



**U** Union  
County  
College

Cranford • Elizabeth  
Plainfield • Scotch Plains

2011

REPORT OF AUDIT

FISCAL YEAR ENDED JUNE 30, 2011 • CRANFORD, NEW JERSEY



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

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2011**

UNION COUNTY COLLEGE

**MEMBERS OF THE BOARD OF TRUSTEES**

AS OF JUNE 30, 2011

<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.	2014
George A. Castro, II	2010
Edward J. Hobbie, Esq.	2015
Wilson Londono	2011
Eric G. Mason	2013
Philip J. Morin, III, Esq.	2014
Roderick Spearman	2012
Mary M. Zimmermann	2013
Christian Waga, Student representative	2011
Dr. Margaret M. McMenamin, President	Ex-officio

**MEMBERS OF THE BOARD OF GOVERNORS**

AS OF JUNE 30, 2011

<b><u>NAME</u></b>	<b><u>TERM EXPIRES</u></b>
Elizabeth Garcia, Chair	2012
Edward J. Hobbie, Esq., Vice Chair	2015
Lawrence D. Bashe	2014
Nancy J. Benz	2014
Rhea Brown	2014
Eugene J. Carmody	2014
Dr. Carmen Centuolo	2014
Dr. Michael P. Graziano	2013
Andrew Hamilton	2012
Thomas H. Hannen, Jr.	2012
Stephen F. Hehl, Esq.	2013
Donna M. Herran	2013
Gary Horan	2014
Jeffrey H. Katz, Esq.	2013
Karen Kreitz	2014
Chester Lobrow	2013
John R. Malcolm	2012
Carl J. Napor	2014
Francis Raudelunas	2013
Victor M. Richel	2012
Frances C. Sabatino	2012
Carlos N. Sanchez	2012
Roderick Spearman	2012
Mary M. Zimmermann	2013
Dr. Margaret M. McMenamin, President	Ex-officio

**UNION COUNTY COLLEGE**

**OTHER COLLEGE OFFICIALS**

**AS OF JUNE 30, 2011**

Dr. Margaret M. McMenamin, President

Vacant - Vice President of Academic Affairs

Dr. Stephen Nacco, Vice President of Administrative Services and Executive Assistant to the President

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

James Brophy, Interim Provost / Associate Vice President, Plainfield Campus

Dr. Barbara Gaba, Provost / Associate Vice President, Elizabeth Campus

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

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

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

Michael Driscoll, Executive Director of Union County College Foundation

# **FINANCIAL SECTION**

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2011**

## **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, 2011 and 2010, 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 years ended June 30, 2011 and 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 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 provide a reasonable basis for our opinion.

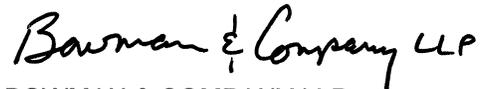
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Union County College, State of New Jersey, and the discretely presented component unit, as of June 30, 2011 and 2010, and the respective 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 December 15, 2011, 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. The College has presented certain information in management's discussion and analysis that is not required by accounting principles generally accepted in the United States of America.

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  
December 15, 2011

**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, 2011, and have issued our report thereon dated December 15, 2011. 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**

Management of Union County College is responsible for establishing and maintaining effective 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 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 Union County 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  
December 15, 2011

# **REQUIRED SUPPLEMENTARY INFORMATION**

# Union County College

## Management's Discussion and Analysis

June 30, 2011 and 2010

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, 2011 and June 30, 2010. 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 "Determining Whether Certain Organizations are Component Units", the College includes Union County College Foundation ("the Foundation") as a discretely presented component unit since it is a separate legal entity, but whose activities are entirely for the direct benefit of the College and its students. The separately issued financial statement of the Foundation can be obtained directly from the Foundation at 1033 Springfield Avenue, Cranford, NJ 07016. 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)	2011	2010	2009	2011 vs. 2010	
				Inc/(Dec)	% Change
Operating Revenues	\$61,574	\$60,937	\$48,270	\$637	1.0%
Educational and General Expense	87,357	85,507	71,481	1,850	2.2%
Operating (Loss)	(25,783)	(24,570)	(23,211)	(1,213)	4.9%
Non-Operating Revenues	23,439	23,656	24,170	(217)	(.9%)
Capital Contributions and Grants	709	49,320	321	(48,611)	N/M
Increase (Decrease) in Net Assets	(1,635)	48,406	1,280	(50,041)	N/M
Net Assets – Beginning of Year	98,836	50,430	49,150		
<b>Net Assets End of Year</b>	<b>\$97,201</b>	<b>\$98,836</b>	<b>\$50,430</b>	<b>\$(1,635)</b>	<b>(1.7%)</b>

# Union County College

## Management's Discussion and Analysis

June 30, 2011 and 2010

The preceding table summarizes key financial data for fiscal years ended June 30, 2011 ("FY 2011"), June 30, 2010 ("FY 2010"), and June 30, 2009 ("FY 2009"). Comparisons represented above show FY 2011 contrasted with FY 2010 with dollar and percentage changes. FY 2009 was restated to reflect a change in accounting principle and to reflect classifications to conform to FY 2011 and 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.

<b>Operating Revenues (\$000)</b>	2011	2010	2009	2011 vs. 2010	
				Inc/(Dec)	% Change
Tuition & Fees <small>(net of Scholarship Allowance)</small>	\$27,165	\$25,048	\$23,434	\$2,117	8.5%
Federal Grants	26,224	25,274	15,532	950	3.8%
State Grants	5,219	6,066	5,547	(847)	(14.0%)
Local Grants	910	1,649	835	(739)	(44.8%)
Gifts and Contributions	381	1,186	1,336	(805)	(67.9%)
Other Operating Revenues	1,675	1,714	1,586	(39)	(2.3%)
<b>Total Operating Revenues</b>	<b>\$61,574</b>	<b>\$60,937</b>	<b>\$48,270</b>	<b>\$637</b>	<b>1.0%</b>

Total Operating Revenues increased \$637 thousand to \$61.6 million in FY 2011 from \$60.9 million in FY 2010. The principle reasons for the increase were:

- ❖ Student Tuition and Fee revenues reflected a 6.4% tuition rate increase in FY 2011 and a 2.7% 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 \$978 thousand or 6.7% in FY 2011 over FY 2010. All financial aid of the institution (excluding loans) increased 1.7%. However, it is the increase in student loans of \$2.4 million that has truly accounted for the greatest proportional increase in the scholarship allowance in FY 2011.
- ❖ Revenue from Federal grants increased \$950 thousand, or 3.8%, 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 2010-11 award year was \$5,550, an increase of \$200 from the 2009-10 award year. This figure included the maximum amount of \$4,860 appropriated in the American Recovery and Reinvestment Act of 2009 ("ARRA"), as well as a \$690 increase as established by the College Cost Reduction and Access Act of 2007. The combination of increased award availability and increased eligibility resulting from diminished economic conditions has accounted for this \$1.4 million year over year growth. The Adult Basic Skills grant revenues have decreased \$276 thousand resulting from a reduction in the award amount from FY 2010 to FY 2011.
- ❖ Revenues from State grants decreased \$847 thousand or 14.0% resulting from an approximate decrease of \$1.0 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. The State of NJ requires additional information

# Union County College

## Management's Discussion and Analysis

June 30, 2011 and 2010

to determine student eligibility for the TAG program outside of the requested Free Application for Federal Student Aid ("FAFSA") for properly identifying eligible students based on State regulatory and legislative mandates. This additional effort can be deemed too burdensome by some students and impacted their application for State financial aid. In other cases, students who applied for State aid were impacted by decreased eligibility from prior years.

- ❖ Local Grants and Other Operating Revenues decreased \$739 thousand from \$1.6 million in FY 2010 to \$910 thousand in FY 2011. This is a result of less minor capital institutional projects occurring in FY 2011 of \$562 thousand that were funded by local grants. In addition, FY 2010 had additional revenues from the Prisoner Reentry Initiative Program (\$100 thousand) and the Project Inside Program as well as various small local grants that did not occur in FY 2011 (\$77 thousand).
- ❖ Foundation scholarships were formerly reflected on the College's records as a Student Aid expense with a like amount reflected as Gifts and Contributions. In FY 2011, this pass through bookkeeping was eliminated with Foundation scholarships being solely reflected on the Foundation's records. Consequently, the FY 2011 variance within Gifts and Contributions from FY 2010 of \$805 thousand includes approximately \$404 thousand of Gifts and Contributions received in FY 2010 under the former methodology. The variance also reflects that these revenue sources are not necessarily recurring and FY 2010 included revenue of \$375 thousand for Kellogg equipment and supplies received during the Kellogg Building opening.

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. The maximum Pell Grant award for the 2009-10 award year was \$5,350, an increase of \$619 from the 2008-09 award year. 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.

- ❖ 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.

# Union County College

## Management's Discussion and Analysis

June 30, 2011 and 2010

Operating Expense (\$000)	2011	2010	2009	2011 vs. 2010	
				Inc/(Dec)	% Change
Instructional	\$37,806	\$35,870	\$33,158	\$1,936	5.4%
Public Service	1,305	1,451	1,486	(146)	(10.1%)
Academic Support	4,340	4,276	3,964	64	1.5%
Student Services	5,927	5,786	5,350	141	2.4%
Institutional Support	12,339	12,658	11,082	(319)	(2.5%)
Plant	10,049	9,717	7,961	332	3.4%
Student Aid	10,872	11,898	5,622	(1,026)	(8.6%)
Depreciation	4,625	3,802	2,848	823	21.6%
Total Operating Expenses	87,263	85,458	71,471	1,805	2.1%
Interest on Capital Asset Related Debt	94	49	10	45	91.8%
<b>Total Operating Expenses</b>	<b>\$87,357</b>	<b>\$85,507</b>	<b>\$71,481</b>	<b>\$1,850</b>	<b>2.2%</b>

Operating Expenses in FY 2011 increased \$1.9 million over the same period in FY 2010. The major areas of change were:

- ❖ Instructional Expense increased \$1.9 million or 5.4%, as a result of 2.7% 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 2011 increase.
- ❖ Student Aid decreased \$1.0 million or 8.6% primarily as a result of the significant deductions in the Tuition Aid Grant ("TAG"). The TAG decreased approximately \$970 thousand from \$4.1 million in FY 2010 to \$3.1 million in FY 2011. As discussed earlier, the State of NJ requires additional information to determine student eligibility for the TAG. This additional effort can be deemed too burdensome by some students and impacted their application for State financial aid.
- ❖ Institutional Support decreased \$312 thousand or 2.5% in FY 2011 over FY 2010 partially due to \$188 thousand of additional initial implementation costs for the Enterprise Resource Planning ("ERP") system incurred in FY 2010. Minor capital institutional project costs decreased approximately \$392 thousand in FY 2011. In addition, there were several vacancy and staff reductions that occurred in FY 2011.

# ***Union County College***

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

**June 30, 2011 and 2010**

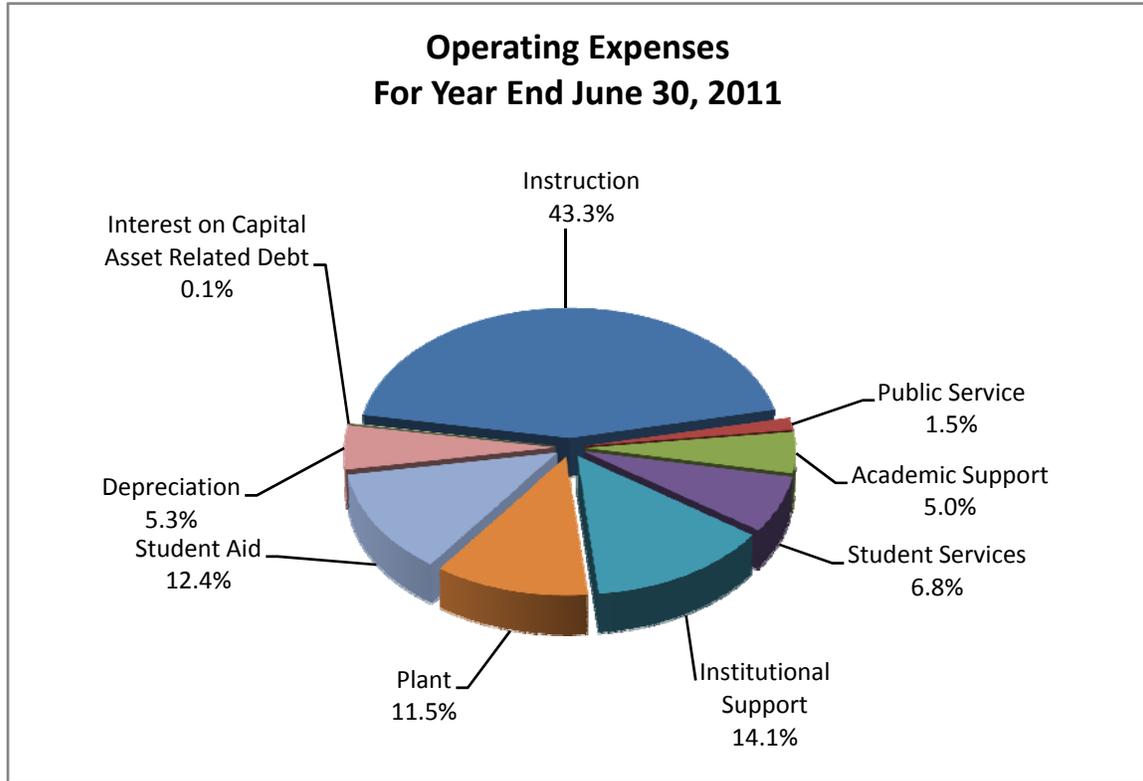
Operating Expenses in FY 2010 increased \$14.0 million over the same period in FY 2009. The major areas of change were:

- ❖ Instructional Expense increased \$2.7 million or 8.2%, 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 \$1.6 million or 14.2% 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 \$1.8 million or 22.0% year over year as a result of the opening of a new classroom building, the Elizabeth I. 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, 2011 and 2010

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

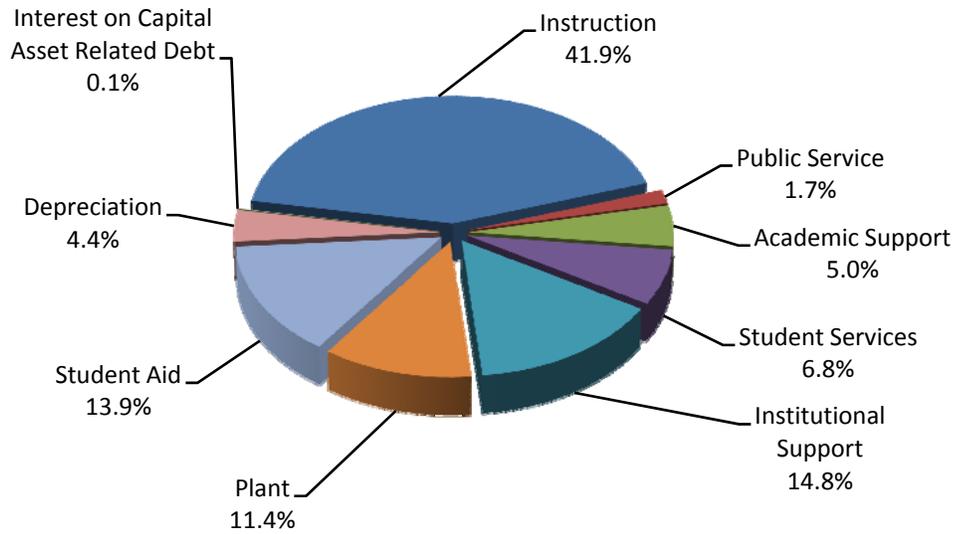


# Union County College

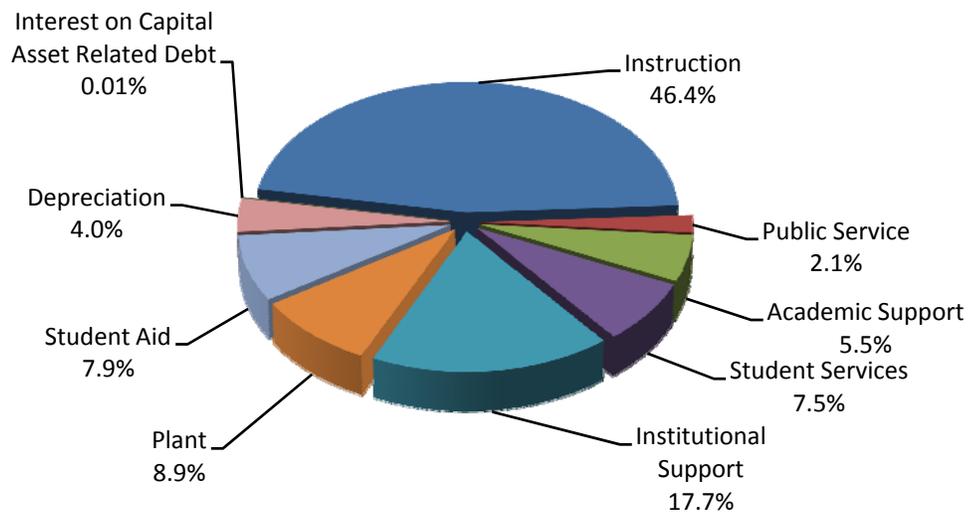
## Management's Discussion and Analysis

June 30, 2011 and 2010

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



### Operating Expenses For Year End June 30, 2009



# Union County College

## Management's Discussion and Analysis

June 30, 2011 and 2010

### Operating Loss

The College reported an operating loss of \$25.7 million in FY 2011 as compared to a loss of \$24.5 million in FY 2010. 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.

Non-Operating Revenues (\$000)	2011	2010	2009	2011 vs. 2010	
				Inc/(Dec)	% Change
State Appropriations	\$10,602	\$10,473	\$11,015	\$129	1.2%
Federal Appropriations		518		(518)	
State and Federal Appropriations	10,602	10,991	11,015	(389)	(3.5%)
County Appropriations	12,733	12,523	12,523	210	1.7%
Investment Income	104	142	632	(38)	(26.8%)
<b>Total Non-Operating Revenues</b>	<b>\$23,439</b>	<b>\$23,656</b>	<b>\$24,170</b>	<b>(\$217)</b>	<b>(0.9%)</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 \$217 thousand, or 0.9%, in FY 2011. 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 69% 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 2011, New Jersey State Appropriations for the Community College Sector decreased 7.2% from Appropriations granted in FY 2010. State Appropriations are allocated among the State's community colleges based upon a formula that includes the preceding year's credit hours. The net increase of \$129 thousand in the College's FY 2011 State Appropriations from FY 2010 levels resulted as a consequence of the reduction in State Appropriations to the sector, offset by no Federal ARRA in FY 2011 and further offset by a 0.5% 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 2011 non-operating revenues was a \$38 thousand reduction in Investment Income that was a consequence of reduced returns realized during the economic downturn that continued from late 2009.

In FY 2010 funding from non-operating revenues decreased \$514 thousand or 2.1%. During FY 2010, New Jersey State Appropriations for the Community College Sector decreased 11.0% from Appropriations granted in FY 2010. 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

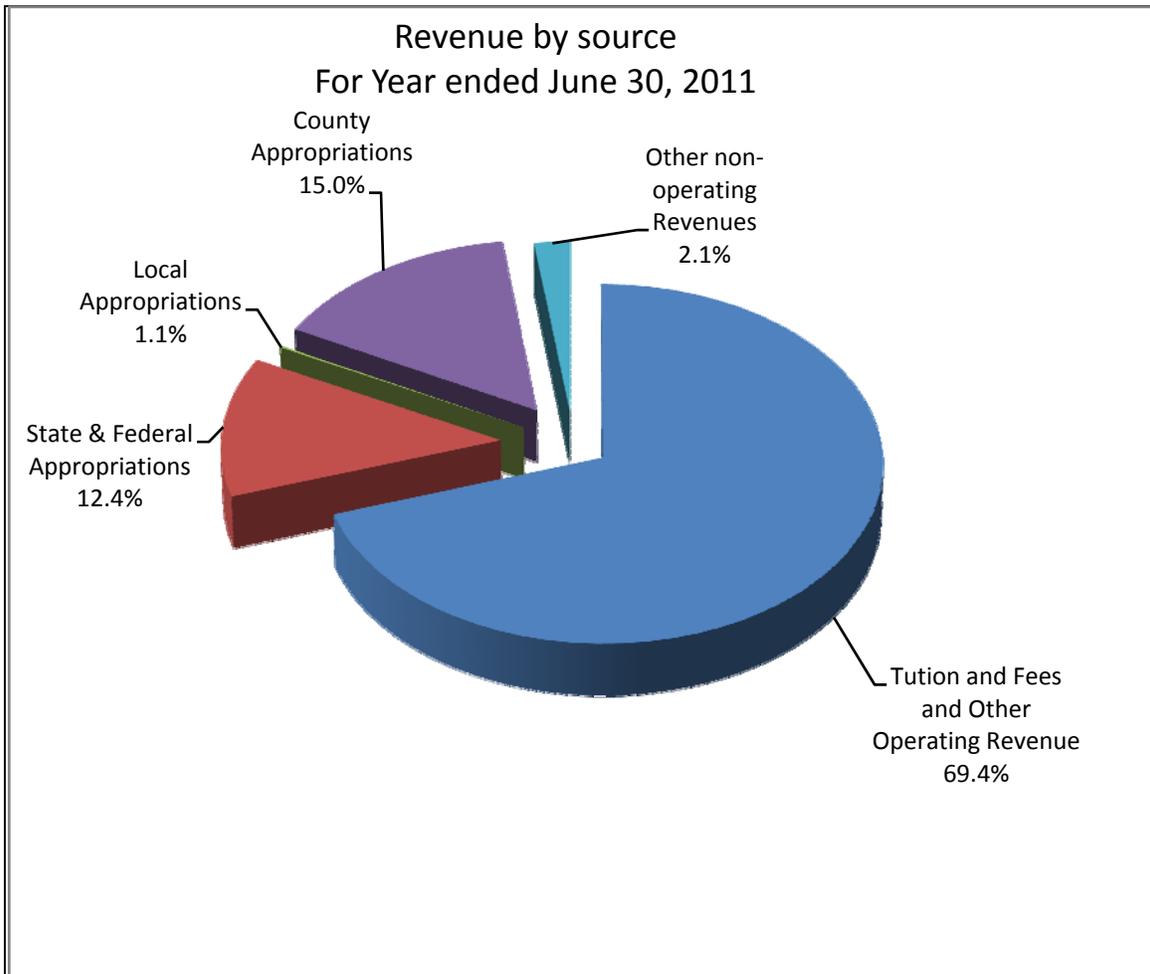
# Union County College

## Management's Discussion and Analysis

June 30, 2011 and 2010

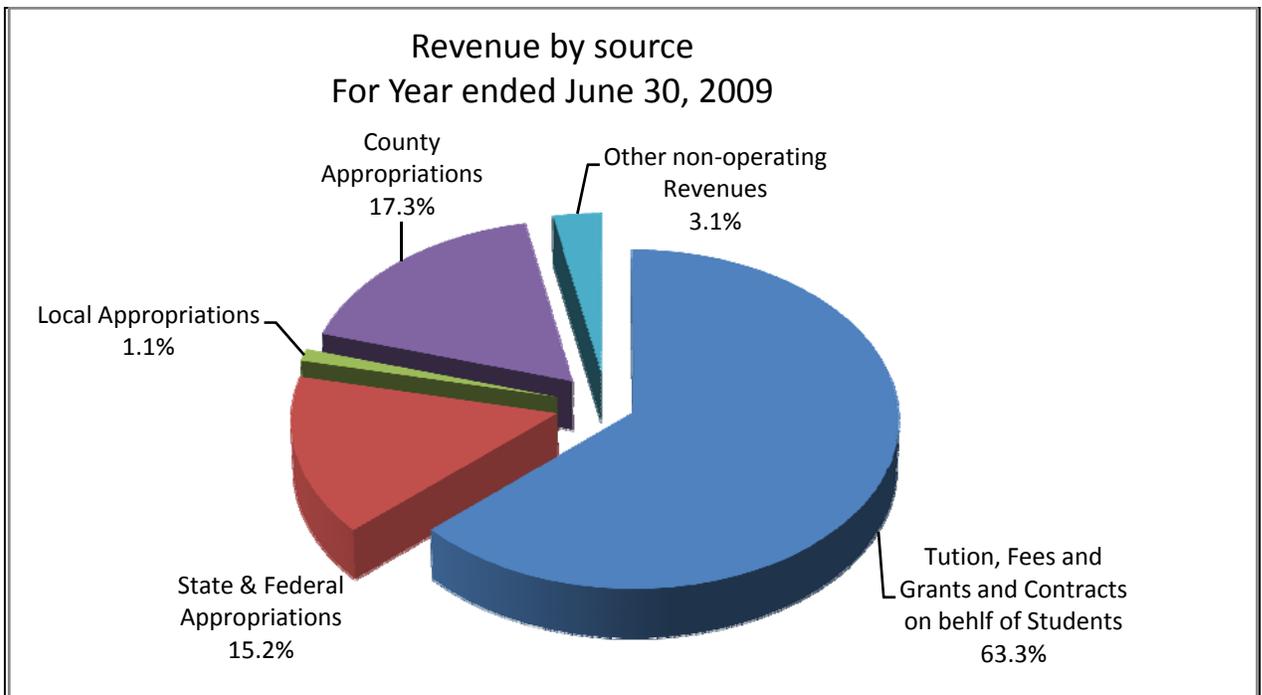
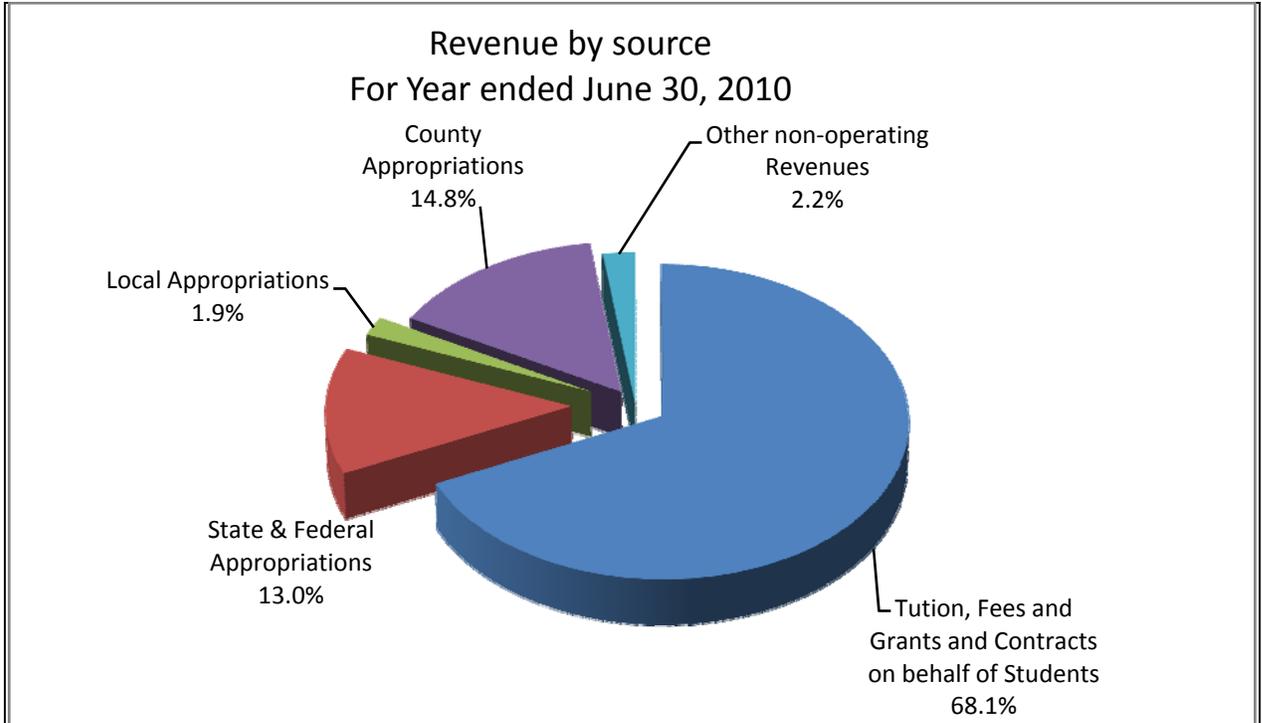
Appropriations to the sector, partially offset by Federal ARRA to the sector, and further offset by a 0.3% increase in fundable credit hours for the College relative to the rest of the sector.

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



# Union County College

Management's Discussion and Analysis  
June 30, 2011 and 2010



# Union County College

## Management's Discussion and Analysis

June 30, 2011 and 2010

### Capital Contributions and Grants

Capital Contributions and Grants decreased \$48.6 million in FY 2011 compared to FY 2010, reflecting the capital contribution made by the County of Union ("County") in August 2009 for 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>	2011	2010	2009	2011 vs. 2010	
				Inc/(Dec)	% Change
Current Assets	\$27,450	\$26,118	\$25,835	1,332	5.1%
Non-current Assets:					
Capital assets, net of depreciation	97,370	100,379	35,773	(3,009)	(3.0%)
Total Assets	124,820	126,497	61,608	(1,677)	(1.3%)
Current Liabilities	11,125	11,057	11,178	68	0.6%
Non-current Liabilities	16,495	16,604	0	(109)	(0.7%)
Total Liabilities	27,620	27,661	11,178	(41)	(0.1%)
<b>Total Net Assets</b>	<b>\$97,200</b>	<b>\$98,836</b>	<b>\$50,430</b>	<b>\$(1,636)</b>	<b>(1.7%)</b>

Current Assets increased \$1.3 million or 5.1% when comparing FY 2011 and FY 2010. Cash levels were \$22.1 million in FY 2011 versus \$19.8 million in FY 2010. This increase reflects the lower level of capital spending in FY 2011 versus the much higher level of spending on capital that was related to the Kellogg Building in FY 2010. Net Capital Assets (the only non-current asset) decreased \$3.0 million due to the lower level of capital additions and the related depreciation expense of \$4.6 million. FY 2011 had a full year's depreciation with respect to the Kellogg Building.

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 a depreciation expense of \$3.8 million.

# **Union County College**

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

**June 30, 2011 and 2010**

### **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 2011 student enrollment increased 2.7%, and the Fall 2011 enrollment has increased approximately 0.9% over the preceding Fall semester. Further, the College Tuition and Fee credit hour rates for FY 2012 will increase \$11.75 (9.0%).

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. Concerted efforts have been made to utilize part time instructors where feasible to control instructional spending. On average, health insurance premiums will increase 11% effective January 2012. The College will look to install an imaging solution to automate document workflow, reduce printing costs and free up storage space. Full implementation of Colleague (Datatel ERP System) E- Advising module will assist students in self-service advising while providing cutting edge communication tools between students and academic advisors. The Retention Alert module will allow faculty and staff a systemic approach to identifying "at risk" students in an effort to increase retention and graduation goals.

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 and we do not expect a turnaround during FY 2012.

Additional capital projects planned in FY 2012 include extensive renewal and replacement of HVAC units in the Science building of the College and various interior renovations at the Lessner Building in Elizabeth. In addition, the College is planning a 32,600 square foot raised construction building with parking underneath on the Cranford campus. This expansion will allow for future growth and ongoing capacity issues for Student Services. This would be a 2012 "Chapter 12" project costing approximately \$9.9 million. If future "Chapter 12" funds become available, an interior renovation of the Lessner Building would take place to reconfigure registration and counseling areas.

# ***Union County College***

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

**June 30, 2011 and 2010**

With ongoing cost considerations under constant scrutiny and continued support from the State and County of Union, the College expects that it will be able to continue to provide an affordable, high quality education to its students. With the plan for enhanced facilities coupled with a means to provide students communication and self-service tools that the new ERP system offers, the College will continue to assure that the quality and extent of services provided to students will meet their needs and expectations.

# **BASIC FINANCIAL STATEMENTS**

**UNION COUNTY COLLEGE**  
Statements of Net Assets  
As of June 30, 2011 and 2010

	2011		2010	
	<u>College</u>	<u>Component Unit UCC Foundation</u>	<u>College</u>	<u>Component Unit UCC Foundation</u>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 22,071,305	\$ 265,155	\$ 8,777,945	\$ 141,012
Investments		2,389,466	11,000,000	1,074,359
Student Accounts Receivable, net	1,719,710		170,791	
Grants Receivable	1,846,604		3,361,143	
State of New Jersey Receivable:				
Alternative Benefit Program	227,725		385,039	
State Appropriation			381,000	
County of Union Receivable	777,454		725,247	
Accrued Interest Receivable			37,548	
Other Receivables	806,839	72,125	1,279,300	118,365
Other Assets		141,202		124,508
	27,449,637	2,867,948	26,118,013	1,458,244
Non-Current Assets:				
Endowment Investments		8,770,585		8,540,918
Other Receivables		11,253		13,518
Capital Assets, net	97,370,073	594,173	100,379,425	598,129
	97,370,073	9,376,011	100,379,425	9,152,565
Total Assets	124,819,710	12,243,959	126,497,438	10,610,809
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	2,829,675		2,853,337	19,903
Accrued Expenses	6,690,928	52,421	5,873,963	26,809
Due to State of New Jersey	269,204		379,840	
Deferred Revenue:				
Student Tuition and Fees	574,800		1,279,384	
Federal and State Grants	649,832		564,537	
Other				14,060
Capital Lease, Current Portion	110,505		105,985	
	11,124,944	52,421	11,057,046	60,772
Non-Current Liabilities:				
Capital Lease, Non-Current Portion	16,494,266		16,604,771	
Gift Annuity Fund Payable		33,323		39,008
	16,494,266	33,323	16,604,771	39,008
Total Liabilities	27,619,210	85,744	27,661,817	99,780
<b>NET ASSETS</b>				
Investment in Capital Assets, net of related debt	80,607,958	594,173	83,617,312	598,129
Restricted for:				
Non-Expendable:				
Program		777,357		834,508
Scholarships		7,993,228		7,706,410
Expendable:				
Program		11,724		10,043
Scholarships		363,637		373,062
Other		2,418,096		988,877
Unrestricted	16,592,542		15,218,309	
Total Net Assets	\$ 97,200,500	\$ 12,158,215	\$ 98,835,621	\$ 10,511,029

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, 2011 and 2010

	<u>2011</u>		<u>2010</u>	
	<u>College</u>	<u>Component Unit UCC Foundation</u>	<u>College</u>	<u>Component Unit UCC Foundation</u>
<b>REVENUES</b>				
Operating Revenues:				
Student Tuition and Fees	\$ 42,749,855		\$ 39,655,161	
Less Scholarship Allowances	(15,585,261)		(14,607,484)	
Net Student Tuition and Fees	27,164,594		25,047,677	
Federal Grants	26,223,874		25,274,362	
State Grants	5,218,672		6,065,966	
Local Grants	909,845		1,649,413	
Gifts and Contributions	380,886	\$ 421,693	1,186,771	\$ 484,428
Other	1,675,707		1,712,607	
Total Operating Revenue	<u>61,573,578</u>	<u>421,693</u>	<u>60,936,796</u>	<u>484,428</u>
<b>EXPENSES</b>				
Operating Expenses:				
Educational and General:				
Instructional	37,805,988		35,870,191	
Public Service	1,304,681		1,450,904	
Academic Support	4,340,578		4,276,108	
Student Services	5,927,517		5,785,889	
Institutional Support	12,338,528		12,658,287	
Operations and Maintenance of Plant	10,048,631		9,717,450	
Student Aid	10,871,833	410,517	11,897,808	405,272
Depreciation	4,625,333	3,956	3,801,607	3,956
Other Expenses		484,746		3,451,894
Total Operating Expenses	<u>87,263,089</u>	<u>899,219</u>	<u>85,458,244</u>	<u>3,861,122</u>
Operating Loss	<u>(25,689,511)</u>	<u>(477,526)</u>	<u>(24,521,448)</u>	<u>(3,376,694)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State Appropriations	10,602,035		10,473,496	
County Appropriations	12,733,103		12,522,650	
Federal Appropriations			518,483	
Investment Income	104,036	1,895,045	141,034	985,534
Interest on Capital Asset Related Debt	(94,015)		(48,644)	
Additions to Permanent Endowments		229,667		286,004
On-Behalf Payments - Alternative Benefit Program:				
Teachers Insurance Annuity Association (TIAA):				
Revenues	1,448,575		1,460,248	
Expenses	(1,448,575)		(1,460,248)	
Net Non-Operating Revenues	<u>23,345,159</u>	<u>2,124,712</u>	<u>23,607,019</u>	<u>1,271,538</u>
Income (Loss) before Other Revenues	<u>(2,344,352)</u>	<u>1,647,186</u>	<u>(914,429)</u>	<u>(2,105,156)</u>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>709,231</u>		<u>49,319,933</u>	
Increase (Decrease) in Net Assets	(1,635,121)	1,647,186	48,405,504	(2,105,156)
Net Assets - Beginning of Year	98,835,621	10,511,029	50,430,117	12,616,185
Net Assets - End of Year	<u>\$ 97,200,500</u>	<u>\$ 12,158,215</u>	<u>\$ 98,835,621</u>	<u>\$ 10,511,029</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, 2011 and 2010

	<b>2011</b>	<b>2010</b>
	<b><u>College</u></b>	<b><u>College</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Revenue	\$ 14,039,258	\$ 12,563,701
Government Grants	33,177,273	31,136,015
Payments to Suppliers	(15,020,411)	(16,213,621)
Payments for Employee Salaries and Benefits	(55,485,279)	(55,023,613)
Gifts and Contributions	380,886	1,186,771
Other Receipts (Payments), net	<u>2,450,661</u>	<u>2,899,379</u>
Net Cash Used in Operating Activities	<u>(20,457,612)</u>	<u>(23,451,368)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	10,983,035	10,473,496
County Appropriations	12,733,103	12,522,650
Federal Appropriations	<u>518,483</u>	<u>518,483</u>
Net Cash Provided by Noncapital Financing Activities	<u>23,716,138</u>	<u>23,514,629</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants	709,231	49,228
Purchase of Capital Assets	(1,615,981)	(2,331,711)
Principal Paid on Long-term Debt	(105,985)	
Interest Paid on Long-term Debt	<u>(94,015)</u>	<u>(48,644)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,106,750)</u>	<u>(2,331,127)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments		(11,000,000)
Maturity of Investments	11,000,000	16,300,000
Interest on Investments	<u>141,584</u>	<u>174,174</u>
Net Cash Provided by Investing Activities	<u>11,141,584</u>	<u>5,474,174</u>
Net Increase in Cash and Cash Equivalents	13,293,360	3,206,308
Cash and Cash Equivalents - Beginning of Year	<u>8,777,945</u>	<u>5,571,637</u>
Cash and Cash Equivalents - End of Year	<u>\$ 22,071,305</u>	<u>\$ 8,777,945</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	\$ (25,689,511)	\$ (24,521,448)
Adjustment to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	4,625,333	3,801,607
Changes in Assets and Liabilities:		
Receivables, net	543,288	(2,612,586)
Prepaid Expenses		1,867
Accounts Payable and Accrued Expenses	682,567	511,447
Deferred Revenue:		
Student Tuition and Fees	(704,584)	(251,250)
Federal and State Grants	<u>85,295</u>	<u>(381,005)</u>
Net Cash Used in Operating Activities	<u>\$ (20,457,612)</u>	<u>\$ (23,451,368)</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, 2011 and 2010

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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 7,900 full-time and 9,100 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, 2011 and 2010, the Foundation distributed \$405,516 and \$3,396,977 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, 2011 and 2010 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.

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, 2011.

**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, 2011 for classes that are scheduled in fall 2011 as well as some end of summer semesters of 2011. 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, 2011 and 2010 was \$4,625,333 and \$3,801,607 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 data for fiscal year 2010 was reclassified to be comparable to fiscal year 2011.

**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, 2011 and 2010 was \$1,507,541 and \$921,982 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, 2011 and 2010 was \$15,585,261 and \$14,607,484 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, 2011 and 2010 the College’s bank balances were exposed to custodial credit risk as follows:

	<u>2011</u>	<u>2010</u>
Insured	\$ 1,000,000	\$ 506,296
Collateralized under GUDPA	<u>21,935,347</u>	<u>9,712,578</u>
	<u>\$ 22,935,347</u>	<u>\$ 10,218,874</u>

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

**Custodial Credit Risk Related to Investments** – 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. All of the College’s investments are held in the name of the College.

**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** – Concentration of credit risk is the risk of loss attributed to the magnitude of a college's investment in a single issuer. The College does not place a limit on the amount that may be invested in any one issuer. The College's investments are in certificates of deposits at local banks.

As of June 30, 2011 and 2010, the College had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>	
			<u>2011</u>	<u>2010</u>
Certificates of Deposit	> 3 mos.	N/A	\$ <u>                    -</u>	\$ <u>11,000,000</u>

**Note 4: CAPITAL ASSETS**

The following schedule is a summarization of the changes in capital assets by source at June 30, 2011 and 2010:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Capital Assets, Non-Depreciable:</b>					
Land	\$ 4,901,037				\$ 4,901,037
Construction in Progress	2,743,615	\$ 528,979			3,272,594
	<u>7,644,652</u>	<u>528,979</u>	<u>-</u>	<u>-</u>	<u>8,173,631</u>
<b>Capital Assets, Depreciable:</b>					
Buildings and Improvements	121,881,059	712,096			122,593,155
Intangible Asset - Easement	14,415,112				14,415,112
Equipment	14,399,558	379,434	\$ (704,279)		14,074,713
	<u>150,695,729</u>	<u>1,091,530</u>	<u>(704,279)</u>	<u>-</u>	<u>151,082,980</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Improvements	(49,779,850)	(3,430,617)			(53,210,467)
Equipment	(8,181,106)	(1,194,716)	699,751		(8,676,071)
	<u>(57,960,956)</u>	<u>(4,625,333)</u>	<u>699,751</u>	<u>-</u>	<u>(61,886,538)</u>
<b>Total Capital Assets, Depreciable net</b>	<u>92,734,773</u>	<u>(3,533,803)</u>	<u>(4,528)</u>	<u>-</u>	<u>89,196,442</u>
<b>Capital Assets, net</b>	<u>\$ 100,379,425</u>	<u>\$ (3,004,824)</u>	<u>\$ (4,528)</u>	<u>-</u>	<u>\$ 97,370,073</u>

Adjustments represent transfers of completed projects from Construction in Progress.

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

	<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>(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>(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 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, 2011 and 2010, the liabilities for accrued expenses consist of the following:

	<u>2011</u>	<u>2010</u>
<b>Vacation:</b>		
Balance Beginning of Fiscal Year	\$ 1,120,410	\$ 1,013,651
Increase	<u>31,745</u>	<u>106,759</u>
Balance End of Fiscal Year	<u>\$ 1,152,155</u>	<u>\$ 1,120,410</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 (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began 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.

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Normal</u></b> <b><u>Contribution</u></b>	<b><u>Accrued</u></b> <b><u>Liability</u></b>	<b><u>Total</u></b> <b><u>Liability</u></b>	<b><u>Funded by</u></b> <b><u>State</u></b>	<b><u>Paid by</u></b> <b><u>College</u></b>
<b>Public Employees Retirement System</b>					
2011	\$ 436,585	\$ 581,192	\$ 1,017,777	\$ -	\$ 1,017,777
2010	403,776	393,971	797,747	-	797,747
2009	372,851	340,082	712,933	-	712,933

**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 up to \$141,000, are 5% for plan members, and 8% for employers. Plan members may make additional voluntary contributions subject to section 403(b) of the internal revenue code.

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

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; MetLife***

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

The State of New Jersey is responsible for contributing the employer's share, of certain defined academic positions, towards the annual pension cost of Alternate Benefits for qualified employees. The 2011 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 2011 and 2010, the State reimbursed \$1,448,575 and \$1,460,248 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.

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

<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>Alternative Benefit Program</b>					
2011	\$ 1,905,465	\$ -	\$ 1,905,465	\$ 1,448,575	\$ 456,890
2010	1,874,483	-	1,874,483	1,460,248	414,235
2009	1,681,184	-	1,681,184	1,367,108	314,076

**Note 7: DEFERRED COMPENSATION**

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

**403(b)**

AIG-Valic; AXA Financial (Equitable); The Hartford; ING Life Insurance and Annuity Co.; TIAA-CREF; MetLife

**457(b)**

TIAA-CREF

**Note 8: DESIGNATION OF UNRESTRICTED NET ASSETS**

The following is a summary of the designations of unrestricted net assets at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
<b>Designated:</b>		
Designated for Plant Fund	\$ 9,576	\$ 9,576
Renewal and Replacement	15,184,857	13,810,624
	<u>15,194,433</u>	<u>13,820,200</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>\$ 16,592,542</u>	<u>\$ 15,218,309</u>

**Note 9: 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 \$200,686 and \$216,165 respectively for fiscal years ended 2011 and 2010.

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 10: 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, 2011:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	130,595	69,405	200,000
2017-2021	741,412	258,588	1,000,000
2022-2026	846,547	86,787	933,334
	<u>\$ 2,189,659</u>	<u>\$ 743,675</u>	<u>\$ 2,933,334</u>

Principal and interest payments for the above capital lease were \$105,985 and \$94,015 for fiscal year 2011 and \$51,355.88 and \$48,644.14 for fiscal year 2010.

**Note 10: CAPITAL LEASE PAYABLE (CONT'D)****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 to begin until the first quarter of 2012. The Easement expires upon expiration of the Agreement, and the 600 parking spaces are to be returned to the Parking Authority.

The following is a schedule of the future minimum lease payments at June 30, 2011:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1	\$ -	\$ 720,000	\$ 720,000
2	-	720,000	720,000
3	108,295	611,705	720,000
4	104,686	687,314	792,000
5	101,076	690,924	792,000
6-10	974,658	3,222,942	4,197,600
11-15	1,606,382	3,098,098	4,704,480
16-20	2,461,915	2,914,260	5,376,175
21-25	3,613,456	2,416,293	6,029,749
26-30	5,444,644	1,315,632	6,760,276
	<u>\$ 14,415,112</u>	<u>\$ 16,397,168</u>	<u>\$ 30,812,280</u>

There were no payments made in fiscal years 2011 or 2010.

**Note 11: EDUCATION AND GENERAL EXPENSES BY FUNCTION**

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

<u>2011</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	\$ 34,004,223	\$ 1,404,840	\$ 2,396,925				\$ 37,805,988
Public Service	1,053,272	51,658	199,751				1,304,681
Academic Support	3,123,514	187,819	1,029,245				4,340,578
Student Services	5,077,711	175,230	674,576				5,927,517
Institutional Support	7,072,386	282,237	4,403,158		\$ 580,747		12,338,528
Operation and Maintenance of Plant	5,228,343	504,952	2,088,315		2,227,021		10,048,631
Scholarship Aid				\$ 10,871,833			10,871,833
Depreciation						\$ 4,625,333	4,625,333
	<u>\$ 55,559,449</u>	<u>\$ 2,606,736</u>	<u>\$ 10,791,970</u>	<u>\$ 10,871,833</u>	<u>\$ 2,807,768</u>	<u>\$ 4,625,333</u>	<u>\$ 87,263,089</u>

<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	\$ 31,708,867	\$ 1,413,470	\$ 2,747,157		\$ 697		\$ 35,870,191
Public Service	1,096,381	69,003	285,520				1,450,904
Academic Support	3,091,861	44,190	1,140,018		39		4,276,108
Student Services	4,877,947	261,478	646,464				5,785,889
Institutional Support	7,358,291	732,262	3,840,863		726,871		12,658,287
Operation and Maintenance of Plant	4,708,805	626,232	2,065,910		2,316,503		9,717,450
Scholarship Aid				\$ 11,897,808			11,897,808
Depreciation						\$ 3,801,607	3,801,607
	<u>\$ 52,842,152</u>	<u>\$ 3,146,635</u>	<u>\$ 10,725,932</u>	<u>\$ 11,897,808</u>	<u>\$ 3,044,110</u>	<u>\$ 3,801,607</u>	<u>\$ 85,458,244</u>

**Note 12: OTHER RECEIVABLES**

Other receivables as of June 30, 2011 and 2010 consist of the following amounts due to the College:

	<u>2011</u>	<u>2010</u>
Non-credit Corporate Sponsors	\$ 221,143	\$ 477,823
JFK Muhlenberg	67,938	36,233
Trinitas School of Nursing	64,180	
Due from Other Counties	130,821	
Insurance Lessner Building	170,000	
JJ Rehabilitation		16,234
Follett		14,624
Veterans Administration		112,496
Bell Labs		381,297
Other	152,760	240,593
	<u>\$ 806,842</u>	<u>\$ 1,279,300</u>

**Note 13: OTHER POSTEMPLOYMENT BENEFITS**

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, 2010, there were 87,288 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 retire from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

**Note 14: 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.

# **SINGLE AUDIT SECTION**

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2011**

**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, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011. 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, which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 2011-1.

**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.

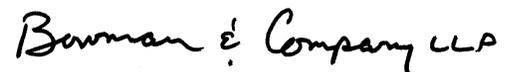
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 number 2011-1. 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 response and, accordingly, we express no opinion on the response.

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  
 December 15, 2011

**UNION COUNTY COLLEGE**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass through Grant Number	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	P007A102620	84.007	\$ 221,995
Federal Direct Student Loans	P268K111820	84.268	8,516,132
Federal Pell Grant Program	P063P101820	84.063	21,823,695
Academic Competitiveness Grant	P375A101820	84.375	316,185
Federal Work-Study Program	P033A102620	84.033	282,226
Total Student Financial Assistance Cluster			31,160,233
Title V, Developing Hispanic Serving Institutions (Direct Funding)	Not Applicable	84.031	403,004
Improving the Pipeline in Stem Education (Direct Funding)	Not Applicable	84.031	599,981
			1,002,985
Green Workforce Service - Curriculum Development (Direct Funding)	Not Applicable	84.116	75,746
<b>Passed through State of New Jersey, Department of Treasury:</b>			
Vocational Education, Carl D. Perkins Grant	PSF Consol 718511	84.048	584,238
<b>Passed through State of New Jersey, Department of Labor and Workforce Development:</b>			
Adult Basic Skills	ASB - FY 10106	84.002	957,849
<b>Passed through State of New Jersey, Department of Education:</b>			
Tech Prep	8000191	84.243	1,185
<b>U.S. Department of Labor:</b>			
<b>Passed through State of New Jersey, Department of Education:</b>			
Community Based Job Training	CB-17360-08-60-A-34	17.269	673,732
<b>U.S. Department of Health and Human Services:</b>			
<b>Passed through Bergen County Community College:</b>			
Northern New Jersey Health Professionals Pathway Consortium	Not Applicable	93.670	18,583
<b>Passed through County of Union, N.J.:</b>			
WIA-Adult	Not Applicable	17.258	84,856
WIA-Dislocated Worker	Not Applicable	17.260	81,540
<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	Not Applicable	14.218	12,892
Community Block Development/College for Teens	Not Applicable	14.218	75,000
Community Block Development/Senior Scholars	Not Applicable	14.218	80,381
Community Block Development/Youth Career Prep	Not Applicable	14.218	55,361
<b>Passed through City of Elizabeth, N.J.:</b>			
Community Block Development/Life Center	Not Applicable	14.218	12,000
Total Community Block Development			235,634
<b>Corporation for National and Community Service (Direct Funding):</b>			
AmeriCorps	Not Applicable	94.006	128,060
Total Expenditures of Federal Awards			\$ 35,004,641

See accompanying notes to financial statements and 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, 2011

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	\$ 77,489	77,489	07/01/10 - 06/30/11	\$ 77,489	\$ 77,489
Educational Opportunity Fund, Article III	100-074-2401-001	201,337	201,337	07/01/10 - 06/30/11	198,736	198,736
Educational Opportunity Fund, Article III, Summer	100-074-2401-001	107,856	107,856	07/01/10 - 06/30/11	79,276	106,760
Tuition Aid Grant	100-074-2405-007	3,130,297	3,130,297	07/01/10 - 06/30/11	3,130,297	3,130,297
NJ Stars	100-074-2405-313	213,992	213,992	07/01/10 - 06/30/11	213,992	213,992
Distinguished Scholars	100-074-DS10-278	5,580	5,580	07/01/10 - 06/30/11	5,580	5,580
New Jersey Urban Scholarship	100-074-US11-278	13,845	13,485	07/01/10 - 06/30/11	13,485	13,485
Total Student Financial Assistance Cluster						
Educational Opportunity Fund, Article IV	100-074-2401-002	273,101	273,101	07/01/10 - 06/30/11	269,071	269,071
<b>N.J. Department of Labor and Workforce Development:</b>						
<b>Customized Training</b>						
	CT110004	124,800	77,460	09/08/10 - 09/08/11	77,460	77,460
<b>N.J. Department of Treasury - Vocational Education:</b>						
<b>Passed through County of Union, Department of Human Services:</b>						
<b>Work First New Jersey Cluster:</b>						
AWEP Cluster:						
FS/GA/ABAWD - 09-WFNUJ-123	7550-100-054-7550-291-LLLL-6110	129,696	87,686	09/01/09 - 09/30/10	4,154	87,686
FS/GA/ABAWD - 09-WFNUJ-132	7550-100-054-7550-291-LLLL-6110	25,643	24,843	09/01/09 - 09/30/10	24,843	24,843
Total AWEP Cluster						
Job Search/Job Readiness (JS/JR) Cluster:						
TANF - 09-WFNUJ-127	7550-100-054-7550-291-LLLL-6110	62,400	56,472	09/01/09 - 09/30/10	2,736	56,472
TANF - 10-WFNUJ-121	7550-100-054-7550-291-LLLL-6110	17,360	17,360	07/01/10 - 09/30/10	17,360	17,360
TANF - 10-WFNUJ-173	7550-100-054-7550-291-LLLL-6110	75,618	75,618	09/01/10 - 06/30/11	75,618	75,618
FS/GA/ABAWD - 10-WFNUJ-118	7550-100-054-7550-291-LLLL-6110	6,600	6,512	07/01/10 - 09/30/10	6,512	6,512
FS/GA/ABAWD - 10-WFNUJ-173	7550-100-054-7550-291-LLLL-6110	32,623	32,623	09/01/10 - 06/30/11	32,623	32,623
Total JS/JR Cluster						
					134,849	188,585

(Continued)

**UNION COUNTY COLLEGE**  
 Schedule of Expenditures of State Financial Assistance  
 For the Fiscal Year Ended June 30, 2011

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:</b>						
<b>Passed through County of Union, Department of Human Services:</b>						
<b>Work First New Jersey Cluster (Cont'd):</b>						
Community Work Experience Program (CWEP) Cluster:						
TANF - 09-WFNUJ-116	7550-100-054-7550-291-LLLL-611C	\$ 54,200	\$ 53,200	09/01/09 - 09/30/10	\$ 2,160	\$ 53,200
TANF - 09-WFNUJ-117	7550-100-054-7550-291-LLLL-611C	68,000	62,349	09/01/09 - 09/30/10	5,624	62,349
TANF - 09-WFNUJ-118	7550-100-054-7550-291-LLLL-611C	100,320	74,819	09/01/09 - 09/30/10	7,744	74,819
TANF - 09-WFNUJ-136	7550-100-054-7550-291-LLLL-611C	320,060	298,406	09/01/09 - 06/30/10	29,414	298,406
TANF - 10-WFNUJ-119	7550-100-054-7550-291-LLLL-611C	23,738	23,538	07/01/10 - 09/30/10	23,538	23,538
TANF - 10-WFNUJ-120	7550-100-054-7550-291-LLLL-611C	16,000	15,440	07/01/10 - 09/30/10	15,440	15,440
TANF - 10-WFNUJ-122	7550-100-054-7550-291-LLLL-611C	19,250	19,125	07/01/10 - 09/30/10	19,125	19,125
TANF - 10-WFNUJ-173	7550-100-054-7550-291-LLLL-611C	248,504	248,504	09/01/10 - 06/30/11	248,504	248,504
FS/GA/ABAWD - 09-WFNUJ-124	7550-100-054-7550-291-LLLL-611C	61,150	59,925	09/01/09 - 09/30/10	2,925	52,925
FS/GA/ABAWD - 09-WFNUJ-125	7550-100-054-7550-291-LLLL-611C	82,000	51,880	09/01/09 - 09/30/10	2,280	51,880
FS/GA/ABAWD - 10-WFNUJ-113	7550-100-054-7550-291-LLLL-611C	13,500	13,375	07/01/10 - 09/30/10	13,375	13,375
FS/GA/ABAWD - 10-WFNUJ-123	7550-100-054-7550-291-LLLL-611C	13,680	13,680	07/01/10 - 09/30/10	13,680	13,680
FS/GA - 10-WFNUJ-173	7550-100-054-7550-291-LLLL-611C	213,219	213,219	09/01/10 - 06/30/11	213,219	213,219
<b>Total CWEP Cluster</b>						
					<b>597,028</b>	<b>1,140,460</b>
Advanced Health Career Initiative:						
TANF - 10-WFNUJ-179	Unknown	60,000	60,000	07/01/10 - 05/31/11	60,000	60,000
<b>Total Work First New Jersey Cluster</b>						
					<b>820,874</b>	<b>1,501,574</b>
<b>N.J. Commerce and Economic Growth Commission,</b>						
<b>Urban Enterprise Zone Authority:</b>						
<b>Passed through City of Elizabeth, NJ:</b>						
Retail Skill Center Grant						
		37,500	323,045	07/01/10 - 06/30/11	323,045	323,045
<b>N.J. Department of Treasury:</b>						
Operational Costs - County Colleges						
Alternate Benefit Program	100-082-2155-015	10,602,032	10,602,032	07/01/10 - 06/30/11	10,602,032	10,602,032
FICA for Members of TPAF	100-082-2155-017	1,448,575	1,448,575	07/01/10 - 06/30/11	1,448,575	1,448,575
	100-082-2155-020	83,091	83,091	07/01/10 - 06/30/11	83,091	83,091
<b>Total Expenditures of State of New Jersey Awards:</b>						
					<b>12,133,698</b>	<b>12,133,698</b>
					<b>\$ 17,343,003</b>	<b>\$ 18,051,187</b>

See accompanying notes to financial statements and 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, 2011

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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: **STUDENT LOAN PROGRAMS**

The College is responsible only for the performance of certain administrative duties with respect to Federal Direct Student Loans; accordingly, these loans balances are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under this program as of June 30, 2011.

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, 2011

**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  no

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

Noncompliance material to financial statements noted? \_\_\_ yes  no

**Federal Awards**

Internal control over compliance:

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

Were significant deficiencies identified that were not 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))?  yes \_\_\_ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007	<b>Student Financial Aid Cluster:</b> Federal Suppl. Educational Opportunity Grant (FSEOG)
84.268	Federal Direct Student Loans (Direct Loans)
84.063	Federal Pell Grant Program (PELL)
84.375	Academic Competitiveness Grant (ACG)
84.033	Federal Work Study Program (FWS)

Dollar threshold used to determine Type A programs \$1,050,139

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

**UNION COUNTY COLLEGE**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ending June 30, 2011

**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>
100-074-2401-001	New Jersey College Loans to Assist State Students
100-074-2405-007	Educational Opportunity Fund (EOF) - Article III
100-074-2405-313	Tuition Aid Grant (TAG)
100-074-DS10-278	New Jersey Stars Program
100-074-US10-278	Distinguished Scholarship Program
100-054-7550-291	New Jersey Urban Scholarship Program
100-082-2155-015	Work First New Jersey
100-082-2155-017	Operational Costs - County Colleges
	Alternate Benefit Program

Dollar threshold used to determine Type A programs \$520,290

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

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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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, 2011

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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. 2011-1**

**Information on the Federal Program**

Federal Direct Student Loans – CFDA 84.268  
 Federal PELL Grant Program – CFDA 84.063

**Criteria or Specific Requirement**

2010-11 FSA Handbook – Volume 5 – Overawards, Overpayments & Withdrawal Calculations, Chapter 2 – Withdrawals and Return of Title IV Funds

**Condition**

During the fiscal year, the report used by the college to determine which students required a Return of Title IV Calculation, did not include a complete population of students.

**Questioned Costs**

None

**Context**

The audit testing noted two students ceasing academic attendance during the year who did not have a Return of Title IV Calculation performed. The auditor brought this to the Financial Aid Director's attention and the College researched the cause of the problem.

In one instance, it was discovered that the College includes labs separately from the main course associated with them; however, labs are not assigned a grade. When the withdrawal reports were run, these students were omitted because the reports were not identifying those students as withdrawing from all of their courses, since the lab did not receive a grade.

In the other instance, it was discovered that professors were assigning a grade of F and including a last date of attendance; however, the new reports used did not include these students because of the grade of F.

The College generated new reports to address the above omissions and researched if the additional listings of students required a Return of Title IV Calculation. This procedure by the College yielded an additional 41 students requiring a Return of Title IV Calculation to be performed and resulted in 32 Pell awards totaling \$29,746 and 9 Direct Loans totaling \$8,640. The auditor expanded testing over this additional population of students and noted no exceptions.

**Effect**

The Return of Title IV Calculations for the students omitted from the original reports resulted in \$38,386 in funds that were subsequently returned to the Department of Education.

**Cause**

Failure of the new reports utilized to monitor potential students requiring Return of Title IV Calculations to include all possible scenarios of students ceasing academic attendance.

**Recommendation**

That the College establish procedures to run reports which will properly identify all students who potentially could require a Return of Title IV Calculation.

**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, 2011

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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**

**Finding No. 2010-1**

**Program**

Academic Competitiveness Grant (ACG) – CFDA# 84.375

**Condition**

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

**Current Status**

This condition has been resolved.

**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

