



FISCAL YEAR ENDED JUNE 30, 2014 • CRANFORD, NEW JERSEY

# 2014

## REPORT OF AUDIT

**UNION COUNTY COLLEGE  
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# INTRODUCTORY SECTION

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**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**



**UNION COUNTY COLLEGE**

**MEMBERS OF THE BOARD OF TRUSTEES**

**AS OF JUNE 30, 2014**

| <b><u>Name</u></b>                    | <b><u>Terms Expires</u></b> |
|---------------------------------------|-----------------------------|
| Victor M. Richel, Chair               | 2016                        |
| James R. Perry, Vice Chair            | 2013                        |
| Frank A. Bolden, Esq.                 | 2014                        |
| George A. Castro, II                  | 2010 (Holdover)             |
| Edward J. Hobbie, Esq.                | 2015                        |
| Wilson Londono                        | 2011 (Holdover)             |
| Eric G. Mason                         | 2013                        |
| Philip J. Morin, III, Esq.            | 2014                        |
| Roderick Spearman                     | 2016                        |
| Mary M. Zimmermann                    | 2016                        |
| Emy A. Quispe, Student Representative | Nov. 2014                   |
| Dr. Margaret M. McMenamin, President  | Ex-Officio                  |

**MEMBERS OF THE BOARD OF GOVERNORS**

**AS OF JUNE 30, 2014**

| <b><u>Name</u></b>                   | <b><u>Terms Expires</u></b> |
|--------------------------------------|-----------------------------|
| Elizabeth Garcia, Chair              | 2016                        |
| Edward J. Hobbie, Esq., Vice Chair   | 2017                        |
| Melinda Ayala                        | 2015                        |
| Lawrence D. Bashe                    | 2017                        |
| Nancy J. Benz                        | 2017                        |
| Rhea Brown                           | 2015                        |
| Eugene J. Carmody                    | 2015                        |
| Dr. Carmen Centuolo                  | 2017                        |
| Daniel J. Connolly                   | 2015                        |
| Henry C. Dickson, CFA                | 2017                        |
| Dr. Michael P. Graziano              | 2015                        |
| Stephen F. Hehl, Esq.                | 2016                        |
| Donna M. Herran                      | 2016                        |
| Gary Horan                           | 2017                        |
| Jeffrey H. Katz, Esq.                | 2016                        |
| Chester Lobrow                       | 2016                        |
| Brian MacLean                        | 2017                        |
| Richard J. Malcolm                   | 2015                        |
| Ada Melendez                         | 2017                        |
| Carl J. Napor                        | 2017                        |
| Francis Raudelunas                   | 2015                        |
| Victor M. Richel                     | 2016                        |
| Frances C. Sabatino                  | 2016                        |
| Roderick Spearman                    | 2016                        |
| Mary M. Zimmerman                    | 2016                        |
| Dr. Margaret M. McMenamin, President | Ex-Officio                  |

## **UNION COUNTY COLLEGE**

### **OTHER COLLEGE OFFICIALS**

**AS OF JUNE 30, 2014**

Dr. Margaret M. McMenamin, President

Dr. Maris Lown – Vice President of Academic Affairs

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

Mrs. Helen Brewer, Vice President of Student Development

Dr. Negar Farakish, Provost / Assistant Vice President, Plainfield Campus

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

Vacant, Provost / Assistant Vice President Academic Affairs, Cranford Campus

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

Vacant, Executive Director, Assessment Planning & Research

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

Vacant, Executive Director of Union County College Foundation

James R. Reardon, Chief Information Officer

# FINANCIAL SECTION

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**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Union County College (the "College"), a component unit of the County of Union, State of New Jersey, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Union County College as of June 30, 2014, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Prior Period Adjustment**

As discussed in Note 15 to the financial statements, during 2014, it was noted that the College's accumulated depreciation was understated. As of July 1, 2012, the College's net position was restated to correct the error. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 8 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of federal and State of New Jersey awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of New Jersey Department of Treasury Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



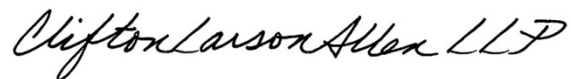
The Honorable Chairman and  
Members of the Board of Trustees  
Union County College

*Other Information*

The financial statements of Union County College as of June 30, 2013 were audited by other auditors whose report dated December 5, 2013 expressed, prior to restatement, an unmodified opinion on those statements.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of Union County 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 Audit Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
December 8, 2014

## REQUIRED SUPPLEMENTARY INFORMATION

**UNION COUNTY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2014**

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, 2014 and 2013 and its changes in financial position for the fiscal years then ended with fiscal year 2012 data presented for comparative purposes.. This analysis is designed to focus on current activities, resulting changes and currently known facts. Please read it in conjunction with the College's Basic Financial Statements, Notes to the Financial Statements and its Independent Auditors' Report. College management is responsible for the completeness and fairness of this information.

**Overview of the Basic Financial Statements**

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

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

The Statements of Revenues, Expenses and Changes in Net Position replace the fund perspective with the entity-wide perspective. Revenues and expenses are categorized as operating or 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)          | 2014             | 2013             | 2014 vs. 2013   |             | 2012             | 2013 vs. 2012  |              |
|-------------------------------------|------------------|------------------|-----------------|-------------|------------------|----------------|--------------|
|                                     |                  |                  | Inc/(Dec)       | % Change    |                  | Inc/(Dec)      | % Change     |
| Operating Revenues                  | \$ 63,634        | \$ 64,442        | \$ (808)        | -1.3%       | \$ 61,733        | 2,709          | 4.4%         |
| Educational and General Expense     | 89,588           | 91,162           | (1,574)         | -1.7%       | 88,829           | 2,333          | 2.6%         |
| Operating (Loss)                    | (25,954)         | (26,720)         | 766             | -2.9%       | (27,096)         | 376            | -1.4%        |
| Non-Operating Revenues              | 24,105           | 23,644           | 461             | 1.9%        | 23,329           | 315            | 1.4%         |
| Capital Contributions and Grants    | 3,934            | 1,349            | 2,585           | 191.6%      | 1,488            | (139)          | -9.3%        |
| Increase (Decrease) in Net Position | 2,085            | (1,727)          | 3,812           | -220.7%     | (2,279)          | 552            | -24.2%       |
| Net Position - Beginning of Year    | 92,583           | 94,310           | (1,727)         | -1.8%       | 96,589           | (2,279)        | -2.4%        |
| Net Position - End of Year          | <u>\$ 94,668</u> | <u>\$ 92,583</u> | <u>\$ 2,085</u> | <u>2.3%</u> | <u>\$ 94,310</u> | <u>(1,727)</u> | <u>-1.8%</u> |

**UNION COUNTY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2014**

The preceding table summarizes key financial data for fiscal years ended June 30, 2014 ("FY 2014"), June 30, 2013 ("FY 2013"), and June 30, 2012 ("FY 2012"). Comparisons represented above show FY 2014 contrasted with FY 2013 and FY 2013 contrasted with FY 2012 with dollar and percentage changes. This schedule is prepared from the College's Statement of Revenues, Expenses and Changes in Net Position, which are presented on an accrual basis of accounting, including depreciation.

| Operating Revenues (\$000)                    | 2014             | 2013             | 2014 vs. 2013   |              | 2012             | 2013 vs. 2012   |             |
|---|------------------|------------------|-----------------|--------------|------------------|-----------------|-------------|
|   |                  |                  | Inc/(Dec)       | % Change     |                  | Inc/(Dec)       | % Change    |
| Tuition & Fees (net of Scholarship Allowance) | \$ 27,390        | \$ 28,076        | \$ (686)        | -2.4%        | \$ 25,089        | \$ 2,987        | 11.9%       |
| Federal Grants                                | 27,571           | 27,735           | (164)           | -0.6%        | 27,736           | (1)             | 0.0%        |
| State Grants                                  | 5,247            | 4,409            | 838             | 19.0%        | 4,650            | (241)           | -5.2%       |
| Local Grants                                  | 770              | 1,382            | (612)           | -44.3%       | 1,548            | (166)           | -10.7%      |
| Gifts and Contributions                       | 264              | 468              | (204)           | -43.6%       | 291              | 177             | 60.8%       |
| Other Operating Revenues                      | 2,392            | 2,372            | 20              | 0.8%         | 2,419            | (47)            | -1.9%       |
| <b>Total Operating Revenues</b>               | <b>\$ 63,634</b> | <b>\$ 64,442</b> | <b>\$ (808)</b> | <b>-1.3%</b> | <b>\$ 61,733</b> | <b>\$ 2,709</b> | <b>4.4%</b> |

Total Operating Revenues decreased \$809 thousand or 1.3% in FY 2014 as compared to FY 2013. The major areas of change were as follows:

- ❖ Student tuition and fee revenues decreased resulting from a decline in enrollment of 3.9%. In addition, the College instituted a flat rate tuition and general fee for 12-18 credits. Students would pay one rate no matter how many credits were taken in the 12-18 credit hour range.
- ❖ State grant revenues increased \$838 thousand or 19.0% in FY 2014 as compared to FY 2013. Tuition Aid Grants (TAG) increased \$341 thousand dollars year over year. The Financial Aid department of the College enhanced their communication plan with regards to outreach to students who were potentially TAG eligible, but did not complete all necessary documentation to receive the aid. The New Jersey Youth Corp revenues for FY 2014 increased \$372 thousand year over year due to a reclassification from Federal to State grants in FY2014. The Opportunity 4Jersey was a new funding source in the amount of \$52 thousand in FY 2014.
- ❖ Local grant revenue has decreased \$612 thousand or 44.3% year over year. This variance in FY2014 results from spending more on large capital replacement items such as the network server expansion and replacements for \$700 thousand versus the cycle of upgrading and replacement of smaller dollar value equipment such as printers and personal computers (PCs). This will be detailed further in the increase in capital grants revenues in FY 2014 as compared to FY 2013.
- ❖ Gift and Contribution revenues decreased \$204 thousand from FY 2014 as compared to FY 2013. During FY2014 annual scholarship agreements were re-written and several which previously had been on the books of the College, were transferred to the Union County College Foundation based upon the language of the new agreement.

**UNION COUNTY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2014**

Total Operating Revenues increased \$2.7 million in FY 2013 as compared to FY 2012. The major areas of change were as follows:

- ❖ Student Tuition and Fees revenues increased 2.75% from \$109 per in-county credit hour to \$112 per in-county credit hour. This accounted for \$1.3 million of the increase year over year. The scholarship allowance for FY 2013 decreased \$1.2 million which resulted from lower refunds issued to students to determine that portion of the student's aid that is an expense of the institution. In addition, bad debt expense which is now stated as a contra revenue account is down \$1.0 million year over year since FY 2012 included an additional \$800 thousand reserve for a late filing of a 2010-2011 PELL receivable.
- ❖ State grant revenue is down \$241 thousand or 5.2% in FY 2013 as compared to FY 2012. This is due primarily from a decrease in State funded vocational education contracts with the County of Union which are part of Work First New Jersey. This decrease year over year was \$395 thousand.
- ❖ Revenues from local grants decreased \$166 thousand or 10.7%. \$60 thousand was spent on furniture for the Library and the Commons and another \$60 thousand was used to purchase computers and lab equipment for the allied health science programs. \$42 thousand was used to furnish the media classrooms with equipment as well as purchase additional equipment for the maintenance of the college campus grounds.
- ❖ Gifts and contribution revenues increased \$177 thousand year over year primarily from an increase of \$83 thousand in the Kellogg scholarship award for FY 2013. In addition, there is an overall increase in outside scholarships of \$117 thousand year over year.

| Operating Expense (\$000)                 | 2014             | 2013             | 2014 vs. 2013     |              | 2012             | 2013 vs. 2012 |             |
|---|------------------|------------------|-------------------|--------------|------------------|---------------|-------------|
|   |                  |                  | Inc/(Dec)         | % Change     |                  | Inc/(Dec)     | % Change    |
| Instructional                             | \$ 35,668        | \$ 36,050        | \$ (382)          | -1.1%        | \$ 36,746        | (696)         | -1.9%       |
| Public Service                            | 2,094            | 2,026            | 68                | 3.4%         | 1,995            | 31            | 1.6%        |
| Academic Support                          | 5,919            | 5,431            | 488               | 9.0%         | 5,166            | 265           | 5.1%        |
| Student Services                          | 6,642            | 6,944            | (302)             | -4.3%        | 6,512            | 432           | 6.6%        |
| Institutional Support                     | 9,693            | 10,546           | (853)             | -8.1%        | 10,926           | (380)         | -3.5%       |
| Plant                                     | 10,790           | 10,917           | (127)             | -1.2%        | 10,525           | 392           | 3.7%        |
| Student Aid                               | 12,191           | 12,721           | (530)             | -4.2%        | 11,546           | 1,175         | 10.2%       |
| Depreciation                              | 5,836            | 5,722            | 114               | 2.0%         | 5,024            | 698           | 13.9%       |
| Total Operating Expenses                  | 88,833           | 90,357           | (1,524)           | -1.7%        | 88,440           | 1,917         | 2.2%        |
| Interest on Capital<br>Asset Related Debt | 755              | 805              | (50)              | -6.2%        | 389              | 416           | 106.9%      |
| Total Operating Revenues                  | <u>\$ 89,588</u> | <u>\$ 91,162</u> | <u>\$ (1,574)</u> | <u>-1.7%</u> | <u>\$ 88,829</u> | <u>2,333</u>  | <u>2.6%</u> |

**UNION COUNTY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2014**

Operating expenses in FY 2014 decreased \$1.6 million or 1.7% over the same period in FY 2013. The major areas of change were:

- ❖ Instructional Expenses decreased \$382 thousand from \$36 million in FY 2013 to \$35.7 million in FY 2014. Soft labor costs have decreased \$375 thousand resulting from a decrease in enrollment coupled with the continued efforts to control spending by maximizing classroom utilization.
- ❖ Academic Support increased \$488 thousand or 9.0% resulting from higher information technology costs allocated to this area primarily from an increase in salaries and fringes of \$194 thousand. In addition, several vacant position vacancies from FY2013 were filled in FY 2014. These positions were the Cranford Provost administrative assistant, a full time library faculty member, a biology lab technician, a library clerk and a full time engineering/technology/architecture secretary for a total of \$241 thousand.
- ❖ Student Services decreased \$302 thousand or 4.3% year over year as a result of a decrease in outside financial aid services and their related travel in the amount of \$262 thousand. The financial aid department was down three key positions. This outside group assisted in the transition of the new full time directors into their financial aid roles in FY 2013.
- ❖ Institutional Support decreased \$853K or 8.1% from \$10.5 million in FY 2013 to \$9.7 million in FY 2014. Legal expenses decreased \$198 thousand year over year. This resulted in a reduction in labor and employee relations as well as special litigation matters. There is a \$93 thousand decrease in telephone costs resulting from the College cutting over to Primary Rate Interface (PRI) circuits in FY 2013 and the resulting savings occurred in FY 2014. Unemployment reserves have been reduced resulting in a decrease in expense of \$126 thousand. PERS costs billed from the State were down \$42 thousand in FY 2014 as compared to FY 2013. The remaining variance results from reduced spending towards smaller, non- capital expenses such as PCs and printers in FY 2014 as compared to FY 2013. Information technology replacements for such equipment as PCs are based upon a defined End of Life cycle so that these expenses are not comparable year to year.
- ❖ Plant Costs decreased \$127 thousand or 1.2% as a result of reducing 300 spaces for \$360 thousand at the Grant Street Garage in Elizabeth. This is offset by an increase in property insurance of \$50 thousand as well as an increase in overtime costs of \$173 thousand primarily in the facilities area due to snow removal.
- ❖ Student Aid decreased \$530 thousand or 4.2% from \$12.7 million in FY 2013 to \$12.2 million in FY 2014. Scholarship Allowances increased \$272 thousand from \$14.9 million in FY 2013 to \$15.2 million in FY 2014. This results from a decrease in student refunds in FY 2014 of \$304 thousand year over year resulting in more funds that have been utilized to pay tuition costs making less funds available to pay living expenses. The remaining decline results from the transfer of annual scholarships to the College's Foundation based upon revised scholarship agreements.



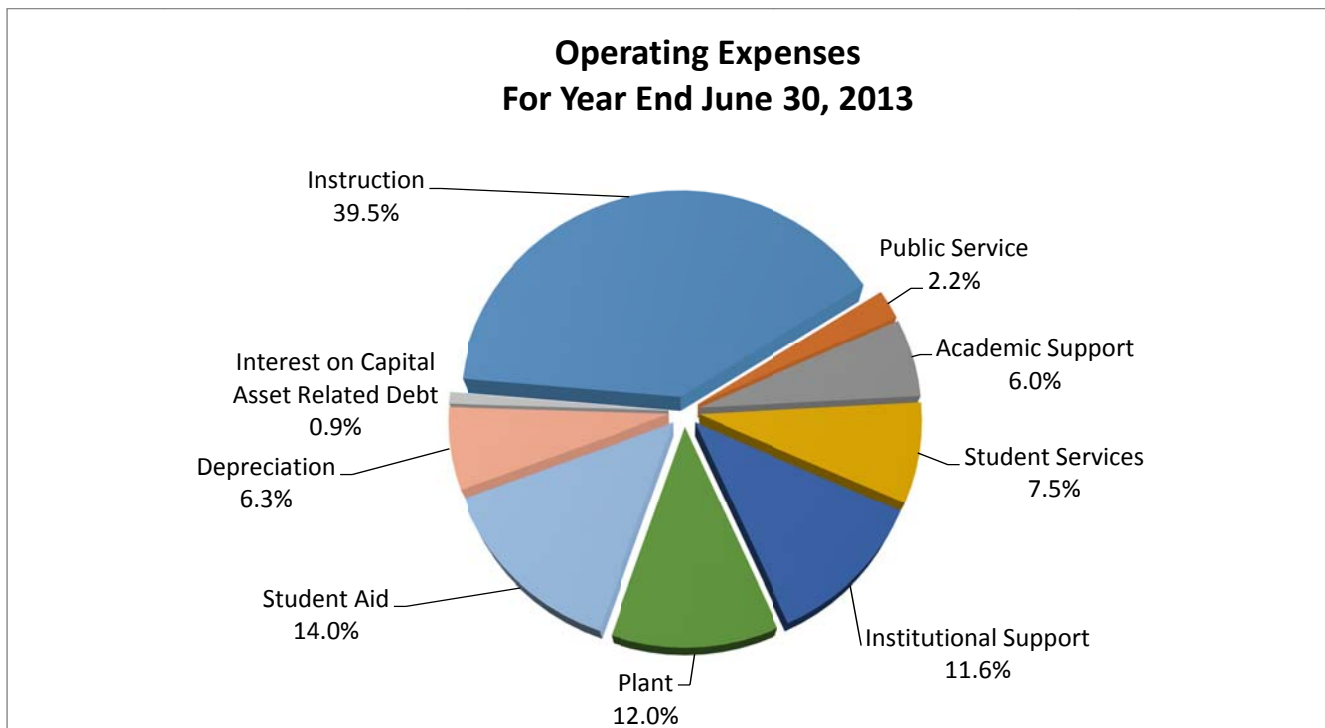
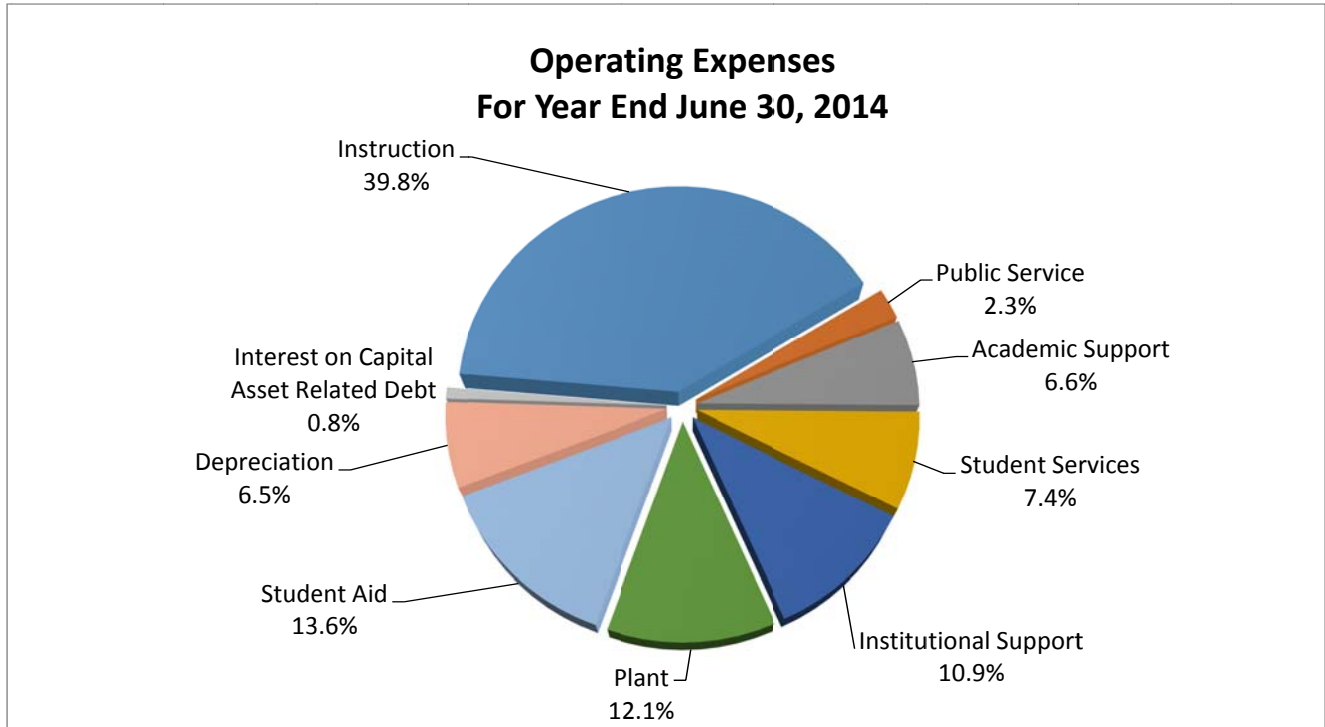
**UNION COUNTY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2014**

Operating expenses in FY 2013 increased \$2.3 million over the same period in FY 2012. The major areas of change were:

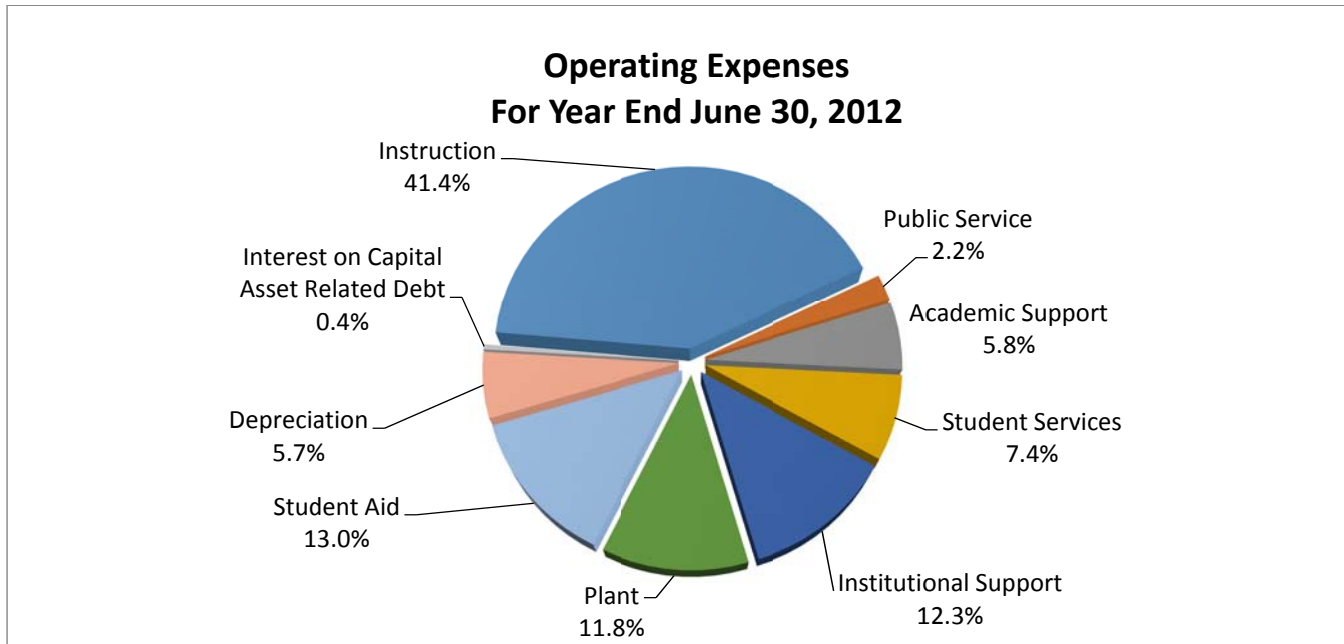
- ❖ Instructional Expenses decreased \$696 thousand or 1.9%. Soft labor costs were down \$309 thousand resulting from the ongoing effort of the Vice President of Academic Affairs to fully utilize classroom capacity and cancel low enrolled classes and maintain the faculty overload in accordance with the contract. Full time faculty costs have decreased \$335 thousand year over year resulting from replacing vacancies with instructor level positions which have a lower starting salary since the full time faculty headcount year over year is virtually flat.
- ❖ Academic Support increased \$265 thousand or 5.1% year over year. This variance is primarily a result of higher salary and benefit expenses partially resulting from the hiring of the Cranford Provost in early FY 2013 accounting for \$113 thousand.
- ❖ Student Services increased \$432 thousand or 6.6% resulting primarily from filling four full time administrative positions that were vacant in the Financial Aid department for the majority of FY 2012. This cost increase including fringe benefits was approximately \$230 thousand. In addition, there was an increase in costs of \$173 thousand year over year in FY 2013 for Financial Aid Services that resulted from outsourcing the management of the financial aid department for a portion of FY 2012 and to act as transition management into FY 2013.
- ❖ Institutional Support decreased \$380 thousand from \$10.9 million in FY 2012 to \$10.5 million in FY 2013. There were \$406 thousand of Ellucian consulting and travel costs that occurred in FY 2012 that were necessary for the ERP implementation, but not part of the initial project. These consulting expenses were primarily for the Admissions, Records and Registration areas as well as Financial Aid.
- ❖ Plant Costs increased \$392 thousand or 3.7%. There was an increase in the custodial maintenance costs in the Kellogg Building of \$96 thousand. In addition, there were increases in salaries and fringe costs of \$273 thousand related primarily to six vacancies in the facilities department and public safety.
- ❖ Student Aid increased \$1.2 million from \$11.5 million in FY 2012 to \$12.7 million in FY 2013. This results from the decrease in student refunds of \$1.0 million used to determine the portion of financial aid that is truly an expense of the institution coupled with a decline in the PELL aid award year over year. The maximum PELL award has remained the same year over year at \$5,550. However, with the increase in tuition costs of 2.75%, less PELL award funds are available for cost of living expenses.
- ❖ Increase in the Interest on Capital Asset Related Debt of \$416 thousand results from first full year use and payment towards the Special Use Easement Agreement for the exclusive use of 600 parking spaces in the City of Elizabeth parking garage adjacent to the College's Lessner building on its Elizabeth campus.

**UNION COUNTY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2014**

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



**UNION COUNTY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2014**



**Operating Loss**

The College reported an operating loss of \$25.2 million in FY 2014 as compared to a loss of \$25.9 million in FY 2013. 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)      | 2014             | 2013             | 2014 vs. 2013 |             | 2012             | 2013 vs. 2012 |             |
|-------------------------------------|------------------|------------------|---------------|-------------|------------------|---------------|-------------|
|                                     |                  |                  | Inc/(Dec)     | % Change    |                  | Inc/(Dec)     | % Change    |
| State Appropriations                | \$ 10,256        | \$ 10,413        | (157)         | -1.5%       | \$ 10,355        | 58            | 0.6%        |
| Federal Appropriations              | -                | -                | -             | -           | -                | -             | -           |
| State and Federal Appropriations    | 10,256           | 10,413           | (157)         | -1.5%       | 10,355           | 58            | 0.6%        |
| County Appropriations               | 13,472           | 13,144           | 328           | 2.5%        | 12,886           | 258           | 2.0%        |
| Gain on Fixed Asset Disposal        | 289              | -                | 289           | 0.0%        | -                | -             | 0.0%        |
| Investment Income                   | 89               | 87               | 2             | 2.3%        | 88               | (1)           | -1.1%       |
| <b>Total Non-Operating Revenues</b> | <b>\$ 24,106</b> | <b>\$ 23,644</b> | <b>462</b>    | <b>2.0%</b> | <b>\$ 23,329</b> | <b>315</b>    | <b>1.4%</b> |

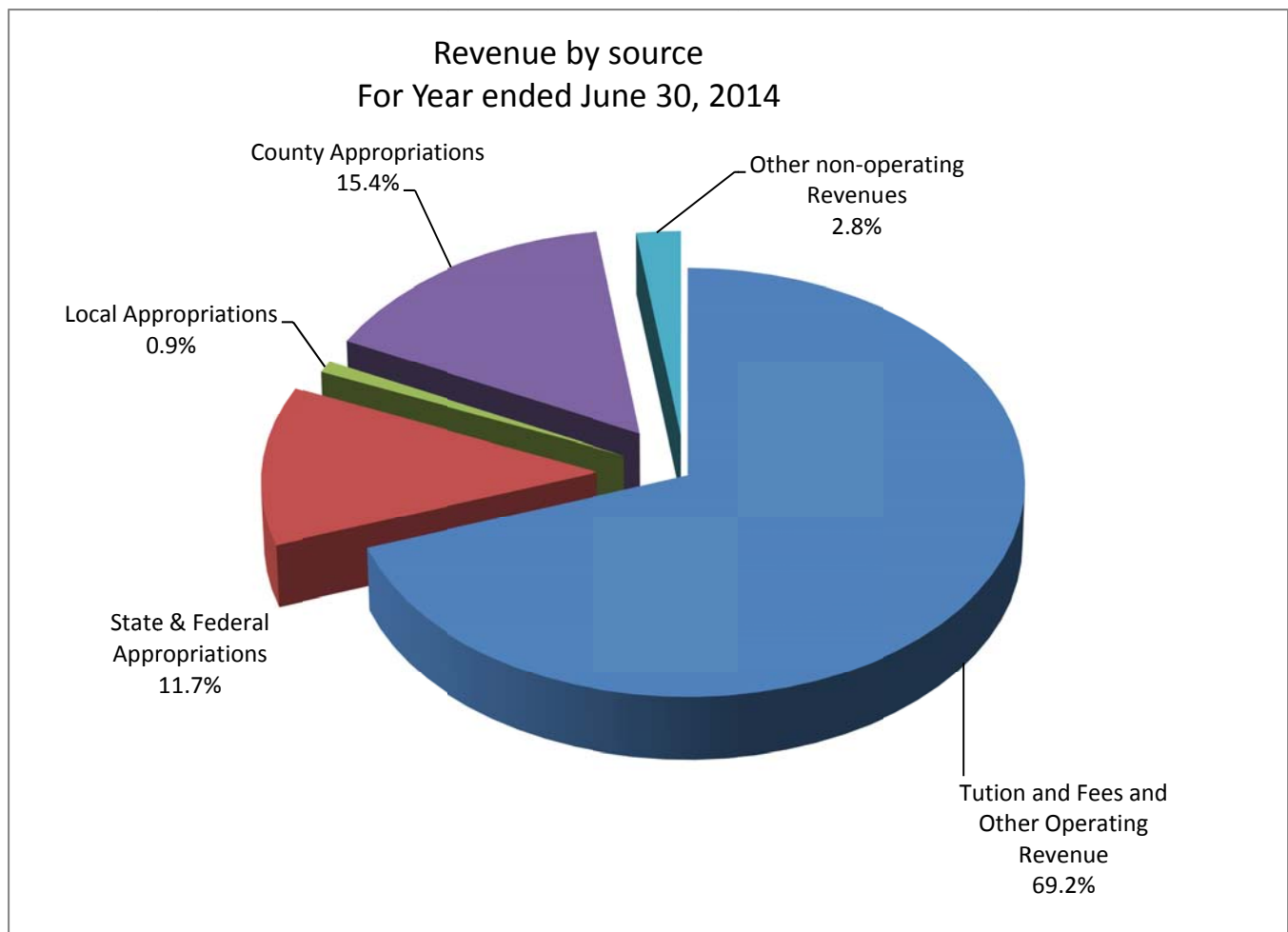
The College relies on non-operating revenue to subsidize the cost of education for its students. Chief among these revenues are the Appropriations of County and State aid. Funding from non-operating revenues increased \$462 thousand, or 2.0 % in FY 2014. The impact of flat or little growth in Appropriations of State funds puts added pressure on the College's Tuition and Fee structure because income from students, inclusive of third party payments on their behalf, provides only 69% of the College's operating expense. PELL revenues decreased \$214 thousand or 0.9% year over year impacted by the College's declining enrollment. The College received a 2.5% increase from the County of Union. The Gain on Fixed Asset Disposal of \$289 thousand represents the amount the College received from insurance proceeds from the Plainfield fire over the book value of the damaged assets.

**UNION COUNTY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2014**

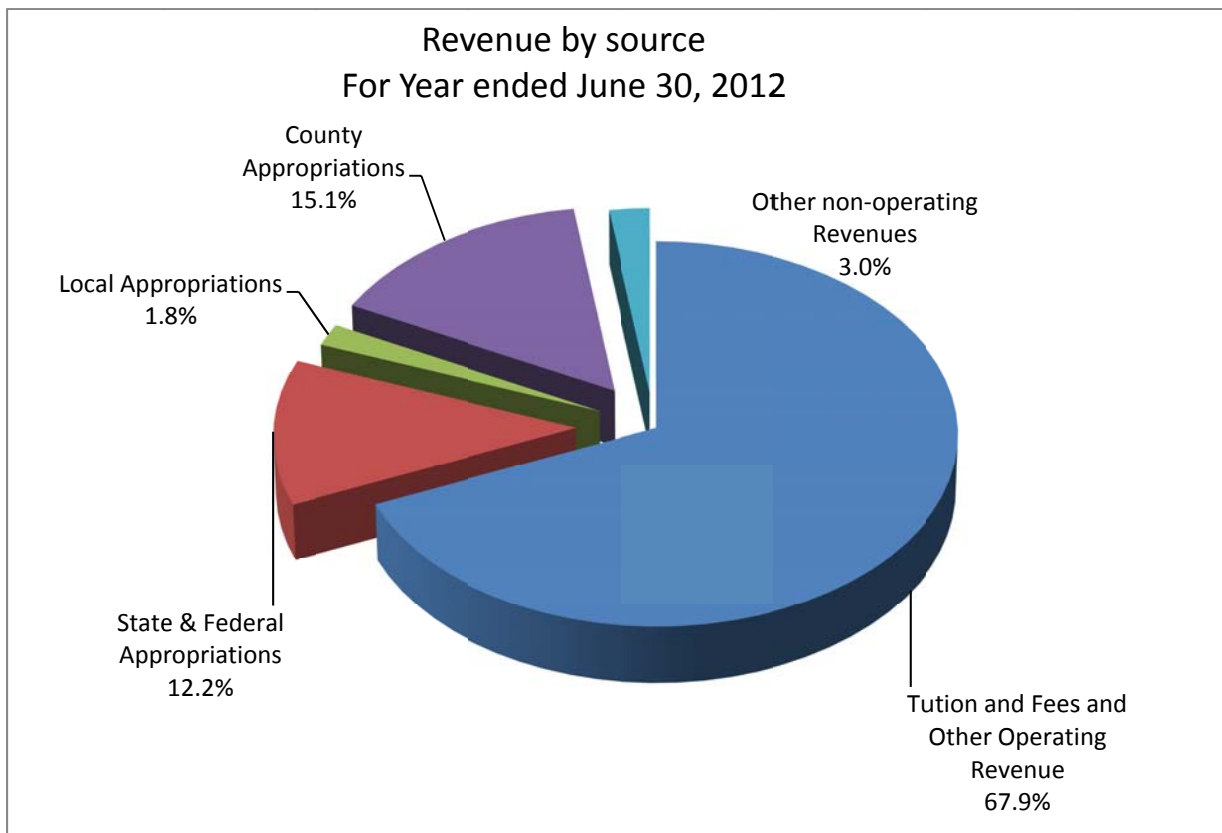
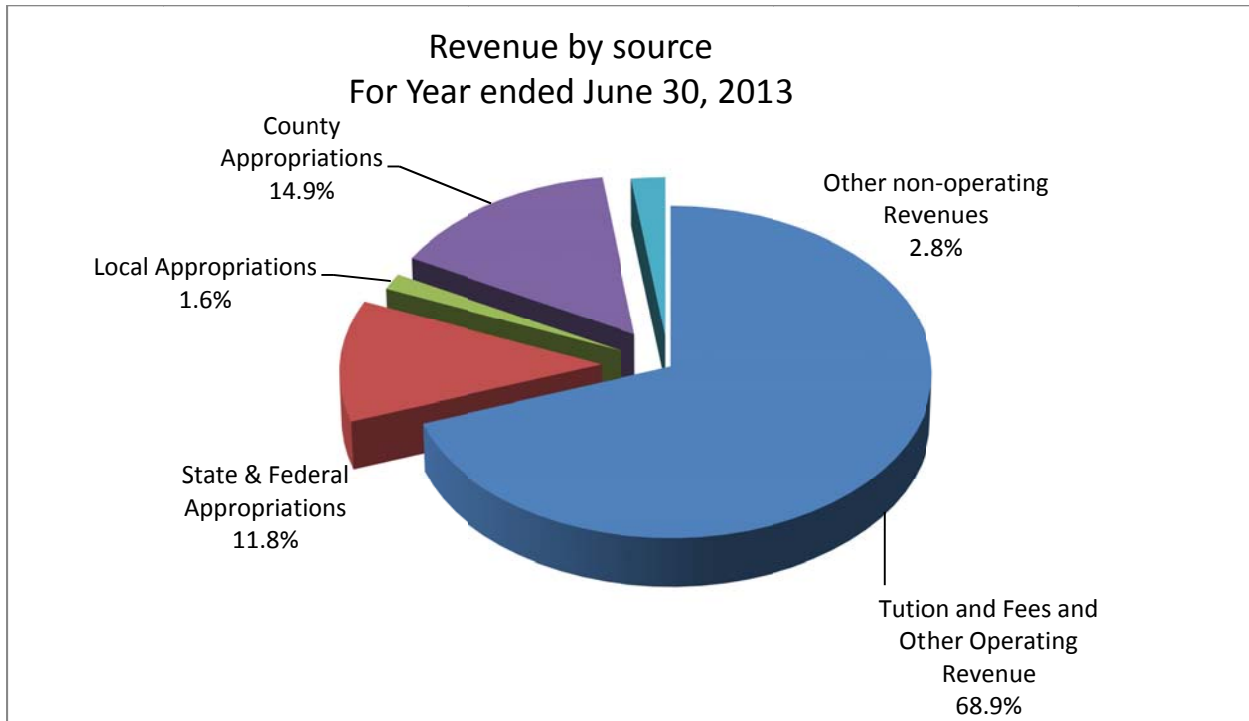
The maximum PELL award increased from \$5,550 in 2012-2013 to \$5,645 in 2013-2014 or 1.7%. The College received a 2.5% increase in aid from the County of Union.

New Jersey State Appropriations for the Community College Sector has remained level between FY 2013 to FY 2012. State Appropriations are allocated among the State's community colleges based upon a formula that includes the preceding year's credit hours. There was a \$58 thousand increase in the College's FY 2013 State Appropriation from FY 2012. There was a 2% increase in County Appropriations year over year from FY 2012 to FY 2013.

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



**UNION COUNTY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2014**



**UNION COUNTY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2014**

**Capital Contributions and Grants**

Capital Contributions and Grants increased \$2.6 million in FY 2014 as compared to FY 2013. This resulted from the purchase of property in Plainfield that use to be an auto parts store and parts warehouse for \$1 million. This facility will house the Licensed Practical Nursing, Paramedics and EMT programs by the end of fiscal year 2015. \$1 million was also spent on the preconstruction for the new student Services Building on the Cranford campus. In addition, \$700 thousand was spent on network expansion and server replacements in FY 2014.

| Net Position (\$000)                | 2014             | 2013<br>(restated) | 2014 vs. 2013 |             | 2012             | 2013 vs. 2012  |              |
|-------------------------------------|------------------|--------------------|---------------|-------------|------------------|----------------|--------------|
|                                     |                  |                    | Inc/(Dec)     | % Change    |                  | Inc/(Dec)      | % Change     |
| Current Assets                      | \$ 34,556        | \$ 31,065          | 3,491         | 11.2%       | \$ 28,711        | 2,354          | 8.2%         |
| Non-Current Assets:                 |                  |                    |               |             |                  |                |              |
| Capital Assets, Net of Depreciation | 86,906           | 89,074             | (2,168)       | -2.4%       | 93,423           | (4,349)        | -4.7%        |
| Total Assets                        | 121,462          | 120,139            | 1,323         | 1.1%        | 122,134          | (1,995)        | -1.6%        |
| Current Liabilities                 | 10,812           | 11,342             | (530)         | -4.7%       | 11,445           | (103)          | -0.9%        |
| Non-Current Liabilities             | 15,982           | 16,214             | (232)         | -1.4%       | 16,379           | (165)          | -1.0%        |
| Total Liabilities                   | 26,794           | 27,556             | (762)         | -2.8%       | 27,824           | (268)          | -1.0%        |
| Capital Assets - Net Position       | 71,152           | 72,312             | (1,160)       | -1.6%       | 76,661           | (4,349)        | -5.7%        |
| Unrestricted - Net Position         | 23,516           | 20,271             | 3,245         | 16.0%       | 17,649           | 2,622          | 14.9%        |
| Total Net Position                  | <u>\$ 94,668</u> | <u>\$ 92,583</u>   | <u>2,085</u>  | <u>2.3%</u> | <u>\$ 94,310</u> | <u>(1,727)</u> | <u>-1.8%</u> |

Current Assets increased \$3.5 million or 11.2% year over year. This results primarily from an increase in the cash balance at June 30, 2014 of \$3.5 million. Net Capital Assets are down \$1.2 million or 1.6% resulting from an additional \$5.8 million in depreciation expense offset by additions of \$4.5 million less net disposals of \$687 thousand.

Current Assets increased \$2.4 million or 8.2% year over year. This results from an increase in the cash balance at June 30, 2013 of \$1.0 million. Coupled with this is the increase in the grants receivable balance of \$1.4 million when comparing FY 2013 to FY 2012. This increase resulted from a late drawdown of financial aid for aid year 2012-2013 of \$1.8 million for PELL. Net Capital Assets are down \$4.3 million resulting from an additional \$5.7 million in depreciation expense offset by additions of \$1.4 million.



**UNION COUNTY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2014**

**Summary and Outlook**

The support of the College is dependent on three major revenue sources: State Appropriations, County Appropriations and student tuition. During economic times when increases for State and County Aid are tight, greater pressure falls upon students to bear the additional cost in the form of increased tuition. The College has undertaken initiatives in an effort to contain costs so as to curtail and manage student revenue increases.

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 2014 student enrollment decreased 3.9% and the Fall 2014 enrollment has decreased 5.0% compared to the preceding Fall semester. It is expected that this trend will continue throughout FY 2015.

As mentioned above, management continues to place great emphasis on cost containment to mitigate rising costs and to minimize tuition increases. Ongoing concerted efforts have been made to utilize part time instructors where feasible to control instructional spending. The institution has realized the benefits of this initiative since FY 2013 along with class consolidation and higher utilization of classroom capacity. This was an ongoing process throughout FY 2014 and will continue throughout FY 2015. Only two new full time faculty members have been hired out of six positions planned for FY 2015.

Union County College has launched a competitive and selective honors program known as American Honors. The mission of American Honors is to provide a high quality honors education at a reasonable cost and provide students with the necessary structure, guidance, and resources to thrive at Union County College and transition smoothly to the four-year institution of their choice. In addition, American Honors seeks to bridge the financial gap for students for whom a college education might not be economically feasible. Students also have access to the American Honors network of over 35 colleges and universities. 69 students are enrolled for Fall 2014 in the American Honors program which will continue to expand and promote exponential success for these honors students.

A five year STEMpact grant from the U.S. Department of Education in the amount of \$3,205,900 was awarded to Union County College partnering with Kean University to provide a seamless transfer for Hispanic and other low income students in STEM (Science, Technology, Engineering and Mathematics) disciplines. Students would be provided with a multi-faceted program which would include tutoring, advising and mentoring from both peers and faculty so as to increase the success rate for these students.

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 have remained relatively level over the last three years and we do not expect a turnaround in rates during FY 2015.

**UNION COUNTY COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**JUNE 30, 2014**

Construction on all campuses will be a major initiative at the College during FY 2015. Fall 2014 saw the start of re-construction and conversion of the recently purchased property in Plainfield which will become the campus' Health Science Building. This facility will house the Licensed Practical Nursing, Paramedics and EMT programs by the end of fiscal year 2015. The Cranford Student Services Building project also started in the Fall of 2014 which will be a new and expanded two story 40,000 square foot facility. Part of the first floor will be a 'One Stop' multi-purpose space. The second floor will provide twelve classrooms as well as conference rooms and office areas. The construction is expected to take eighteen months to complete. In Elizabeth, two new science labs on the 7<sup>th</sup> floor of the Lessner Building will be constructed and ready for classroom instruction starting with the Spring 2015 semester. The first floor and lower level of the Lessner Building will be renovated and expanded into a "One Stop" with office space and administrative areas. This project will be started during fiscal year 2015.

With ongoing cost considerations paramount 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 and expanded facilities coupled with the plan for a "One Stop" student service facility on both the Cranford and Elizabeth campuses, the College will continue to assure that the quality and extent of services provided to students will meet their needs and expectations.

**Union County College Foundation**

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

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

# BASIC FINANCIAL STATEMENTS

**UNION COUNTY COLLEGE**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014 AND 2013**

|   | 2014          |                                  | 2013                     |                                  |
|---|---------------|----------------------------------|--------------------------|----------------------------------|
|   | College       | Component Unit<br>UCC Foundation | College<br>(As Restated) | Component Unit<br>UCC Foundation |
| <b>ASSETS</b>   |               |                                  |                          |                                  |
| <b>CURRENT ASSETS</b>   |               |                                  |                          |                                  |
| Cash and Cash Equivalents   | \$ 26,322,826 | \$ 115,097                       | \$ 22,804,712            | \$ 233,113                       |
| Investments   | -             | 6,160,141                        | -                        | 3,880,151                        |
| Student Accounts Receivable, Net of Allowance<br>of \$1,673,794 in 2014 and \$1,604,916 in 2013 | 806,079       | -                                | 1,350,199                | -                                |
| Grants Receivable   | 3,997,937     | -                                | 4,184,111                | -                                |
| State of New Jersey Receivable:   |               |                                  |                          |                                  |
| Alternative Benefit Program   | 206,073       | -                                | 384,608                  | -                                |
| County of Union Receivable  | 363,514       | -                                | 111,910                  | -                                |
| Other Receivables   | 2,843,216     | 44,266                           | 2,221,911                | 28,826                           |
| Other Assets  | 16,667        | 173,426                          | 7,233                    | 162,263                          |
| Total Current Assets  | 34,556,312    | 6,492,930                        | 31,064,684               | 4,304,353                        |
| <b>NON-CURRENT ASSETS</b>   |               |                                  |                          |                                  |
| Endowment Investments   | -             | 8,824,111                        | -                        | 8,586,712                        |
| Other Receivables   | -             | 3,290                            | -                        | 5,069                            |
| Capital Assets, Net   | 86,905,802    | 580,405                          | 89,074,164               | 584,361                          |
| Total Non-Current Assets  | 86,905,802    | 9,407,806                        | 89,074,164               | 9,176,142                        |
| Total Assets  | 121,462,114   | 15,900,736                       | 120,138,848              | 13,480,495                       |
| <b>LIABILITIES</b>  |               |                                  |                          |                                  |
| <b>CURRENT LIABILITIES</b>  |               |                                  |                          |                                  |
| Accounts Payable  | 2,856,148     | -                                | 4,500,020                | -                                |
| Accrued Expenses  | 5,534,120     | 465,744                          | 5,693,027                | 288,345                          |
| Due to State of New Jersey  | 301,910       | -                                | 359,048                  | -                                |
| Unearned Revenue  |               |                                  |                          |                                  |
| Student Tuition and Fee Revenue   | 1,698,710     | 38,850                           | 455,678                  | 8,200                            |
| Federal and State Grant Revenue   | 189,459       | -                                | 169,382                  | -                                |
| Capital Lease, Current Portion  | 232,044       | -                                | 165,294                  | -                                |
| Total Current Liabilities   | 10,812,391    | 504,594                          | 11,342,449               | 296,545                          |
| <b>NON-CURRENT LIABILITIES</b>  |               |                                  |                          |                                  |
| Capital Lease, Non-Current Portion  | 15,981,785    | -                                | 16,213,788               | -                                |
| Gift Annuity Fund Payable   | -             | 6,324                            | -                        | 21,953                           |
| Total Non-Current Liabilities   | 15,981,785    | 6,324                            | 16,213,788               | 21,953                           |
| Total Liabilities   | 26,794,176    | 510,918                          | 27,556,237               | 318,498                          |
| <b>NET POSITION</b>   |               |                                  |                          |                                  |
| Net Investment in Capital Assets  | 70,993,403    | 580,405                          | 72,312,052               | 584,361                          |
| Restricted for:   |               |                                  |                          |                                  |
| Non-Expendable:   |               |                                  |                          |                                  |
| Program   | -             | 567,772                          | -                        | 837,813                          |
| Scholarships  | -             | 8,256,339                        | -                        | 7,748,899                        |
| Expendable:   |               |                                  |                          |                                  |
| Program   | -             | 25,046                           | -                        | 21,001                           |
| Scholarships  | -             | 1,342,912                        | -                        | 1,052,696                        |
| Other   | -             | 3,765,911                        | -                        | 2,155,187                        |
| Unrestricted  | 23,674,535    | 851,433                          | 20,270,558               | 762,040                          |
| Total Net Position  | \$ 94,667,938 | \$ 15,389,818                    | \$ 92,582,610            | \$ 13,161,997                    |

See accompanying Notes to Financial Statements.

**UNION COUNTY COLLEGE**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

|  | 2014          |                                  | 2013                     |                                  |
|--|---------------|----------------------------------|--------------------------|----------------------------------|
|  | College       | Component Unit<br>UCC Foundation | College<br>(As Restated) | Component Unit<br>UCC Foundation |
| <b>REVENUES</b>                                    |               |                                  |                          |                                  |
| Operating Revenues                                 |               |                                  |                          |                                  |
| Student Tuition and Fees                           | \$ 42,540,065 | \$ -                             | \$ 42,954,010            | \$ -                             |
| Less Scholarship Allowances                        | (15,150,466)  | -                                | (14,877,587)             | -                                |
| Net Student Tuition and Fees                       | 27,389,599    | -                                | 28,076,423               | -                                |
| Federal Grants                                     | 27,569,974    | -                                | 27,734,690               | -                                |
| State Grants                                       | 5,247,400     | -                                | 4,409,161                | -                                |
| Local Grants                                       | 770,232       | -                                | 1,382,042                | -                                |
| Gifts and Contributions                            | 263,810       | 754,544                          | 468,022                  | 518,061                          |
| Other  | 2,392,620     | -                                | 2,371,788                | -                                |
| Total Operating Revenue                            | 63,633,635    | 754,544                          | 64,442,126               | 518,061                          |
| <b>EXPENSES</b>                                    |               |                                  |                          |                                  |
| Operating Expenses                                 |               |                                  |                          |                                  |
| Educational and General                            |               |                                  |                          |                                  |
| Instructional                                      | 35,667,982    | -                                | 36,049,659               | -                                |
| Public Service                                     | 2,094,172     | -                                | 2,026,181                | -                                |
| Academic Support                                   | 5,919,345     | -                                | 5,431,344                | -                                |
| Student Services                                   | 6,642,136     | -                                | 6,944,047                | -                                |
| Institutional Support                              | 9,692,744     | -                                | 10,546,001               | -                                |
| Operations and Maintenance of Plant                | 10,789,825    | -                                | 10,917,093               | -                                |
| Student Aid  | 12,191,205    | 820,893                          | 12,720,594               | 510,337                          |
| Depreciation                                       | 5,835,686     | 3,956                            | 5,722,340                | 3,956                            |
| Other Expenses                                     | -             | 269,911                          | -                        | 461,341                          |
| Total Operating Expenses                           | 88,833,095    | 1,094,760                        | 90,357,259               | 975,634                          |
| <b>OPERATING LOSS</b>                              | (25,199,460)  | (340,216)                        | (25,915,133)             | (457,573)                        |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>           |               |                                  |                          |                                  |
| State Appropriations                               | 10,255,635    | -                                | 10,412,720               | -                                |
| County Appropriations                              | 13,472,211    | -                                | 13,143,618               | -                                |
| Investment Income                                  | 89,096        | 2,330,638                        | 87,223                   | 1,240,387                        |
| Interest on Capital Asset Related Debt             | (754,747)     | -                                | (804,817)                | -                                |
| Gain on Capital Asset Disposal                     | 288,651       | -                                | -                        | -                                |
| Additions to Permanent Endowments                  | -             | 237,399                          | -                        | 165,975                          |
| On-Behalf Payments - Alternate<br>Benefit Program: |               |                                  |                          |                                  |
| Teachers Insurance Annuity<br>Association (TIAA):  |               |                                  |                          |                                  |
| Revenues   | 1,485,794     | -                                | 1,587,828                | -                                |
| Expenses - Faculty                                 | (1,329,523)   | -                                | (1,415,491)              | -                                |
| Expenses - Adjuncts                                | (156,271)     | -                                | (172,337)                | -                                |
| Net Non-Operating Revenues (Expenses)              | 23,350,846    | 2,568,037                        | 22,838,744               | 1,406,362                        |
| <b>INCOME (LOSS) BEFORE OTHER REVENUES</b>         | (1,848,614)   | 2,227,821                        | (3,076,389)              | 948,789                          |
| <b>CAPITAL GRANTS AND CONTRIBUTIONS</b>            | 3,933,942     | -                                | 1,348,511                | -                                |
| <b>INCREASE (DECREASE) IN NET POSITION</b>         | 2,085,328     | 2,227,821                        | (1,727,878)              | 948,789                          |
| Net Position - Beginning of Year                   | 92,582,610    | 13,161,997                       | 94,922,028               | 12,213,208                       |
| Prior Period Adjustment                            | -             | -                                | (611,540)                | -                                |
| Net Position - Beginning of Year, As Restated      | 92,582,610    | 13,161,997                       | 94,310,488               | 12,213,208                       |
| Net Position - End of Year                         | \$ 94,667,938 | \$ 15,389,818                    | \$ 92,582,610            | \$ 13,161,997                    |

See accompanying Notes to Financial Statements.

**UNION COUNTY COLLEGE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2014 AND 2013**

|   | <u>2014</u>                   | <u>2013</u>                   |
|---|-------------------------------|-------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                               |                               |
| Receipts from Student Revenue   | \$ 18,298,393                 | \$ 17,242,011                 |
| Receipts from Government Grants   | 33,773,780                    | 32,112,300                    |
| Payments to Suppliers   | (17,620,124)                  | (17,523,064)                  |
| Payments for Employee Salaries and Benefits   | (57,042,575)                  | (55,843,416)                  |
| Receipts from Gifts and Contributions   | 263,810                       | 468,022                       |
| Other Receipts (Payments)   | <u>2,392,621</u>              | <u>1,838,332</u>              |
| Net Cash Used by Operating Activities   | (19,934,095)                  | (21,705,815)                  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                               |                               |
| State Appropriations  | 10,255,635                    | 10,412,720                    |
| County Appropriations   | 13,472,211                    | 13,143,618                    |
| Loan Program Receipts   | 11,320,827                    | 10,530,731                    |
| Loan Program Disbursements  | <u>(11,320,827)</u>           | <u>(10,530,731)</u>           |
| Net Cash Provided by Noncapital Financing Activities  | 23,727,846                    | 23,556,338                    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                               |                               |
| Capital Grants  | 3,933,942                     | 1,348,511                     |
| Purchase of Capital Assets  | (3,667,326)                   | (1,372,675)                   |
| Gain on Disposal of Capital Asset   | 288,651                       | -                             |
| Principal Paid on Debt  | (165,253)                     | (115,183)                     |
| Interest Paid on Long-Term Debt   | <u>(754,747)</u>              | <u>(804,817)</u>              |
| Net Cash Used by Capital and Related Financing Activities   | (364,733)                     | (944,164)                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                               |                               |
| Interest on Investments   | <u>89,096</u>                 | <u>87,223</u>                 |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>   | 3,518,114                     | 993,582                       |
| Cash and Cash Equivalents - Beginning of Year   | <u>22,804,712</u>             | <u>21,811,130</u>             |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | <u><u>\$ 26,322,826</u></u>   | <u><u>\$ 22,804,712</u></u>   |
| <b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO<br/>NET CASH USED BY OPERATING ACTIVITIES</b> |                               |                               |
| Operating Loss  | \$ (25,199,460)               | \$ (25,915,133)               |
| Adjustment to Reconcile Net Loss to Net Cash<br>Used by Operating Activities:                           |                               |                               |
| Depreciation Expense  | 5,835,686                     | 5,722,340                     |
| Changes in Assets and Liabilities:  |                               |                               |
| Receivables, Net  | (1,859,917)                   | (1,360,030)                   |
| Accounts Payable and Accrued Expenses   | 26,487                        | (134,844)                     |
| Unearned Revenue:   |                               |                               |
| Student Tuition and Fees  | 1,243,032                     | 250,685                       |
| Federal and State Grants  | <u>20,077</u>                 | <u>(268,833)</u>              |
| Net Cash Used by Operating Activities   | <u><u>\$ (19,934,095)</u></u> | <u><u>\$ (21,705,815)</u></u> |

See accompanying Notes to Financial Statements.



**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Reporting Entity**

Union County College (the College) was established in 1933 as a private college. In 1982, with the merger of then Union College and Union County Vocational Technical Institute, Union County College was established as a public comprehensive community college pursuant to N.J.S. 18A: 64A-50 et seq. It is a member of New Jersey's system of nineteen county colleges and is a component unit of the County of Union. The College operates campuses in Cranford, Elizabeth, Plainfield, and Scotch Plains. It enrolls approximately 5,200 full-time and 11,200 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 of Governors is vested with specific areas of authority. It is authorized to give advice and consent to the Board of Trustees in connection with the appointment, compensation and term of office of the President of the College, act in an overall advisory capacity and control properties, funds and trust vested when Union College, a two year private College, began functioning as Union County College. The Board of Governors is appointed as follows: the President of the College who serves in an ex-officio capacity without a vote, three Alumni Governors nominated by the Union County College Alumni Association, three county residents nominated by the Union County Board of Chosen Freeholders, and all remaining Governors up to a maximum of 30 are appointed by the existing Board of Governors. The College currently has 25 members of the Board of Governors. The term of a member of the Board of Governors is three years.

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

**UNION COUNTY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Description of Reporting Entity (Continued)**

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

**Component Unit**

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

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

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

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Component Unit (Continued)**

During the fiscal years ended June 30, 2014 and 2013, the Foundation distributed \$820,893 and \$510,337, respectively, to the College for both restricted and unrestricted purposes.

The individual report of audit of the Foundation for the fiscal year ended June 30, 2014 can be obtained at the Foundation offices; Union County College Foundation, 1033 Springfield Avenue, Cranford, New Jersey 07016.

**Basis of Presentation**

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

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents and Investments (Continued)**

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

**Accounts Receivable**

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

**Prepaid Expenses**

Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2014.

**Tuition**

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

**State Aid**

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

**County Aid**

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

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unearned Revenue**

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

**Capital Assets**

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

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

| Asset                      | Years   |
|----------------------------|---------|
| Buildings and Improvements | 20 - 40 |
| Equipment                  | 3 - 20  |

Depreciation expense for the fiscal years ending June 30, 2014 and 2013 was \$5,835,686 and \$5,722,340, respectively.

**Financial Dependency**

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

**Compensated Absences**

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

**Reclassifications**

Certain revenues in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no impact on total assets, total liabilities or net assets. The reclassification was due to \$533,455 previously reported as Student Tuition and Fees Revenue in the prior year changing to Other Operating Revenue in the current year.

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts of student accounts receivable is based on average percentages of past years collection rates. The allowance for June 30, 2014 and 2013 was \$1,673,794 and \$1,604,916, 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 position. Scholarship discount and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, as well as other federal grants and state grants, are recorded as operating revenue in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the College has recorded a scholarship discount and allowance. The amount of scholarship discount and allowances for the fiscal years ending June 30, 2014 and 2013 was \$15,150,466 and \$14,877,587, respectively.

**On-Behalf Payments for Pension Contributions**

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

**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.

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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

**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 and county appropriations and investment income.

**Net Position**

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

**Net Investment in Capital Assets**

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

**Restricted**

Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Unrestricted Net Position

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

New Accounting Standards

The College adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The College implemented the accounting and reporting requirement of GASB 65 as of July 1, 2013. The adoption of GASB 65 does not have any impact on the College's financial statements.

The College adopted GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The adoption of GASB 66 does not have any impact on the College's financial statements.

Future Accounting Pronouncements

In June 2012, GASB issued statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 requires that cost-sharing employers to recognize a liability for its proportionate share of the net pension liability of all employers for benefits provided through the pension plan. Statement No. 68 also requires additional footnote disclosure and required supplementary information. The College is required to adopt Statement No. 68 for the fiscal year ending June 30, 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. It also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. To the extent applicable, the College is required to adopt Statement No. 69 for the fiscal year ending June 30, 2015.



**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Future Accounting Pronouncements (Continued)**

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in GASB 68, concerning transition provisions related to certain pension contributions made to defined pension plans prior to implementation of that Statement made by employers and non-employer contributing entities.

The College has not yet determined the effect of Statement Nos. 68, 69 and 71 on its financial statements.

**NOTE 2 CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. Although the College does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the College in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the College relative to the happening of a future condition. Such funds would be shown as uninsured and uncollateralized in the schedule below.

As of June 30, 2014 and 2013, the College's bank balances were exposed to custodial credit risk as follows:

|                            | <u>2014</u>                 | <u>2013</u>                 |
|----------------------------|-----------------------------|-----------------------------|
| Insured                    | \$ 1,028,617                | \$ 1,028,595                |
| Collateralized under GUDPA | <u>25,325,342</u>           | <u>22,279,329</u>           |
| Total                      | <u><u>\$ 26,353,959</u></u> | <u><u>\$ 23,307,924</u></u> |

**UNION COUNTY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 3 CAPITAL ASSETS**

The following schedule is a summarization of the changes in capital assets by source at June 30, 2014 and 2013:

|  | Balance<br>July 1, 2013 | Increase              | Decreases           | Adjustments        | Balance<br>June 30, 2014 |
|--|-------------------------|-----------------------|---------------------|--------------------|--------------------------|
| <b>Capital Assets, Non-Depreciable:</b>      |                         |                       |                     |                    |                          |
| Land   | \$ 4,438,162            | \$ -                  | \$ -                | \$ 395,158         | \$ 4,833,320             |
| Construction in Progress                     | 118,114                 | 3,329,603             | -                   | (1,617,043)        | 1,830,674                |
| Total Capital Assets, Non-Depreciable        | 4,556,276               | 3,329,603             | -                   | (1,221,885)        | 6,663,994                |
| <b>Capital Assets, Depreciable:</b>          |                         |                       |                     |                    |                          |
| Building and Improvements                    | 124,847,459             | -                     | (1,292,861)         | 1,223,434          | 124,778,032              |
| Intangible Asset - Easement                  | 14,415,112              | -                     | -                   | -                  | 14,415,112               |
| Equipment, Software and Vehicles             | 17,436,623              | 938,580               | (3,025,643)         | (40,305)           | 15,309,255               |
| Total Capital Assets, Depreciable            | 156,699,194             | 938,580               | (4,318,504)         | 1,183,129          | 154,502,399              |
| <b>Less Accumulated Depreciation for:</b>    |                         |                       |                     |                    |                          |
| Buildings and Improvements                   | (59,894,686)            | (3,382,026)           | 730,248             | 509                | (62,545,955)             |
| Intangible Asset - Easement                  | (680,714)               | (480,503)             | -                   | -                  | (1,161,217)              |
| Equipment, Software and Vehicles             | (11,605,906)            | (1,973,157)           | 3,025,644           | -                  | (10,553,419)             |
|  | (72,181,306)            | (5,835,686)           | 3,755,892           | 509                | (74,260,591)             |
| <b>Total Capital Assets, Depreciable Net</b> | <b>84,517,888</b>       | <b>(4,897,106)</b>    | <b>(562,612)</b>    | <b>1,183,638</b>   | <b>80,241,808</b>        |
| <b>Capital Assets, Net</b>                   | <b>\$ 89,074,164</b>    | <b>\$ (1,567,503)</b> | <b>\$ (562,612)</b> | <b>\$ (38,247)</b> | <b>\$ 86,905,802</b>     |

|  | Balance<br>July 1, 2012<br>(restated) | Increase              | Decreases   | Adjustments    | Balance<br>June 30, 2013 |
|--|---------------------------------------|-----------------------|-------------|----------------|--------------------------|
| <b>Capital Assets, Non-Depreciable:</b>      |                                       |                       |             |                |                          |
| Land   | \$ 4,438,162                          | \$ -                  | \$ -        | \$ -           | \$ 4,438,162             |
| Construction in Progress                     | 447,975                               | 100,620               | -           | (430,481)      | 118,114                  |
| Total Capital Assets, Non-Depreciable        | 4,886,137                             | 100,620               | -           | (430,481)      | 4,556,276                |
| <b>Capital Assets, Depreciable:</b>          |                                       |                       |             |                |                          |
| Building and Improvements                    | 123,306,164                           | 1,110,818             | -           | 430,477        | 124,847,459              |
| Intangible Asset - Easement                  | 14,415,112                            | -                     | -           | -              | 14,415,112               |
| Equipment, Software and Vehicles             | 18,125,490                            | 161,238               | (850,109)   | 4              | 17,436,623               |
| Total Capital Assets, Depreciable            | 155,846,766                           | 1,272,056             | (850,109)   | 430,481        | 156,699,194              |
| <b>Less Accumulated Depreciation for:</b>    |                                       |                       |             |                |                          |
| Buildings and Improvements                   | (56,512,633)                          | (3,382,053)           | -           | -              | (59,894,686)             |
| Intangible Asset - Easement                  | (200,210)                             | (480,504)             | -           | -              | (680,714)                |
| Equipment, Software and Vehicles             | (10,596,231)                          | (1,859,784)           | 850,109     | -              | (11,605,906)             |
|  | (67,309,074)                          | (5,722,341)           | 850,109     | -              | (72,181,306)             |
| <b>Total Capital Assets, Depreciable Net</b> | <b>88,537,692</b>                     | <b>(4,450,285)</b>    | <b>-</b>    | <b>430,481</b> | <b>84,517,888</b>        |
| <b>Capital Assets, Net</b>                   | <b>\$ 93,423,829</b>                  | <b>\$ (4,349,665)</b> | <b>\$ -</b> | <b>\$ -</b>    | <b>\$ 89,074,164</b>     |

Adjustments represent transfers of completed projects from Construction in Progress.

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 4 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, 2014 and 2013, the liabilities for accrued compensated absences, included in accrued expenses on the statement of net position, consist of the following:

|                                   | <u>2014</u>                | <u>2013</u>                |
|-----------------------------------|----------------------------|----------------------------|
| <b>Vacation:</b>                  |                            |                            |
| Balance, Beginning of Fiscal Year | \$ 1,175,684               | \$ 1,175,684               |
| Increase                          | <u>54,115</u>              | <u>-</u>                   |
| Balance, End of Fiscal Year       | <u><u>\$ 1,229,799</u></u> | <u><u>\$ 1,175,684</u></u> |

**NOTE 5 PENSION PLANS**

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

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

**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.

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 5 PENSION PLANS (CONTINUED)**

**Public Employees' Retirement System (Continued)**

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

Annually, employer contributions to the PERS are actuarially determined and include the College's normal contribution plus any accrued liability, which ensures adequate funding for future pension system liability. The College's contribution, equal to the required contribution for each fiscal year, was as follows:

**Public Employees Retirement System**

| <u>Fiscal<br/>Year</u> | <u>Normal<br/>Contribution</u> | <u>Accrued<br/>Liability</u> | <u>Non-<br/>Contributory<br/>Group Life<br/>Insurance</u> | <u>Total<br/>Liability</u> | <u>Paid by<br/>College</u> |
|------------------------|--------------------------------|------------------------------|---|----------------------------|----------------------------|
| 2014                   | \$ 183,556                     | \$ 807,024                   | \$ 16,846   | \$ 1,007,426               | \$ 1,007,426               |
| 2013                   | 292,076                        | 698,360                      | 58,948  | 1,049,384                  | 1,049,384                  |
| 2012                   | 328,600                        | 657,200                      | 62,807  | 1,048,607                  | 1,048,607                  |

**New Jersey Alternate Benefit Program**

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

The contributions requirements of plan members are determined by State statute. In accordance with N.J.S.A. 18A:66-173, required contributions, calculated on the employee's base pay up to \$141,000, are 5% for plan members, and 8% for employers. Plan members may make additional voluntary contributions subject to section 403(b) of the Internal Revenue Code.

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

**UNION COUNTY COLLEGE  
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**NOTE 5 PENSION PLANS (CONTINUED)**

**New Jersey Alternate Benefit Program**

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

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

AXA Financial (Equitable); Lincoln Investment Plan; MassMutual Retirement Services; MetLife; Prudential Retirement Services; TIAACREF; VALIC; and Voya Financial;

The State of New Jersey is responsible for contributing the employer's share of certain defined academic positions towards the annual pension cost of Alternate Benefits for qualified employees. The 2014 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 2014 and 2013, the State reimbursed \$1,485,794 and \$1,587,828, 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 Alternate Benefit Program were:

**Alternative Benefit Program**

| <u>Fiscal<br/>Year</u> | <u>Total<br/>Liability</u> | <u>Funded by<br/>State</u> | <u>Paid by<br/>College</u> |
|------------------------|----------------------------|----------------------------|----------------------------|
| 2014                   | \$ 2,052,657               | \$ 1,485,794               | \$ 566,863                 |
| 2013                   | 2,071,975                  | 1,587,828                  | 484,147                    |
| 2012                   | 2,204,616                  | 1,926,302                  | 278,314                    |

**NOTE 6 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.

**403(b)**

AIG-Valic; AXA Financial (Equitable); MassMutual Retirement; Voya Financial Services; TIAA-CREF; MetLife

**457(b)**

TIAA-CREF

**UNION COUNTY COLLEGE  
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**NOTE 7     RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**Joint Insurance Pool**

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

The contributions to the fund, are payable in an annual premium that are based on actuarial assumptions determined by the fund's actuary. Contributions to the pool totaled \$188,733 and \$196,669, respectively, for fiscal years ended 2014 and 2013.

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

**NOTE 8     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, on-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, 2014:

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 CAPITAL LEASE PAYABLE (CONTINUED)**

**Kellogg Building (Continued)**

| <u>Fiscal Year(s)</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-----------------------|---------------------|-------------------|---------------------|
| 2015                  | \$ 125,253          | \$ 74,747         | \$ 200,000          |
| 2016                  | 130,594             | 69,406            | 200,000             |
| 2017                  | 136,163             | 63,837            | 200,000             |
| 2018                  | 141,970             | 58,030            | 200,000             |
| 2019                  | 148,024             | 51,976            | 200,000             |
| 2020-2024             | 840,363             | 159,637           | 1,000,000           |
| 2025-2026             | 321,438             | 11,895            | 333,333             |
| Total                 | <u>\$ 1,843,805</u> | <u>\$ 489,528</u> | <u>\$ 2,333,333</u> |

Principal and interest payments for the above capital lease were \$120,130 and \$79,870 for fiscal year 2014 and \$115,217 and \$84,783 for fiscal year 2013.

**Easement (Parking Authority of the City of Elizabeth)**

On November 5, 2009 the College entered into a Special Use Easement Agreement ("Agreement") with the Parking Authority of the City of Elizabeth (the "Parking Authority"). Under the terms of the Agreement, the College is to receive the irrevocable right to exclusive use, twenty-four (24) hours per day, seven days per week, of 600 parking spaces ("The Easement") in a 1515 parking space garage ("the Facility") located between the Lessner and Kellogg buildings on the College's Elizabeth Campus in the City of Elizabeth. The Easement expires 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 began February 1, 2012. The Easement expires upon expiration of the Agreement, and the 600 parking spaces are to be returned to the Parking Authority.

The following is a schedule of the future minimum lease payments at June 30, 2014:

| <u>Fiscal Year(s)</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-----------------------|----------------------|----------------------|----------------------|
| 2015                  | \$ 106,791           | \$ 643,209           | \$ 750,000           |
| 2016                  | 103,181              | 688,819              | 792,000              |
| 2017                  | 138,678              | 653,322              | 792,000              |
| 2018                  | 183,801              | 608,199              | 792,000              |
| 2019                  | 171,769              | 653,231              | 825,000              |
| 2020-2024             | 1,198,770            | 3,280,650            | 4,479,420            |
| 2025-2029             | 1,979,700            | 3,043,494            | 5,023,194            |
| 2030-2034             | 3,043,702            | 2,587,226            | 5,630,928            |
| 2035-2039             | 4,387,768            | 1,975,357            | 6,363,125            |
| 2040-2042             | 3,055,864            | 568,784              | 3,624,648            |
| Total                 | <u>\$ 14,370,024</u> | <u>\$ 14,702,291</u> | <u>\$ 29,072,315</u> |

Principal and interest payments for the above easement were \$45,123 and \$674,877 for fiscal year 2014 and \$-0- and \$720,000 for fiscal year 2013.

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9     AUXILIARY OPERATIONS - BOOKSTORE**

The College contracts with a private contractor for the operation of the official Campus Store (Bookstore). A new five (5) year contract was approved by the Board of Trustees on May 13, 2013 for the period starting July 1, 2013. Under the contract, the contractor has agreed to make minimum annual guarantee payments in the greater amounts of:

- (1) Minimum Annual Guarantee \$500,000 or
- (2) 14.75% on all gross revenue from \$-0- to \$4,000,000 plus 15.75% on all gross revenue between \$4,000,000 and \$5,000,000 plus 16.75% in excess of \$5,000,000 in any contract year.
- (3) Also the contractor has agreed to provide capital facilities funding of \$258,312 and equipment purchases funding of \$331,000.
- (4) The contractor has also agreed to provide an annual textbook scholarship of \$10,000 and a tuition scholarship of \$5,000.

**NOTE 10     EDUCATION AND GENERAL EXPENSES BY FUNCTION**

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

| <u>2014</u>           | Salaries<br>& Benefits | Supplies<br>& Materials | Services            | Scholarships         | Utilities           | Depreciation        | Total                |
|-----------------------|------------------------|-------------------------|---------------------|----------------------|---------------------|---------------------|----------------------|
| Educational and       |                        |                         |                     |                      |                     |                     |                      |
| General Expenditures  |                        |                         |                     |                      |                     |                     |                      |
| Instruction           | \$ 31,836,367          | \$ 598,606              | \$ 3,233,009        | \$ -                 | \$ -                | \$ -                | \$ 35,667,982        |
| Public Service        | 1,750,925              | 90,500                  | 252,747             | -                    | -                   | -                   | 2,094,172            |
| Academic Support      | 3,546,122              | 93,061                  | 2,280,162           | -                    | -                   | -                   | 5,919,345            |
| Student Services      | 5,818,429              | 384,318                 | 439,389             | -                    | -                   | -                   | 6,642,136            |
| Institutional Support | 7,661,575              | 777,007                 | 1,254,162           | -                    | -                   | -                   | 9,692,744            |
| Operation and         |                        |                         |                     |                      |                     |                     |                      |
| Maintenance of Plant  | 5,813,222              | 349,324                 | 2,453,883           | -                    | 2,173,396           | -                   | 10,789,825           |
| Scholarship Aid       | -                      | -                       | -                   | 12,191,205           | -                   | -                   | 12,191,205           |
| Depreciation          | -                      | -                       | -                   | -                    | -                   | 5,835,686           | 5,835,686            |
| Total                 | <u>\$ 56,426,640</u>   | <u>\$ 2,292,816</u>     | <u>\$ 9,913,352</u> | <u>\$ 12,191,205</u> | <u>\$ 2,173,396</u> | <u>\$ 5,835,686</u> | <u>\$ 88,833,095</u> |



**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 10 EDUCATION AND GENERAL EXPENSES BY FUNCTION (CONTINUED)**

| <u>2013</u>           | Salaries<br>& Benefits | Supplies<br>& Materials | Services             | Scholarships         | Utilities           | Depreciation        | Total                |
|-----------------------|------------------------|-------------------------|----------------------|----------------------|---------------------|---------------------|----------------------|
| Educational and       |                        |                         |                      |                      |                     |                     |                      |
| General Expenditures  |                        |                         |                      |                      |                     |                     |                      |
| Instruction           | \$ 31,970,976          | \$ 658,957              | \$ 3,419,726         | \$ -                 | \$ -                | \$ -                | \$ 36,049,659        |
| Public Service        | 1,821,800              | 92,908                  | 111,473              | -                    | -                   | -                   | 2,026,181            |
| Academic Support      | 3,147,241              | 117,526                 | 2,166,577            | -                    | -                   | -                   | 5,431,344            |
| Student Services      | 5,614,883              | 410,773                 | 918,391              | -                    | -                   | -                   | 6,944,047            |
| Institutional Support | 7,744,685              | 729,362                 | 2,071,954            | -                    | -                   | -                   | 10,546,001           |
| Operation and         |                        |                         |                      |                      |                     |                     |                      |
| Maintenance of Plant  | 5,719,386              | 350,932                 | 2,827,434            | -                    | 2,019,341           | -                   | 10,917,093           |
| Scholarship Aid       | -                      | -                       | -                    | 12,720,594           | -                   | -                   | 12,720,594           |
| Depreciation          | -                      | -                       | -                    | -                    | -                   | 5,722,340           | 5,722,340            |
| Total                 | <u>\$ 56,018,971</u>   | <u>\$ 2,360,458</u>     | <u>\$ 11,515,555</u> | <u>\$ 12,720,594</u> | <u>\$ 2,019,341</u> | <u>\$ 5,722,340</u> | <u>\$ 90,357,259</u> |

**NOTE 11 OTHER RECEIVABLES**

Other receivables as of June 30, 2014 and 2013 consist of the following amounts due to the College:

|                                    | 2014                | 2013                |
|------------------------------------|---------------------|---------------------|
| Non-Credit Corporate Sponsors      | \$ 109,841          | \$ 193,004          |
| JFK Muhlenberg                     | 206,460             | 266,589             |
| Other Counties                     | 101,123             | 82,559              |
| Insurance Receivable               | 1,148,976           | 463,071             |
| Union County Improvement Authority | 450,000             | 450,000             |
| Continuing Education               | 109,840             | 215,305             |
| Union County College Foundation    | 422,545             | 321,272             |
| Other                              | 294,431             | 230,111             |
| Total                              | <u>\$ 2,843,216</u> | <u>\$ 2,221,911</u> |

**NOTE 12 STATE POST-RETIREMENT MEDICAL 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, 2013, there were 100,134 retirees receiving postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

**UNION COUNTY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

**NOTE 12 STATE POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)**

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 \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in fiscal year 2013.

**NOTE 13 LITIGATION**

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

**NOTE 14 COMMITMENTS – PROJECT AT PLAINFIELD CAMPUS**

On September 24, 2012 the Union County College Board of Trustees resolved that it was necessary for the College to make certain improvements to the Plainfield Campus, specifically the reconstruction of the Annex, which was destroyed by a fire in 2011 and the renovation of the Logos Building to accommodate some functions previously carried out in the Annex.

The Treasurer of the State of New Jersey informed the College in 2013 that \$1.498 million of Chapter 12 bond funding had been approved for the Project for which the State of New Jersey would be responsible for one-half of the debt service costs.

The College Board of Trustees approved a shared service agreement with the Union County Improvement Authority (UCIA) to provide limited financing for this project, not to exceed the Chapter 12 Community College Bond and Renovation Bond Program funding mentioned above, retain professional services, manage the procurement process and provide construction management services. The total cost of this project is now expected to be \$4.345 million. The College has advanced to the UCIA \$2.450 million for this Project at this time. Most recent discussions expect that the specifications for this Project will be ready by January 2015.

**NOTE 15 PRIOR PERIOD ADJUSTMENT**

During 2014, the College discovered an error in its accounting records resulting in an overstatement of capital assets. The error was caused by an incorrect recording of depreciation expense in the years 2002-2007.

The following financial statement line items for 2013 were restated:

|   | <u>As Previously<br/>Reported</u> | <u>Adjustment to<br/>Accumulated<br/>Depreciation</u> | <u>As Restated</u> |
|---|-----------------------------------|---|--------------------|
| Statements of Net Position, July 1, 2012: |                                   |   |                    |
| Capital Assets, net                       | \$ 89,685,704                     | \$ (611,540)  | \$ 89,074,164      |
| Net Investment in Capital Assets          | 72,923,592                        | (611,540)   | 72,312,052         |

**UNION COUNTY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 16 SUBSEQUENT EVENTS**

The New Jersey Department of Education issued a Program Review Report that was received by Union County College on November 18, 2014. The review took place from October 22, 2012 to October 26, 2012. The review was conducted to determine the College's compliance with statute and Federal regulations as they pertain to the institution's administration of Title IV programs. The award years under examination were 2011-2012 and 2012-2013 (year-to-date). Several areas of non-compliance were noted and required actions were identified. The institution's response is required within ninety (90) calendar days of receipt of the report.

**NOTE 17 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES**

The Union County College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising entity that provides funding for scholarships and awards for qualifying students attending the College, that supplements funding provided by federal, state and other programs. The Foundation support comes primarily from special events and donations from public and private donors. Although the College does not control the timing or amount of the receipts from the Foundation, the assets of the Foundation are used for the benefit, support and the promotion of the College and its educational activities. The Foundation meets the criteria to be discretely presented in the College's financial statements. Complete financial statements for the Foundation, for the fiscal year ended June 30, 2014 can be obtained from the Foundation at 1033 Springfield Avenue, Cranford, New Jersey 07016.

**Cash and Investments**

**Cash**

During the year, the Foundation could have cash balances in excess of \$250,000 in their banking institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At June 30, 2014 and 2013, the Foundation's uninsured balances were \$0 and \$33,957, respectively.

**Investments**

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

|                        | June 30, 2014        |                      |  |
|------------------------|----------------------|----------------------|--|
|                        | Cost                 | FMV                  | Unrealized<br>Appreciation<br>(Depreciation) |
| Common Stock           | \$ 7,577,813         | \$ 9,932,546         | \$ 2,354,733                                 |
| Bond-Fixed Income      | 4,638,190            | 4,726,034            | 87,844                                       |
| Short-Term Investments | 325,672              | 325,672              | -  |
| Total                  | <u>\$ 12,541,675</u> | <u>\$ 14,984,252</u> | <u>\$ 2,442,577</u>                          |

**UNION COUNTY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 17    DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Investments (Continued)**

|                        | June 30, 2013        |                      |  |
|------------------------|----------------------|----------------------|--|
|                        | Cost                 | FMV                  | Unrealized<br>Appreciation<br>(Depreciation) |
| Common Stock           | \$ 6,630,456         | \$ 7,869,917         | \$ 1,239,461                                 |
| Bond-Fixed Income      | 4,272,180            | 4,280,077            | 7,897  |
| Short-Term Investments | 316,869              | 316,869              | -  |
| Total                  | <u>\$ 11,219,505</u> | <u>\$ 12,466,863</u> | <u>\$ 1,247,358</u>                          |

**Fair Value Measurements**

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

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

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

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

For the fiscal year ended June 30, 2014, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments at fair value.

**UNION COUNTY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 17    DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Fair Value Measurements (Continued)**

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

**Fair Value on a Recurring Basis**

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

|   | <u>2014</u>                     | <u>2013</u>                     |
|---|---------------------------------|---------------------------------|
| <i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i> |                                 |                                 |
| <b>Stock:</b>   |                                 |                                 |
| Consumer Discretionary  | \$ 1,346,284                    | \$ 1,033,440                    |
| Consumer Staples  | 505,704                         | 501,822                         |
| Convertible Preferred Stock   | -                               | 1,110                           |
| Emerging Markets  | 390,949                         | 102,912                         |
| Energy  | 924,461                         | 604,122                         |
| Financials  | 1,819,683                       | 1,458,446                       |
| Foreign Stock   | 12,408                          | 5,597                           |
| Healthcare  | 1,114,080                       | 947,459                         |
| High Yield  | 13,185                          | 7,152                           |
| Industrials   | 1,046,634                       | 671,181                         |
| Information Technology  | 1,125,373                       | 985,259                         |
| International Developed   | 158,831                         | 113,915                         |
| International Equity  | 43,167                          | 26,034                          |
| Large Cap Funds   | 211,732                         | 352,065                         |
| Materials   | 277,046                         | 121,701                         |
| Other Equity  | 497,765                         | 653,220                         |
| Small Cap Funds   | 52,962                          | 12,601                          |
| Telecommunications Services   | 236,517                         | 130,615                         |
| Utilities   | 155,765                         | 141,266                         |
| Total Stock   | <u>9,932,546</u>                | <u>7,869,917</u>                |
| <b>Bond-Fixed Income:</b>   |                                 |                                 |
| Funds   | 2,337,175                       | 1,221,243                       |
| Individual Holding  | 2,373,005                       | 3,040,118                       |
| Other   | 15,854                          | 18,716                          |
| Total Bond-Fixed Income   | <u>4,726,034</u>                | <u>4,280,077</u>                |
| <br>Total   | <br><u><u>\$ 14,658,580</u></u> | <br><u><u>\$ 12,149,994</u></u> |

Not included above are short-term investments at June 30, 2014 and 2013 of \$325,672 and \$316,869, respectively. These assets have a fair value that approximates cost and are not subject to the above classification.

# SUPPLEMENTARY INFORMATION

**UNION COUNTY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

| Federal Grantor / Pass-Through Grantor /<br>Program or Cluster Title       | Federal<br>CFDA<br>Number | Grant<br>Number     | FY 2014<br>Expenditures     |
|--|---------------------------|---------------------|-----------------------------|
| <b>U.S. Department of Education:</b>                                       |                           |                     |                             |
| <b>Student Financial Aid Cluster (Direct Funding):</b>                     |                           |                     |                             |
| Federal Supplemental Educational Opportunity Grants                        | 84.007                    | P007A112620         | \$ 152,664                  |
| Federal Direct Student Loans   | 84.268                    | P268K131820         | 11,320,827                  |
| Federal Pell Grant Program   | 84.063                    | P063P111820         | 22,992,965                  |
| Federal Work-Study Program   | 84.033                    | P033A112620         | <u>287,392</u>              |
| Total Student Financial Aid Cluster  |                           |                     | 34,753,848                  |
| <b>Title V Funding (Direct Funding):</b>                                   |                           |                     |                             |
| Learning Enhanced through Accelerated Paths (LEAP)                         | 84.031                    | Not Applicable      | 569,287                     |
| Improving the Pipeline in Stem Education                                   | 84.031                    | Not Applicable      | <u>657,809</u>              |
| Total Title V Funding  |                           |                     | 1,227,096                   |
| <b>Passed Through the New Jersey Council of County Colleges:</b>           |                           |                     |                             |
| New Jersey College Access Challenge Program                                | 84.378A                   | Not Applicable      | 40,987                      |
| <b>Passed Through State of New Jersey Department of Treasury:</b>          |                           |                     |                             |
| Vocational Education - Perkins   | 84.048                    | PSF Consol 718511   | 487,252                     |
| <b>Passed Through State Department of Labor and Workforce Development:</b> |                           |                     |                             |
| <b>Adult Education and Family Literacy:</b>                                |                           |                     |                             |
| Adult Basic Skills   | 84.002                    | ABS-FY10106         | <u>1,492,609</u>            |
| Total U.S. Department of Education   |                           |                     | <u>38,001,792</u>           |
| <b>U.S. Department of Labor Employment and Training Administration:</b>    |                           |                     |                             |
| Trade Adjustment Assistance Community College Career Training Grant        | 17.282                    | TC-25003-13-60-A-34 | 42,738                      |
| <b>Passed Through County of Union, NJ:</b>                                 |                           |                     |                             |
| WIA - Adult  | 17.258                    | Not Applicable      | 13,140                      |
| WIA - Dislocated Worker  | 17.260                    | Not Applicable      | <u>51,404</u>               |
| Total WIA Cluster  |                           |                     | <u>64,544</u>               |
| Total U.S. Department of Labor   |                           |                     | <u>107,282</u>              |
| <b>U.S. Department National Science Foundation:</b>                        |                           |                     |                             |
| <b>Passed Through Stevens Institute of Technology:</b>                     |                           |                     |                             |
| SFS Cybersecurity Scholars Program   | 47.076                    | 2102081-01          | 486                         |
| <b>U.S. Department of Health and Human Services:</b>                       |                           |                     |                             |
| <b>Passed Through Bergen County Community College:</b>                     |                           |                     |                             |
| Northern New Jersey Health Professions Pathway Consortium                  | 93.093                    | Not Applicable      | 542,962                     |
| <b>U.S. Department of Housing and Urban Development:</b>                   |                           |                     |                             |
| <b>Community Block Development Cluster:</b>                                |                           |                     |                             |
| <b>Passed Through County of Union, NJ:</b>                                 |                           |                     |                             |
| Community Block Development/Life Center                                    | 14.218                    | Not Applicable      | 13,500                      |
| <b>Passed Through City of Elizabeth, NJ:</b>                               |                           |                     |                             |
| Community Block Development/Life Center                                    | 14.218                    | Not Applicable      | <u>9,000</u>                |
| Total Community Development Block Grant                                    |                           |                     | <u>22,500</u>               |
| Total Federal Financial Assistance   |                           |                     | <u><u>\$ 38,675,022</u></u> |

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**  
**YEAR ENDED JUNE 30, 2014**

| State of New Jersey Grantor /<br>Pass-Through Grantor / Program or Cluster Title   | State<br>GMIS Number | Program<br>or Award<br>Amount | Program<br>Funds<br>Received | Grant Period |          | FY 2014<br>Expenditures | Cumulative<br>Expenditures |
|--|----------------------|-------------------------------|------------------------------|--------------|----------|-------------------------|----------------------------|
|  |                      |                               |                              | From         | To       |                         |                            |
| N.J. Commission of Higher Education:   |                      |                               |                              |              |          |                         |                            |
| Educational Opportunities Fund - Article III   | 100-074-2401-001     | \$ 199,422                    | \$ 199,422                   | 07/01/13     | 06/30/14 | \$ 196,097              | \$ 196,097                 |
| Educational Opportunities Fund - Summer  | 100-074-2401-001     | 107,856                       | 107,856                      | 07/01/13     | 06/30/14 | 103,389                 | 103,389                    |
| N.J. Higher Education Student Assistance Authority:  |                      |                               |                              |              |          |                         |                            |
| Tuition Aid Grants   | 100-074-2405-007     | 3,396,041                     | 3,396,041                    | 07/01/13     | 06/30/14 | 3,396,041               | 3,396,041                  |
| New Jersey Stars Program   | 100-074-2405-313     | 132,266                       | 132,266                      | 07/01/13     | 06/30/14 | 132,266                 | 132,266                    |
| Urban Scholars Program   | 100-074-2405-278     | 6,000                         | 6,000                        | 07/01/13     | 06/30/14 | 6,000                   | 6,000                      |
| NJ Class Loans   | Not Available        | 53,730                        | 53,730                       | 07/01/13     | 06/30/14 | 53,730                  | 53,730                     |
| N.J. Commission on Higher Education:   |                      |                               |                              |              |          |                         |                            |
| Educational Opportunities Fund - Article IV  | 100-074-2401-002     | 273,101                       | 273,101                      | 09/01/13     | 06/30/14 | 273,101                 | 273,101                    |
| N.J. Commerce and Economic Growth Commission,<br>Urban Enterprise Zone Authority:<br>Passed Through City of Elizabeth, NJ: |                      |                               |                              |              |          |                         |                            |
| Retail Skill Center  | Not Available        | 241,308                       | 197,547                      | 09/01/13     | 06/30/14 | 170,434                 | 170,434                    |
| N.J. Department of Labor and Workforce Development:  |                      |                               |                              |              |          |                         |                            |
| Direct Funding:  |                      |                               |                              |              |          |                         |                            |
| New Jersey Youth Corps   | ACNY13N              | 384,617                       | 361,116                      | 07/01/13     | 06/30/14 | 371,592                 | 371,592                    |
| Literacy4Jersey Consortium   | L4J - FR13 - 012     | 150,000                       | 57,806                       | 01/01/13     | 06/30/14 | 57,806                  | 57,806                     |
| Opportunity4Jersey   | 04J-FY13-005-027     | 108,000                       | 47,274                       | 07/01/13     | 06/30/14 | 51,919                  | 51,919                     |
| Reemployment and Eligibility Assessment  | Not Available        | 300,000                       | 161,120                      | 03/23/13     | 12/31/14 | 161,120                 | 161,120                    |
| Union County Choices   | 12/WIA Adult -DW     | 300,000                       | 6,512                        | 02/01/13     | 05/30/14 | 8,136                   | 8,136                      |
| Total  |                      |                               |                              |              |          | 650,573                 | 650,573                    |

(Continued)



**UNION COUNTY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)**  
**YEAR ENDED JUNE 30, 2014**

| State of New Jersey Grantor /<br>Pass-Through Grantor / Program or Cluster Title | State<br>GMIS Number | Program<br>or Award<br>Amount | Program<br>Funds<br>Received | Grant Period |          | FY 2014<br>Expenditures | Cumulative<br>Expenditures |
|--|----------------------|-------------------------------|------------------------------|--------------|----------|-------------------------|----------------------------|
|  |                      |                               |                              | From         | To       |                         |                            |
| N.J. Department of Treasury - Vocational Education:                              |                      |                               |                              |              |          |                         |                            |
| Passed Through County of Union, Department of                                    |                      |                               |                              |              |          |                         |                            |
| Human Services:  |                      |                               |                              |              |          |                         |                            |
| Work First New Jersey:   |                      |                               |                              |              |          |                         |                            |
| Job Search/Job Readiness (JS/JR):  |                      |                               |                              |              |          |                         |                            |
| TANF/GA/SNAP   | 13 WFNJ 002          | \$ 450,000                    | \$ 41,500                    | 07/01/13     | 06/30/14 | \$ 41,500               | \$ 41,500                  |
| TANF/GA/SNAP   | 12 WFNJ 130          | 18,240                        | 2,491                        | 07/01/12     | 06/30/14 | 2,491                   | 2,491                      |
| TANF/GA/SNAP   | 12 WFNJ 132          | 16,000                        | 3,833                        | 09/01/12     | 06/30/14 | 3,833                   | 3,833                      |
| CWEP/TANF  | 12 WFNJ 131          | 60,600                        | 27,004                       | 09/01/12     | 06/30/14 | 34,796                  | 34,796                     |
| FS/GA/ABAWD  | 12 WFNJ 119          | 39,840                        | 34,656                       | 09/01/12     | 06/30/14 | 2,688                   | 2,688                      |
| CWEP/TANF  | 12 WFNJ 133          | 24,250                        | 18,555                       | 09/01/12     | 06/30/14 | 11,705                  | 11,705                     |
| FS/GA/ABAWD  | 12 WFNJ 134          | 35,200                        | 32,868                       | 09/01/12     | 06/30/14 | 4,473                   | 4,473                      |
| FS/GA/ABAWD  | 12 WFNJ 136          | 75,000                        | 61,000                       | 09/01/12     | 06/30/14 | 27,222                  | 27,222                     |
| Total Work First New Jersey  |                      |                               |                              |              |          | 128,708                 | 128,708                    |
|  |                      |                               |                              |              |          |                         |                            |
| N.J. Department of Treasury - Higher Education Administration:                   |                      |                               |                              |              |          |                         |                            |
| Operational Costs - County Colleges  | 100-082-2155-015     | 10,255,655                    | 10,255,655                   | 07/01/13     | 06/30/14 | 10,255,655              | 10,255,655                 |
| Employer Contributions - Alternate Benefit Program - Faculty                     | 100-082-2155-017     | 1,329,523                     | 1,329,523                    | 07/01/13     | 06/30/14 | 1,329,523               | 1,329,523                  |
| Employer Contributions - Alternate Benefit Program - Adjunct                     | 100-082-2155-017     | 156,271                       | 156,271                      | 07/01/13     | 06/30/14 | 156,271                 | 156,271                    |
| FICA for Members of TPAF   | 100-082-2155-020     | 51,845                        | 51,845                       | 07/01/13     | 06/30/14 | 51,845                  | 51,845                     |
| Building Our Future Bond Act   | 5860742400045        | 1,405,848                     | —                            | 05/01/13     | Open     | 140,216                 | 140,216                    |
| Total State Financial Assistance   |                      |                               |                              |              |          | \$ 17,043,849           | \$ 17,043,849              |

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  
YEAR ENDED JUNE 30, 2014**

**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 loan balances are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under this program as of June 30, 2014.

**NOTE 6      MAJOR PROGRAMS**

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Union County College (the "College"), in the County of Union, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 8, 2014. The financial statements of the discretely presented component unit (Union County College Foundation) for the fiscal year ended June 30, 2014 were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
December 8, 2014

**INDEPENDENT AUDITORS' 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**

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

**Report on Compliance for Each Major Federal and State Program**

We have audited Union County College's (the "College") compliance with the types of compliance requirements described in the *OMB 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, 2014. The College's major federal and state programs are identified in the *Summary of Auditors' Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Union County College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal and State Program***

In our opinion, Union County College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2014.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and the State of New Jersey Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as item 2014-001 through 2014-004. Our opinion on the major federal and state programs is not modified with respect to this matter.

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

**Report on Internal Control Over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of New Jersey Circular 04-04, 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.

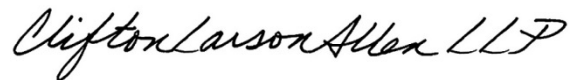
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 through 2014-004, that we consider to be significant deficiencies.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State of New Jersey Circular 04-04. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Plymouth Meeting, Pennsylvania  
December 8, 2014

**UNION COUNTY COLLEGE**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of Auditors’ Report Issued: UNMODIFIED

Internal Control over Financial Reporting:

|   |                   |                            |
|---|-------------------|----------------------------|
| Material Weakness(es) Identified?                     | <u>      </u> Yes | <u>  X  </u> No            |
| Significant Deficiency(ies) Identified?               | <u>      </u> Yes | <u>  X  </u> None Reported |
| Noncompliance Material to Financial Statements Noted? | <u>      </u> Yes | <u>  X  </u> No            |

**Federal and State Awards**

Internal Control Over Major Programs:

|   |                   |                             |
|---|-------------------|-----------------------------|
| Material Weakness(es) Identified?       | <u>      </u> Yes | <u>  X  </u> No             |
| Significant Deficiency(ies) Identified? | <u>  X  </u> Yes  | <u>      </u> None Reported |

Type of Auditors’ Report Issued on Compliance for  
Major Programs: UNMODIFIED

|  |                  |                  |
|--|------------------|------------------|
| Any Audit Findings Disclosed that are Required to be<br>Reported in Accordance with Section 501(a) of<br>OMB Circular A-133 or NJ OMB 04-04? | <u>  X  </u> Yes | <u>      </u> No |
|--|------------------|------------------|



**UNION COUNTY COLLEGE**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

**Section I – Summary of Auditors’ Results (Continued)**

Identification of Major Programs:

| CFDA Number(s)/State Account<br>Number   | Name of Federal/State Program or Cluster   |
|--|--|
| <u>Federal:</u>                          |  |
| 84.007, 84.033, 84.038<br>84.063, 84.268 | Student Financial Assistance Cluster   |
| 84.002                                   | U.S. Department of Education - Passed through N.J. Dept. of<br>Labor & Workforce Development- Adult Education Basic Skills                               |
| 84.048                                   | U.S. Department of Education - Passed through N.J. Dept. of<br>Treasury - Vocational Education - Perkins   |
| 93.093                                   | U.S. Department of Health and Human Services - Passed through<br>Bergen Community College - Northern New Jersey Health<br>Professions Pathway Consortium |
| <u>State:</u>                            |  |
| 100-082-2155-015                         | N.J. Department of Treasury - Higher Education Administration -<br>Operational Costs - County Colleges   |
| 100-074-2401-001                         | N.J. Commission on Higher Education - Educational Opportunity<br>Fund, Article III   |
| ACNY13N                                  | N.J. Department of Labor and Workforce Development - New<br>Jersey Youth Corps   |

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:

|         |                   |
|---------|-------------------|
| Federal | <u>\$ 300,000</u> |
| State   | <u>\$ 512,131</u> |

Auditee Qualified as Low-Risk Auditee?   X   Yes        No

**UNION COUNTY COLLEGE  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

**Section II – Financial Statement Findings**

None to report.

**Section III - Federal Award and State Financial Assistance Findings and Questioned Costs**

**Finding Reference: 2014-001 – Student Financial Aid – Student Status Changes**

|                                |   |
|--------------------------------|---|
| <b>Federal Agency:</b>         | <b>U.S. Department of Education</b>   |
| <b>Federal Program:</b>        | <b>Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.038, 84.063, 84.268)</b> |
| <b>Compliance Requirement:</b> | <b>Special Test and Provisions (Return of Title IV Funds)</b>                             |
| <b>Type of Finding:</b>        | <b>Significant Deficiency in Internal Control, Noncompliance</b>                          |

**Criteria:**

The school must ensure that information related to the student's status change is reported to the NSLDS within 60 days from the date that student borrower provides the information (34 CFR 685.304(b)(4)(xi) and 34 CFR 685.304(b)(5)).

**Condition:**

It was noted that the College was not timely submitting their roster files of graduated students in accordance with guidance.

**Questioned Costs:**

None

**Cause:**

The College does not have effective policies and procedures in place to ensure that student status changes are made to the NSLDS within the required timeframe.

**Effect:**

Incorrectly reporting status changes to the NSLDS could result in improper collection efforts for student borrowers.

**Auditors' Recommendation:**

We recommend that management review and revise its current procedures to ensure that the status change for students receiving loan funds is timely and accurately reported to NSLDS.

**Views of Responsible Officials and Planned Corrective Action:**

The College will modify their transmission schedule for the degree verification report to reflect a timely reporting cycle for each of the three commencement dates, and to capture the students' status changes within sixty days of determination.

**UNION COUNTY COLLEGE**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

**Finding Reference: 2014-002 – Vocational Education – Perkins – Documentation of Employee Time and Effort**

|                                |  |
|--------------------------------|--|
| <b>Federal Agency:</b>         | <b>U.S. Department of Education</b>                              |
| <b>Federal Program:</b>        | <b>Vocational Education - Perkins (CFDA 84.048)</b>              |
| <b>Compliance Requirement:</b> | <b>Allowable Costs</b>   |
| <b>Type of Finding:</b>        | <b>Significant Deficiency in Internal Control, Noncompliance</b> |

**Criteria:**

An employee who works solely on a single cost objective (i.e., the consolidated administrative cost objective) must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. The certification must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3).

**Condition:**

From a sample of 11 payroll disbursements tested, 3 employee timesheets were noted as not being signed by both the employee and supervisor.

**Questioned Costs:**

None

**Cause:**

Control procedures are not in place to ensure timesheets are signed and dated by the employee and designated supervisor.

**Effect:**

Employee time and effort is not properly documented. As a result, unauthorized time could be charged to the program.

**Auditors' Recommendation:**

We recommend that management put in place procedures to ensure that time and activity records are signed and dated by the employee and designated supervisor.

**Views of Responsible Officials and Planned Corrective Action:**

This item was previously addressed by the U.S. Department of Education's audit of the College's Perkins program on July 23, 2014. This audit covered the grant period of July 1, 2013 through June 30, 2014. As a result of this audit, the College's Payroll Manager has been validating all timesheets to ensure they are signed by both the employee/student and their supervisor.

**UNION COUNTY COLLEGE  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

**Finding Reference: 2014-003 – New Jersey Youth Corps – Stipends Paid to Corpsmembers**

|                                |  |
|--------------------------------|--|
| <b>State Agency:</b>           | <b>New Jersey Department of Labor and Workforce Development</b>  |
| <b>State Program:</b>          | <b>New Jersey Youth Corps (Contract ACNY13N)</b>                 |
| <b>Compliance Requirement:</b> | <b>Fiscal Monitoring</b>   |
| <b>Type of Finding:</b>        | <b>Significant Deficiency in Internal Control, Noncompliance</b> |

**Criteria:**

The contractor will pay stipends to the Corpsmembers while they are engaged in the community service project component and simultaneously engaged in the education component. Regular stipends are paid at a rate of \$20 per day, and full-time crew stipends are paid at a rate of \$24 per day.

**Condition:**

From a sample of 40 cash disbursements selected for testing, 7 Corpsmembers were noted as being paid \$18 per day instead of the required \$20 per day.

**Questioned Costs:**

None

**Cause:**

Control procedures are not in place to ensure Corpsmembers are paid the appropriate stipend.

**Effect:**

Corpsmembers were underpaid stipends.

**Auditors' Recommendation:**

We recommend that management put in place procedures to ensure that all Corpsmembers are paid the appropriate amount based on rates outlined in the NJ Youth Corps Program Agreement.

**Views of Responsible Officials and Planned Corrective Action:**

The College incorrectly paid the above mentioned corpmembers at a rate of \$18 per day instead of the correct rate of \$20 per day. The College now prepares all corpmembers stipend request at the appropriate rates of \$20 per day for regular stipends and \$24 per day for full time crew members. This payment request is also signed and approved by a supervisor of the College's Accounts Payable department ensuring the correct payment amount is made to the corpmember.

**UNION COUNTY COLLEGE**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2014**

**Finding Reference: 2014-004 – New Jersey Youth Corps – Expenditures Charged in Excess of Budget**

|                                |  |
|--------------------------------|--|
| <b>State Agency:</b>           | <b>New Jersey Department of Labor and Workforce Development</b>  |
| <b>State Program:</b>          | <b>New Jersey Youth Corps (Contract ACNY13N)</b>                 |
| <b>Compliance Requirement:</b> | <b>Allowable Costs</b>   |
| <b>Type of Finding:</b>        | <b>Significant Deficiency in Internal Control, Noncompliance</b> |

**Criteria:**

The program budget includes funds for salaries and fringe benefits for eight staff members including a Coordinator to spend 100% of their time on the project. Annual salary of \$50,059 is allocated to this position.

**Condition:**

It was noted that the Coordinator salary was charged to the grant in the amount of \$56,316.

**Questioned Costs:**

\$6,257

**Cause:**

Control procedures are not in place to ensure staff members' salaries and wages are accurately charged to the program in accordance with the approved budget.

**Effect:**

The Coordinator's salary was overcharged to the program.

**Auditors' Recommendation:**

We recommend that management put in place procedures to ensure that salaries and wages are accurately charged to the program in accordance with the approved budget.

**Views of Responsible Officials and Planned Corrective Action:**

Salary and wages for all program employees will be reconciled on a monthly basis to the corresponding budget and differences will be promptly reviewed.

**UNION COUNTY COLLEGE  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2014**

**Section IV – Summary of Prior Year Findings**

None to report.