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on 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, 2007, 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, 2007, the increase is effective with the payroll period that begins immediately after July 1, 2007. 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, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The College is billed annually for its normal contribution plus any accrued liability.

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by College</u>
<b>Public Employees Retirement System</b>					
2010	\$ 403,776	\$ 393,971	\$ 797,747	\$ -	\$ 797,747
2009	372,851	340,082	712,933	-	712,933
2008	374,583	288,669	663,252	132,650	530,602
<b>Alternate Benefit Program</b>					
2010	\$ 1,460,248	\$ -	\$ 1,460,248	\$ 1,460,248	\$ -
2009	1,367,105	-	1,367,105	1,367,105	-
2008	1,155,978	-	1,155,978	1,155,978	-

**New Jersey Alternative Benefit Program** - The New Jersey Alternative 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, are 5% for plan members, and 8% for employers. Plan members may make additional voluntary contributions subject to section 403(b) of the internal revenue code.

Under N.J.S.A 18A:66-174, most employer contributions are made by the State of New Jersey on-behalf of the College. The College is responsible for the employer contributions for non-academic employees.

Plan members direct the 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.

**Note 6: PENSION PLANS (CONT'D)**

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

***AIG-Valic; AXA Financial (Equitable);  
The Hartford; ING; TIAA-CREF***

The State of New Jersey is responsible for contributing the employer's share towards the annual pension cost of Alternate Benefits for qualified employees. The 2010 Employer's share was 8.0% of annualized wages. The College pays the employer's share and is reimbursed by the State of New Jersey. During fiscal years 2010 and 2009, the State reimbursed \$1,460,248 and \$1,367,105 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 7: RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; 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.

Contributions to the Fund, are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. Contributions to the pool totaled \$216,165 and \$150,449 respectively for fiscal years ended 2010 and 2009.

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 8: DESIGNATION OF UNRESTRICTED NET ASSETS**

The following is a summary of the designations of unrestricted net assets at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
<b>Designated:</b>		
Designated for Plant Fund	\$ 9,576	\$ 9,576
Renewal and Replacement	13,810,624	13,249,335
	<u>13,820,200</u>	<u>13,258,911</u>
<b>Undesignated:</b>		
Operational	638,405	638,405
Plant	759,704	759,704
	<u>1,398,109</u>	<u>1,398,109</u>
	<u>\$ 15,218,309</u>	<u>\$ 14,657,020</u>

**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, 2010:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 105,985	\$ 94,015	\$ 200,000
2012	110,505	89,495	200,000
2013	115,217	84,783	200,000
2014	120,130	79,870	200,000
2015	125,253	74,747	200,000
2016-2020	711,088	288,912	1,000,000
2021-2025	876,199	123,801	1,000,000
2026	131,266	2,068	133,333
	<u>\$ 2,295,644</u>	<u>\$ 837,690</u>	<u>\$ 3,133,334</u>

During the fiscal year ended June 30, 2010, principal and interest payments for the above capital lease were \$51,355.88 and \$48,644.14, respectively. There were no payments made in fiscal year 2009.

**Easement**

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 soon to be constructed 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 thirty 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 ten percent (10%) after the first three years and ten percent (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 is not expected until late spring 2011. The Easement expires upon expiration of the Agreement, and the 600 parking spaces are to be returned to the Parking Authority.

**Note 9: CAPITAL LEASE PAYABLE (CONT'D)****Easement (Cont'd)**

The following is a schedule of the future minimum lease payments at June 30, 2010:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1	\$ -	\$ 720,000	\$ 720,000
2	-	720,000	720,000
3	-	720,000	720,000
4	43,874	748,126	792,000
5	67,690	724,310	792,000
6-10	642,969	3,554,631	4,197,600
7-15	1,386,099	3,318,381	4,704,480
16-20	2,513,851	2,862,324	5,376,175
21-25	3,929,791	2,099,958	6,029,749
26-30	5,830,838	929,439	6,760,277
	<u>\$ 14,415,112</u>	<u>\$ 16,397,169</u>	<u>\$ 30,812,281</u>

There were no payments made in fiscal year 2010 or 2009.

**Note 10: EDUCATION AND GENERAL EXPENSES BY FUNCTION**

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

<u>2010</u>	<u>Salaries &amp; Benefits</u>	<u>Supplies &amp; Materials</u>	<u>Services</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Educational and General Expenditures							
Instruction	\$ 31,708,866	\$ 1,868,090	\$ 2,747,157		\$ 697		\$ 36,324,810
Public Service	1,096,381	69,003	285,520				1,450,904
Academic Support	3,091,861	61,000	1,140,018		39		4,292,918
Student Services	4,877,947	261,478	646,464				5,785,889
Institutional Support	9,018,227	848,908	4,032,992		726,160		14,626,287
Operation and Maintenance of Plant	3,048,869	557,586	1,873,781		2,317,214		7,797,450
Scholarship Aid				\$ 11,897,808			11,897,808
Depreciation						\$ 3,282,178	3,282,178
	<u>\$ 52,842,151</u>	<u>\$ 3,666,065</u>	<u>\$ 10,725,932</u>	<u>\$ 11,897,808</u>	<u>\$ 3,044,110</u>	<u>\$ 3,282,178</u>	<u>\$ 85,458,244</u>

<u>2009</u>	<u>Salaries &amp; Benefits</u>	<u>Supplies &amp; Materials</u>	<u>Services</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Educational and General Expenditures							
Instruction	\$ 29,016,071	\$ 1,136,070	\$ 2,977,150		\$ 28,028		\$ 33,157,319
Public Service	1,047,097	40,814	387,853		10,102		1,485,866
Academic Support	2,837,743	54,824	1,061,409		9,553		3,963,529
Student Services	4,578,812	205,391	476,687		89,323		5,350,213
Institutional Support	8,567,130	645,613	2,747,110		729,593		12,689,446
Operation and Maintenance of Plant	3,026,796	228,688	1,026,284		2,071,932		6,353,700
Scholarship Aid				\$ 5,622,709			5,622,709
Depreciation						\$ 2,848,430	2,848,430
	<u>\$ 49,073,649</u>	<u>\$ 2,311,400</u>	<u>\$ 8,676,493</u>	<u>\$ 5,622,709</u>	<u>\$ 2,938,531</u>	<u>\$ 2,848,430</u>	<u>\$ 71,471,212</u>

**Note 11: OTHER RECEIVABLES**

Other receivables as of June 30, 2010 and 2009 consist of the following amounts due to the College:

	<u>2010</u>	<u>2009</u>
Non-credit Corporate Sponsors	\$ 477,823	\$ 476,105
JJ Rehabilitation	16,234	25,943
Follett	14,624	12,267
Muhlenberg Hospital	36,233	
Veterans Administration	112,496	9,476
Bell Labs	381,297	80,861
Other	240,593	91,253
	<u>\$ 1,279,300</u>	<u>\$ 695,905</u>

**Note 12: OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** - The College contributes to the New Jersey State Health Benefits Program (“the SHBP”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in the New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295.

**Funding Policy** - 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. As of June 30, 2009, there were 84,590 retirees eligible for postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a school district or county college with 25 years of service. The State paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

**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 coverage’s less the deductible.

**Note 14: CHANGE IN ACCOUNTING PRINCIPLE/CORRECTION OF ERROR****Change in Accounting Policy**

During fiscal year 2010, the College changed its policy regarding when the Summer I semester revenue and expenses are realized. In prior years, all revenues for this semester at fiscal year end were presented as deferred revenue and all expenses were reported as a prepaid asset. Because the semester ends on July 1<sup>st</sup>, the College changed its policy to realize all revenues and expenses for this semester by June 30<sup>th</sup>.

**Correction of Error**

The College determined that refunds of financial aid to students via bookstore vouchers and credits were not factored into the scholarship allowance calculation for fiscal year 2009.

The cumulative effect on the financial statements as reported for the comparative fiscal year ended June 30, 2009 is as follows:

	<b><u>As Reported</u></b> <b><u>June 30, 2009</u></b>	<b><u>Prior Period</u></b> <b><u>Adjustment</u></b>	<b><u>Restated</u></b> <b><u>June 30, 2009</u></b>
<b>Statement of Net Assets:</b>			
<b>Assets:</b>			
Prepaid Expenses	\$ 662,597	\$ (660,730)	\$ 1,867
<b>Liabilities:</b>			
Deferred Revenue:			
Student Tuition and Fees	3,925,347	(2,394,713)	1,530,634
<b>Net Assets:</b>			
Unrestricted Net Assets	12,923,036	1,733,984	14,657,020
<b>Statement of Revenues, Expenses and</b>			
<b>Changes in Net Assets:</b>			
<b>Revenues:</b>			
Student Tuition and Fees	35,299,865	(254,486)	35,045,379
Less Scholarship Allowances	(12,800,803)	1,189,560	(11,611,243)
Net Student Tuition and Fees	22,499,062	935,074	23,434,136
<b>Expenses:</b>			
Instructional	33,088,510	68,809	33,157,319
Student Aid	4,433,149	1,189,560	5,622,709
<b>Net Assets - Beginning of Year</b>	<b>47,092,759</b>	<b>2,057,279</b>	<b>49,150,038</b>
<b>Net Assets - End of Year</b>	<b>48,696,133</b>	<b>1,733,984</b>	<b>50,430,117</b>

# **SINGLE AUDIT SECTION**

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2010**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
STATE OF NEW JERSEY CIRCULAR 04-04-OMB**

The Honorable Chairman and  
Members of the Board of Trustees  
Union County College  
Cranford, New Jersey 07016

**Compliance**

We have audited Union County College's (the College) compliance with the types of compliance requirements described in the OMB Circular A-133 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, 2010. The College's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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; audit requirements as prescribed by the Department of Treasury, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-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. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Union County College complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and New Jersey Circular 04-04-OMB, which is described in the accompanying Schedule of Findings and Questioned Costs as finding no.: 2009-1.

**Internal Control Over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, 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.

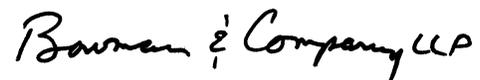
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as finding no.: 2009-1. 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 College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the College's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee, board of trustees and management of the College, the Department of Treasury, State of New Jersey and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
November 23, 2010

**UNION COUNTY COLLEGE**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Current Year Expenditures
<b>U.S. Department of Education:</b>		
<b>Student Financial Assistance Cluster (Direct Funding):</b>		
Federal Supplemental Educational Opportunity Grant	84.007	\$ 209,257
Federal Family Education Loan Program	84.032	6,286,396
Federal Pell Grant Program	84.063	20,423,072
Academic Competitiveness Grant	84.375	149,618
Federal Work-Study Program	84.033	300,920
		<hr/>
Total Student Financial Assistance Cluster		27,369,263
		<hr/>
Title V, Developing Hispanic Serving Institutions (Direct Funding)	84.031	631,321
Improving the Pipeline in Stem Education (Direct Funding)	84.031	339,924
		<hr/>
		971,245
		<hr/>
<b>Passed through State of New Jersey, Department of Treasury:</b>		
State Fiscal Stabilization Funds (SFSF) Education State Grants, Recovery Act (Education Stabilization Fund) - ARRA	84.394	518,483
Vocational Education, Carl D. Perkins Grant	84.048	611,410
<b>Passed through State of New Jersey, Department of Labor and Workforce Development:</b>		
Adult Basic Skills	84.002	860,891
<b>Passed through State of New Jersey, Department of Education:</b>		
Integrated English Literacy	84.191	392,165
<b>U.S. Department of Labor:</b>		
<b>Passed through State of New Jersey, Department of Education:</b>		
Community Based Job Training	17.269	477,430
<b>Passed through State of New Jersey, Department of Labor and Workforce Development:</b>		
Workforce Innovation in Regional Economic Development	17.268	525,244
<b>Passed through County of Union, N.J.:</b>		
WIA-Adult	17.258	36,140
WIA-Dislocated Worker	17.260	66,720
Healthy Life Choice	93.918	1,938
<b>U.S. Department of Housing and Urban Development:</b>		
<b>Community Block Development Cluster:</b>		
<b>Passed through County of Union, N.J.:</b>		
Community Block Development/Life Center	14.218	12,314
Community Block Development/College for Teens	14.218	75,000
Community Block Development/Senior Scholars	14.218	78,775
<b>Passed through City of Elizabeth, N.J.:</b>		
Community Block Development/Life Center	14.218	12,000
		<hr/>
Total Community Block Development		178,089
		<hr/>
<b>Corporation for National and Community Service (Direct Funding):</b>		
AmeriCorps	94.006	258,864
		<hr/>
Total Expenditures of Federal Awards		\$ 32,267,882
		<hr/> <hr/>

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

**UNION COUNTY COLLEGE**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2010

State of New Jersey Grantor/ Pass-Through Grantor/Program or Cluster Title	Grant Number or State of New Jersey Account Number	Award Amount	Program Funds Received	Grant Period	Current Year Expenditures	Cumulative Expenditures
<b>N.J. Department of Treasury - Office of Student Assistance:</b>						
<b>Student Financial Assistance Cluster:</b>						
New Jersey College Loans to Assist State Students	Unknown	\$ 54,250	\$ 54,250	07/01/09 - 06/30/10	\$ 54,250	\$ 54,250
Educational Opportunity Fund, Article III	10-100-074-2401-001	213,275	199,762	07/01/09 - 06/30/10	199,762	199,762
Educational Opportunity Fund, Article III, Summer	10-100-074-2401-001	123,083	116,323	07/01/09 - 06/30/10	116,323	116,323
Tuition Aid Grant	10-100-074-2405-007	4,106,388	4,101,055	07/01/09 - 06/30/10	4,101,055	4,101,055
NJ Stars	10-100-074-2405-313	310,447	308,561	07/01/09 - 06/30/10	308,561	308,561
Distinguished Scholars	10-100-074-DS10-278	7,440	7,440	07/01/09 - 06/30/10	7,440	7,440
New Jersey Urban Scholarship	10-100-074-US11-278	22,320	22,320	07/01/09 - 06/30/10	22,320	22,320
Total Student Financial Assistance Cluster						
Educational Opportunity Fund, Article IV						
College Bound	10-100-074-2401-002	177,000	273,675	07/01/09 - 06/30/10	273,675	273,675
	10-100-074-2400-012		117,771	07/01/09 - 06/30/10	133,123	133,123
<b>N.J. Department of Health and Senior Services:</b>						
EMT Training						
	Unknown	46,638	27,108	07/01/09 - 06/30/10	46,638	46,638
<b>N.J. Department of Treasury - Vocational Education:</b>						
<b>Work First New Jersey Cluster:</b>						
AWEP Cluster:						
FS/GA/ABAWD - 09-WF NJ-123	7550-100-054-7550-291-LLLL-6110	129,696	65,541	9/1/09-6/30/10	83,532	83,532
FS/GA/ABAWD - 08-WF NJ-138	7550-100-054-7550-291-LLLL-6110	81,552	73,704	9/1/08-8/31/09	13,584	73,704
FS/GA/ABAWD - 08-WF NJ-140	7550-100-054-7550-291-LLLL-6110	152,755	149,818	9/1/08-8/31/09	24,937	149,818
Total AWEP Cluster						
Job Search/Job Readiness (JS/JR) Cluster:						
TANF - 09-WF NJ-127	7550-100-054-7550-291-LLLL-6110	\$ 62,400	\$ 38,640	9/1/09-9/30/10	53,736	53,736
TANF - 08-WF NJ-135	7550-100-054-7550-291-LLLL-6110	81,528	80,160	9/1/08-8/31/09	12,936	80,160
FS/GA/ABAWD - 09-WF NJ-126	7550-100-054-7550-291-LLLL-6110	37,600	32,904	9/1/09-9/30/10	35,784	35,784
FS/GA/ABAWD - 08-WF NJ-129	7550-100-054-7550-291-LLLL-6110	28,584	28,224	9/1/08-8/31/09	4,080	28,224
Total JS/JR Cluster						
					106,536	197,904

**UNION COUNTY COLLEGE**  
 Schedule of Expenditures of State Financial Assistance  
 For the Fiscal Year Ended June 30, 2010

State of New Jersey Grantor/ Pass-Through Grantor/Program or Cluster Title	Grant Number or State of New Jersey Account Number	Award Amount	Program Funds Received	Grant Period	Current Year Expenditures	Cumulative Expenditures
<b>N.J. Department of Treasury - Vocational Education: Passed through County of Union, Department of Human Services: Work First New Jersey Cluster (Cont'd):</b>						
Community Work Experience Program (CWEP) Cluster:						
TANF - 09-WFNU-116	7550-100-054-7550-291-LLLL-6110	\$ 54,200	\$ 41,120	9/1/09-9/30/10	\$ 51,040	\$ 51,040
TANF - 09-WFNU-117	7550-100-054-7550-291-LLLL-6110	68,000	46,750	9/1/09-9/30/10	56,725	56,725
TANF - 09-WFNU-118	7550-100-054-7550-291-LLLL-6110	100,320	50,266	9/1/09-9/30/10	67,075	67,075
TANF - 08-WFNU-130	7550-100-054-7550-291-LLLL-6110	49,809	48,829	9/1/08-8/31/09	8,552	48,830
TANF - 08-WFNU-131	7550-100-054-7550-291-LLLL-6110	94,199	90,870	9/1/08-8/31/09	13,513	90,870
TANF - 08-WFNU-134	7550-100-054-7550-291-LLLL-6110	129,392	101,192	9/1/08-8/31/09	18,808	101,192
TANF - 08-WFNU-136	7550-100-054-7550-291-LLLL-6110	82,480	68,669	9/1/08-8/31/09	11,020	62,848
TANF - 08-WFNU-137	7550-100-054-7550-291-LLLL-6110	77,879	72,787	9/1/08-8/31/09	7,703	72,787
FS/GA/ABAWD - 09-WFNU-124	7550-100-054-7550-291-LLLL-6110	61,150	39,625	9/1/09-9/30/10	50,000	50,000
FS/GA/ABAWD - 08-WFNU-128	7550-100-054-7550-291-LLLL-6110	42,330	39,145	9/1/08-8/31/09	7,015	39,145
FS/GA/ABAWD - 09-WFNU-125	7550-100-054-7550-291-LLLL-6110	82,000	36,320	9/1/09-9/30/10	49,600	49,600
Total CWEP Cluster					341,051	690,112
<b>Project Learn Cluster:</b>						
TANF - 08-WFNU-145	7550-100-054-7550-291-LLLL-6110	750,000	622,720	7/1/08-9/30/09	8,280	622,720
TANF - 09-WFNU-136	7550-100-054-7550-291-LLLL-6110	400,000	197,654	9/1/09/6/30/10	268,992	268,992
TANF - 09-WFNU-137	7550-100-054-7550-291-LLLL-6110	60,000		1/1/10-6/30/10	60,000	60,000
Total Project Learn Cluster					337,272	951,712
Total Work First New Jersey Cluster					906,912	2,146,782
<b>N.J. Department of Treasury:</b>						
Operational Costs - County Colleges	10-100-082-2155-015	10,092,496	10,092,496	07/01/09 - 06/30/10	10,092,496	10,092,496
Alternate Benefit Program	10-100-082-2155-017	1,460,248	1,460,248	07/01/09 - 06/30/10	1,460,248	1,460,248
FICA for Members of TPAF	10-100-082-2155-020	80,477	80,477	07/01/09 - 06/30/10	80,477	80,477
Total Expenditures of State of New Jersey Awards					11,633,221	11,633,221
Total Expenditures of State of New Jersey Awards					\$ 17,803,280	\$ 19,043,150

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  
For the Fiscal Year Ended June 30, 2010

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Note 1: **GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance 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 of expenditures of federal awards and state financial assistance.

Note 2: **BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting. The accrual basis of accounting is described in Note 1 to the financial statements.

Note 3: **RELATIONSHIP TO FINANCIAL STATEMENTS**

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

Note 4: **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 5: **MAJOR PROGRAMS**

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**UNION COUNTY COLLEGE**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ending June 30, 2010

**Section 1- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified?      yes   X   no

Were significant deficiencies identified that were not considered to be a material weakness?      yes   X   none reported

Noncompliance material to financial statements noted?      yes   X   no

**Federal Awards**

Internal control over compliance:

Material weaknesses identified?      yes   X   no

Were significant deficiencies identified that were not considered to be material weaknesses?   X   yes      none reported

Type of auditor's report on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))?   X   yes      no

Identification of major programs:

<b><u>CFDA Numbers</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
<u>84.007</u>	<b>Student Financial Aid Cluster:</b> <u>Federal Suppl. Educational Opportunity Grant (FSEOG)</u>
<u>84.032</u>	<u>Federal Family Educational Loan Program (FFEL)</u>
<u>84.063</u>	<u>Federal Pell Grant Program (PELL)</u>
<u>84.375</u>	<u>Academic Competitiveness Grant (ACG)</u>
<u>84.033</u>	<u>Federal Work Study Program (FWS)</u>
<u>84.394</u>	<b>Passed through State of N.J., Department of Treasury:</b> <u>State Fiscal Stabilization Funds (SFSF)</u>
<u>          </u>	<u>Education State Grants, Recovery Act</u>
<u>          </u>	<u>(Education Stabilization Fund) - ARRA</u>

Dollar threshold used to determine Type A programs \$968,036

Auditee qualified as low-risk auditee?   X   yes      no

**UNION COUNTY COLLEGE**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ending June 30, 2010

**Section 1- Summary of Auditor's Results (Cont'd)**

**State Financial Assistance**

Internal control over compliance:

Material weaknesses identified? \_\_\_\_\_ yes  no

Were significant deficiencies identified that were considered to be material weaknesses? \_\_\_\_\_ yes  none reported

Type of auditor's report on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) or New Jersey Circular 04-04-OMB? \_\_\_\_\_ yes  no

Identification of major programs:

<u>GMIS Numbers</u>	<u>Name of State Program</u>
Unknown	<b>Student Financial Aid Cluster:</b> New Jersey College Loans to Assist State Students
10-100-074-2401-001	Educational Opportunity Fund (EOF) - Article III
10-100-074-2405-007	Tuition Aid Grant (TAG)
10-100-074-2405-313	New Jersey Stars Program
10-100-074-DS10-278	Distinguished Scholarship Program
10-100-074-US10-278	New Jersey Urban Scholarship Program
10-100-074-2401-002	Educational Opportunity Fund (EOF) - Article IV
10-100-074-2400-012	College Bound
10-100-082-2155-015	Operational Costs - County Colleges

Dollar threshold used to determine Type A programs \$534,098

Auditee qualified as low-risk auditee?  yes \_\_\_\_\_ no

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

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***Section 2- Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Department of Treasury, State of New Jersey.

**No Current Year Findings**

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

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**Section 3- Schedule of Federal Award Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

**Finding No. 2010-1**

**Information on the Federal Program**

Academic Competitiveness Grant (ACG) – CFDA# 84.375

**Criteria or Specific Requirement**

The Code of Federal Regulations (CFR) – Title 34 Education – Part 691 - ACADEMIC COMPETITIVENESS GRANT (ACG) AND NATIONAL SCIENCE AND MATHEMATICS ACCESS TO RETAIN TALENT GRANT (NATIONAL SMART GRANT) PROGRAMS

**Subpart B - Application Procedures**

Section 691.16 – Rigorous secondary school program of study:

- (a)(1) For each award year commencing with the 2009–2010 award year, the Secretary establishes a deadline for submission of information about secondary school programs of study that are recognized by a designated official, consistent with State law, to prepare students for college and that the designated official deems rigorous.
- (2) The designated official may submit information pursuant to paragraph (a)(1) of this section—
  - (i) For students graduating during the current award year; and
  - (ii) For students graduating during one or more specified upcoming award years.
- (b) In addition to those programs reported to the Secretary as rigorous by the designated official under paragraph (a) of this section, the following secondary school programs of study are rigorous:
  - (1) Advanced or honors secondary school programs established by States and in existence for the 2004–2005 school year or later school years.
  - (2) Any secondary school program in which a student successfully completes at a minimum the following courses:
    - (i) Four years of English.
    - (ii) Three years of mathematics, including algebra I and a higher-level class such as algebra II, geometry, or data analysis and statistics.
    - (iii) Three years of science, including one year each of at least two of the following courses: biology, chemistry, and physics.
    - (iv) Three years of social studies.
    - (v) One year of a language other than English.

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

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***Section 3- Schedule of Federal Award Findings and Questioned Costs (Cont'd)***

**Finding No. 2010-1 (Cont'd)**

**Condition**

Four (4) students who were awarded the Academic Competitiveness Grant (ACG) did not meet the Rigorous High School Program requirement.

**Questioned Costs**

Known questioned costs \$3,000

Projected likely questioned costs \$20,322

**Context**

The College awarded 334 students ACG awards totaling \$149,618. In the auditor's sample of 71 student files, 31 students were awarded ACG and the auditor noted that four (4) students, totaling \$3,000 in ACG awards, did not meet the Rigorous High School Program requirement.

**Effect**

The College was not fully compliant with the Rigorous High School Program requirement for the Academic Competitiveness Grant.

**Cause**

In three of the cases, the students took three years of science, but did not take at least two of the following courses: biology, chemistry, and physics.

In one case, the student took English as a Second Language (ESL) which the College accepted as a Foreign Language; however, ESL may only count towards the four years of required English, not as a Foreign Language.

**Recommendation**

That the College only award an Academic Competitiveness Grant to those students who have completed a Rigorous High School Program.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials accept the recommendation and will address the matter as part of their corrective action plan and immediate corrective action will be implemented.

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

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***Section 4- Schedule of State Financial Assistance Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

**No Current Year Findings**

**UNION COUNTY COLLEGE**  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

**FINANCIAL STATEMENT FINDINGS**

No Prior Year Findings

**FEDERAL AWARDS**

No Prior Year Findings

**STATE FINANCIAL ASSISTANCE PROGRAMS**

No Prior Year Findings

**ACKNOWLEDGEMENT**

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We received the complete cooperation of all of the officials of Union County College and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

*Bowman & Company LLP*

Bowman & Company LLP  
Certified Public Accountants  
& Consultants