

REPORT OF AUDIT

2015



FISCAL YEAR ENDED JUNE 30, 2015
CRANFORD, NEW JERSEY

**UNION COUNTY COLLEGE
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YEAR ENDED JUNE 30, 2015**

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INTRODUCTORY SECTION

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

UNION COUNTY COLLEGE

MEMBERS OF THE BOARD OF TRUSTEES

AS OF JUNE 30, 2015

<u>Name</u>	<u>Terms Expires</u>
Victor M. Richel, Chair	2018
Frank A. Bolden, Esq., Vice Chair	2018
George A. Castro, II	2018
Daniel J. Connolly	2018
Edward J. Hobbie, Esq.	2019
Abubakar T. Jalloh	2017
Cherron P. Rountree	2016
Roderick Spearman	2016
Mary M. Zimmermann	2016
Marlenes Teixeira	2019
Carolina Mendonca, Student Representative	Nov. 2015
Dr. Margaret M. McMenamin, President	Ex-Officio

MEMBERS OF THE BOARD OF GOVERNORS

AS OF JUNE 30, 2015

<u>Name</u>	<u>Terms Expires</u>
Elizabeth Garcia, Chair	2016
Edward J. Hobbie, Esq., Vice Chair	2017
Melinda Ayala	2018
Lawrence D. Bashe	2017
Nancy J. Benz	2017
Dr. Carmen Centuolo	2017
Henry C. Dickson, CFA	2017
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	2018
Ada McGuinness	2017
Carl J. Napor	2017
Francis Raudelunas	2018
Victor M. Richel	2016
Roderick Spearman	2016
Allan L. Weisberg	2018
Mary M. Zimmerman	2016
Dr. Margaret M. McMenamin, President	Ex-Officio

UNION COUNTY COLLEGE

OTHER COLLEGE OFFICIALS

AS OF JUNE 30, 2015

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

Vacant, Dean of the Plainfield Campus and Allied Sciences

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

Dr. Negar Farakish, Associate Vice President of Academic Affairs/Dean of American Honors

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

Elizabeth A. Cooner, Executive Director, Assessment Planning & Research

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

Douglas E. Rouse, Executive Director of Union County College Foundation

Inder V. Singh, Chief Information Officer

FINANCIAL SECTION

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Union County College (the "College"), a component unit of the County of Union, State of New Jersey, as of and for the years ended June 30, 2015 and 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit (Union County College Foundation) were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinions, 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, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the College implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions* and related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for the year ended June 30, 2015. As a result of the implementation of GASB Statements No. 68 and 71, the College reported a restatement for the change in accounting principle and a summary of the restatement is presented in Note 1. Our auditors' 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 21 and the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of federal 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 Honorable Chairman and
Members of the Board of Trustees
Union County College

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2016, 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
January 26, 2016

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

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, 2015 and 2014 and its changes in financial position for the fiscal years then ended with FY 2013 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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Both assets and liabilities are classified into current and noncurrent categories. The difference between total assets, deferred outflows of resources, liabilities, and deferred inflows of resources and total is reflected in the net position section, which displays net position 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 College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in FY 2015. These new statements establish standards for measuring and recognizing on each participating public employers' financial statements their allocated share of the plan's net pension liability (NPL), deferred inflows and outflows, and pension expense. Each participating public employer must begin disclosing the information required under GASB Statement No. 68 and 71 in their financial statements for reporting periods beginning after June 15, 2014. The College is required to report on its Statement of Net Position the difference between the College's allocated share of the total Public Employees Retirement System (PERS) pension liabilities and the funding set aside to pay the benefits. As a result, the opening fund balance for FY 2015 was restated by \$24.5 million. This adjustment has created a deficit in the unrestricted net position of the College. However, the College's net position is substantial reflecting its ability to satisfy all of its liabilities. In addition, as a result of this change in reporting for pensions, annual pension expense has increased \$450 thousand for FY 2015. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Correspondingly, there is an asset of \$3.3 million for deferred outflows as well as a \$1.7 million receivable for deferred inflows as an institutional liability resulting from the adoption of GASB Statement No. 68 and 71 in FY 2015.

UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

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)	2015	2014	2015 vs. 2014		2013	2014 vs. 2013	
			Inc/(Dec)	% Change		Inc/(Dec)	% Change
Operating Revenues	\$ 64,194	\$ 63,634	\$ 560	0.9%	\$ 64,442	\$ (808)	-1.3%
Educational and General Expense	89,327	89,588	(261)	-0.3%	91,162	(1,574)	-1.7%
Operating (Loss)	(25,133)	(25,954)	821	-3.2%	(26,720)	766	-2.9%
Non-Operating Revenues	24,145	24,105	40	0.2%	23,644	461	1.9%
Capital Contributions and Grants	3,698	3,934	(236)	-6.0%	1,349	2,585	191.6%
Increase (Decrease) in Net Position	2,710	2,085	625	30.0%	(1,727)	3,812	-220.7%
Net Position - Beginning of Year	94,668	92,583	2,085	2.3%	94,310	(1,727)	-1.8%
GASB 68 Adjustment	(24,546)	-	(24,546)	0.0%	-	-	0.0%
Net Position - Beginning of Year	70,122	92,583	(22,461)	-24.3%	94,310	(1,727)	-1.8%
Net Position - End of Year	<u>\$ 72,832</u>	<u>\$ 94,668</u>	<u>\$ (21,836)</u>	<u>-23.1%</u>	<u>\$ 92,583</u>	<u>\$ 2,085</u>	<u>2.3%</u>

The preceding table summarizes key financial data for fiscal years ended June 30, 2015 ("FY 2015"), June 30, 2014 ("FY 2014"), and June 30, 2013 ("FY 2013"). Comparisons represented above show FY 2015 contrasted with FY 2014 and FY 2014 contrasted with FY 2013 with dollar and percentage changes. This schedule is prepared from the College's Statements of Revenues, Expenses and Changes in Net Position, which are presented on an accrual basis of accounting, including depreciation.

Operating Revenues (\$000)	2015	2014	2015 vs. 2014		2013	2014 vs. 2013	
			Inc/(Dec)	% Change		Inc/(Dec)	% Change
Tuition & Fees (net of Scholarship Allowance)	\$ 27,908	\$ 27,390	\$ 518	1.9%	\$ 28,076	\$ (686)	-2.4%
Federal Grants	26,231	27,571	(1,340)	-4.9%	27,735	(164)	-0.6%
State Grants	6,815	5,247	1,568	29.9%	4,409	838	19.0%
Local Grants	1,255	770	485	63.0%	1,382	(612)	-44.3%
Gifts and Contributions	289	264	25	9.5%	468	(204)	-43.6%
Other Operating Revenues	1,696	2,392	(696)	-29.1%	2,372	20	0.8%
Total Operating Revenues	<u>\$ 64,194</u>	<u>\$ 63,634</u>	<u>\$ 560</u>	<u>0.9%</u>	<u>\$ 64,442</u>	<u>\$ (808)</u>	<u>-1.3%</u>

Total Operating Revenues increased \$560 thousand or 0.9% in FY 2015 as compared to FY 2014. The major areas of change were as follows:

UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

- ❖ Net student tuition and fee revenue increased \$518 thousand or 1.9% resulting from a decline in enrollment of 4.0% offset by the increase in total tuition for full and part time students by 3%. In FY 2015, students were no longer able to add during the first week of class, which resulted in a decline in the number of courses dropped that first week since there were no courses to add. Fall 2014 was the first semester that the College went live with the American Honors program with 69 students. The flat rate full time tuition rate for American Honors is \$1,155 higher than the College's full time rate. The increase in the Scholarship Allowance of \$411,000 results from a higher amount of financial aid applied to tuition and fees versus refunds paid to students for living costs. This is directly proportional to the decrease in PELL year over year of \$802 thousand. It is PELL that covers living expenses that generate the refund due to the student.
- ❖ Federal grants decreased \$1.3 million from FY 2014. As previously mentioned, PELL has decreased \$802 thousand year over year. In addition to this, revenues from the Adult Basic Skills (ABLE) grant are down \$572 thousand due to a reduction in the grant allocation year over year. This grant is funded by the US Department of Education through the New Jersey State Department of Labor and Workforce Development.
- ❖ State grant revenues increased \$1.6 million or 29.9% as compared to FY 2014. GO BOND revenues for the construction of the wet labs in the Lessner Building in Elizabeth is up \$1.0 million year over year which is directly relational to spending for this construction project. In addition, Workforce New Jersey (WFNJ) revenues are up \$609,000 when comparing FY 2015 to FY 2014. The 2014 WFNJ contract was received and implemented late into FY 2014, thereby generating the majority of the revenues in FY 2015.
- ❖ Local grant revenue has increased \$485 thousand or 63.0% year over year. This variance in FY 2015 results from spending more on small dollar value equipment such as printers, personal computers (PCs) and office furniture. This will be detailed further in the increase in capital grants revenues in FY 2015 as compared to FY 2014.
- ❖ Gift and Contribution revenues increased \$25 thousand from FY 2015 as compared to FY 2014. \$18 thousand in scholarships has been funded by Quad Learning for American Honors students which is a new scholarship and program for the current fiscal year.
- ❖ Other Operating Revenue decreased by \$696 thousand from \$1.7 million in FY 2015 as compared to \$2.4 million in FY2014. The FY 2014 recording of \$222 thousand of revenue related to the adjustment of Trinitas payables for tuition and the recording of \$200 thousand related to a legal settlement accounted for most of this unfavorable variance.

UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

Total Operating Revenues decreased \$808 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 FY 2014. 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 FY 2014 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.

Operating Expense (\$000)	2015	2014	2015 vs. 2014		2013	2014 vs. 2013	
			Inc/(Dec)	% Change		Inc/(Dec)	% Change
Instructional	\$ 34,946	\$ 35,473	\$ (527)	-1.5%	\$ 36,050	\$ (577)	-1.6%
Public Service	2,627	2,289	338	14.8%	2,026	263	13.0%
Academic Support	6,345	5,919	426	7.2%	5,431	488	9.0%
Student Services	7,406	6,642	764	11.5%	6,944	(302)	-4.3%
Institutional Support	9,703	9,693	10	0.1%	10,546	(853)	-8.1%
Plant	10,747	10,790	(43)	-0.4%	10,917	(127)	-1.2%
Student Aid	11,285	12,191	(906)	-7.4%	12,721	(530)	-4.2%
Depreciation	5,550	5,836	(286)	-4.9%	5,722	114	2.0%
Total Operating Expenses	88,609	88,833	(224)	-0.3%	90,357	(1,524)	-1.7%
Interest on Capital Asset Related De	718	755	(37)	-4.9%	805	(50)	-6.2%
Total Operating Expenses	<u>\$ 89,327</u>	<u>\$ 89,588</u>	<u>\$ (261)</u>	<u>-0.3%</u>	<u>\$ 91,162</u>	<u>\$ (1,574)</u>	<u>-1.7%</u>

UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015

Operating expenses in FY 2015 decreased \$261 thousand or 0.3% over the same period in FY 2014. The major areas of change were:

- ❖ Instructional Expenses decreased \$527 thousand from \$35.5 million in FY 2014 to \$34.9 million in FY 2015. There was a \$561 thousand decrease in the Adult Basic Skills grant resulting from a lower allocation to the College year over year. In addition, there was \$164 thousand reduction in STEM/Stempact spending when comparing the years resulting from salary slippage from vacancies in FY 2015.
- ❖ Public Service costs have increased \$338 thousand or 14.8% from FY 2014. The major reason for this was the a two year WFNJ contract was received and implemented very late into FY 2014, thereby generating the majority of the expenses in FY 2015.
- ❖ Academic Support increased \$426 thousand or 7.2% resulting from the revenue sharing agreement that the College has with Quad Learning for American Honors as the program developed and expanded during FY 2015 for a total increase of \$292 thousand.
- ❖ Student Services have increased \$764 thousand or 11.5% year over year as a result of vacancies being filled in FY 2015 for \$92 thousand. There was a \$134 thousand increase in costs to assist students with disabilities. A total increase of \$99 thousand occurred in varsity athletics as sports programs were further developed and expanded. This included \$57 thousand for certified training. \$203 thousand of the increase is related to a rise in advising salaries and fringe benefits year over year. The department increased their use of part time advisors to support retention and graduation initiatives. The College expanded the use of Accuplacer testing in county high schools as well as offering additional math boot camps for pre-and post- testing of students in FY 2015. This doubled the cost of Accuplacer testing year over year.
- ❖ Institutional Support increased by \$10 thousand over FY 2014. An increase related to the recording of \$450 thousand of pension expense related to GASB Statement No. 68 was offset by a Legal expense decrease of \$88 thousand year over. There were several vacancies in the Information Technology area particularly for some business analyst positions for a reduction in costs of \$152 thousand when comparing years. Additionally, reduced spending towards smaller, non- capital expenses such as PCs and printers in FY 2015 as compared to FY 2014. 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.
- ❖ Student Aid decreased \$906 thousand or 7.4% from \$12.2 million in FY 2014 to \$11.3 million in FY 2015. There is a reduction of PELL expenses of \$802 thousand year over year. There is also a higher amount of financial aid for FY 2015 used to pay tuition as discussed when comparing the change in the Scholarship Allowance year over year.

**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

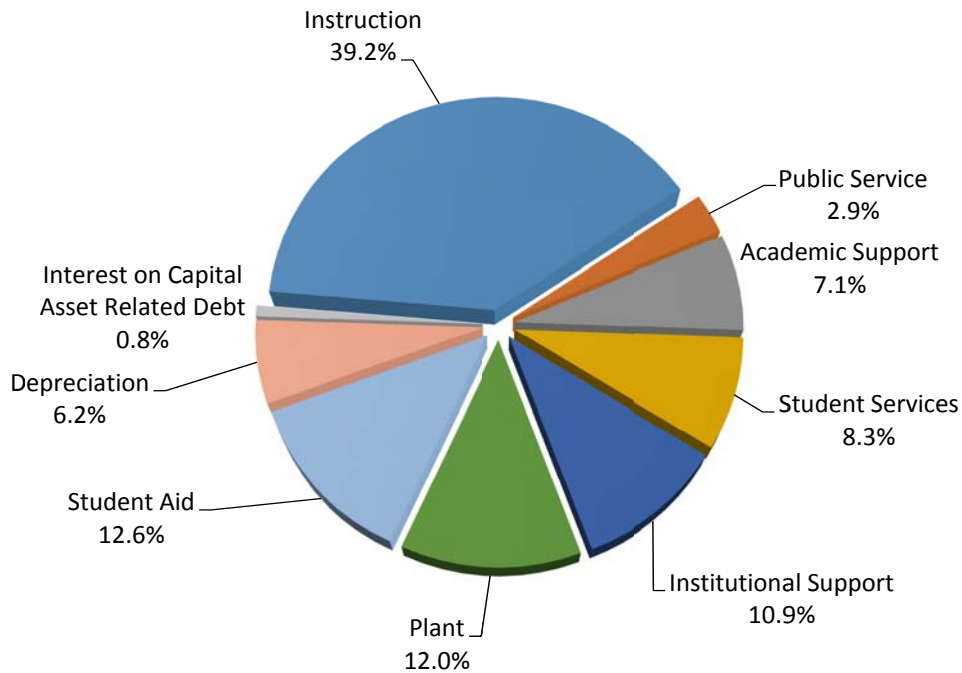
Operating expenses in FY 2014 decreased \$1.6 million or 1.7% over the same period in FY 2013. The major areas of change were:

- ❖ Instructional Expenses decreased \$577 thousand from \$36.1 million in FY 2013 to \$35.4 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 FY 2013 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 \$853 thousand 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.

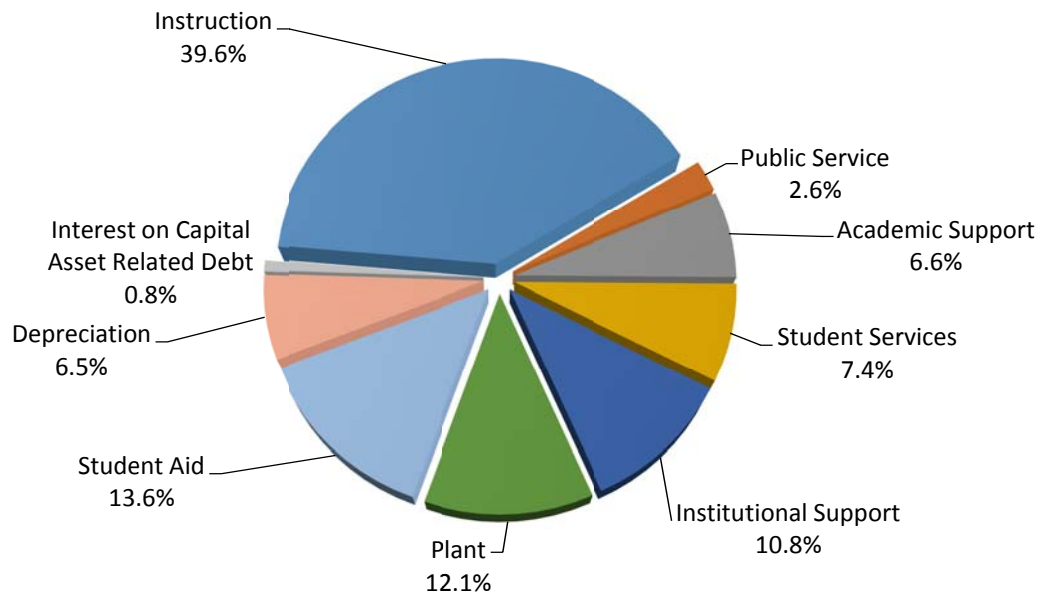
**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

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

**Operating Expenses
For Year End June 30, 2015**

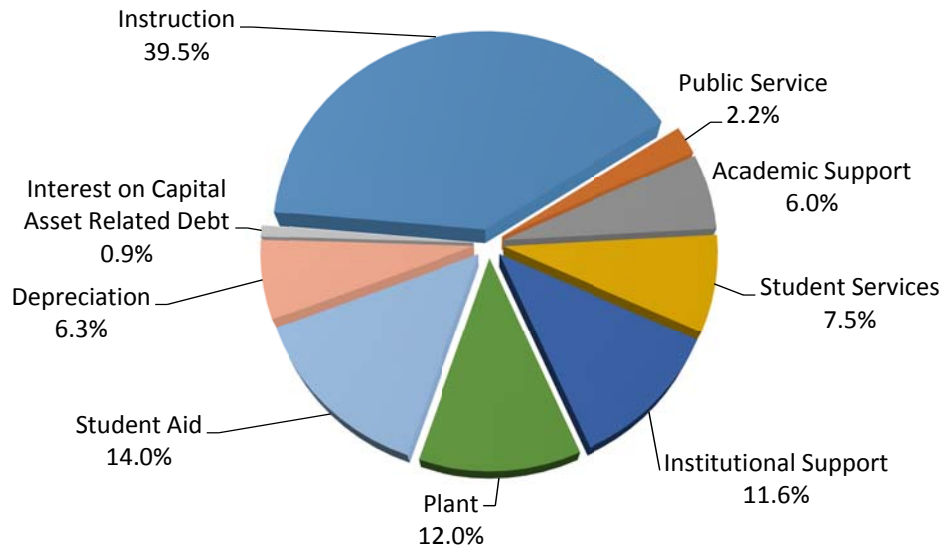


**Operating Expenses
For Year End June 30, 2014**



**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

**Operating Expenses
For Year End June 30, 2013**



Operating Loss

The College reported an operating loss of \$24.4 million in FY 2015 as compared to a loss of \$25.2 million in FY 2014. 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.

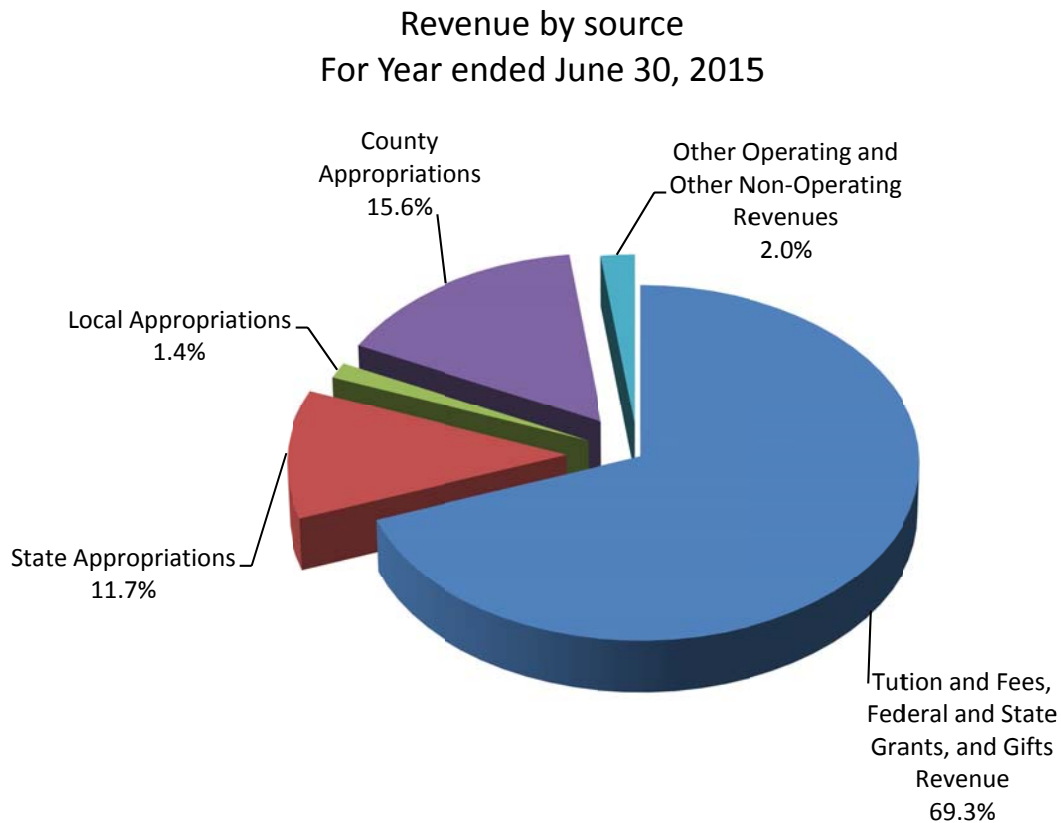
Non-Operating Revenues (\$000)	2015	2014	2015 vs. 2014		2013	2014 vs. 2013	
			Inc/(Dec)	% Change		Inc/(Dec)	% Change
State Appropriations	\$ 10,306	\$ 10,256	\$ 50	0.5%	\$ 10,413	\$ (157)	-1.5%
County Appropriations	13,741	13,471	270	2.0%	13,144	327	2.5%
Gain on Fixed Asset Disposal	-	289	(289)	0.0%	-	289	0.0%
Investment Income	98	89	9	10.1%	87	2	2.3%
Total Non-Operating Revenues	\$ 24,145	\$ 24,105	\$ 40	0.2%	\$ 23,644	\$ 461	1.9%

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 \$50 thousand, or 0.5 % in FY 2015. 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 69.3% of the College's operating expense. The College received a 2.0% increase from the County of Union in FY 2015. The Gain on Fixed Asset Disposal of \$289 thousand in FY 2014 represents the amount the College received from insurance proceeds from the Plainfield fire over the book value of the damaged assets.

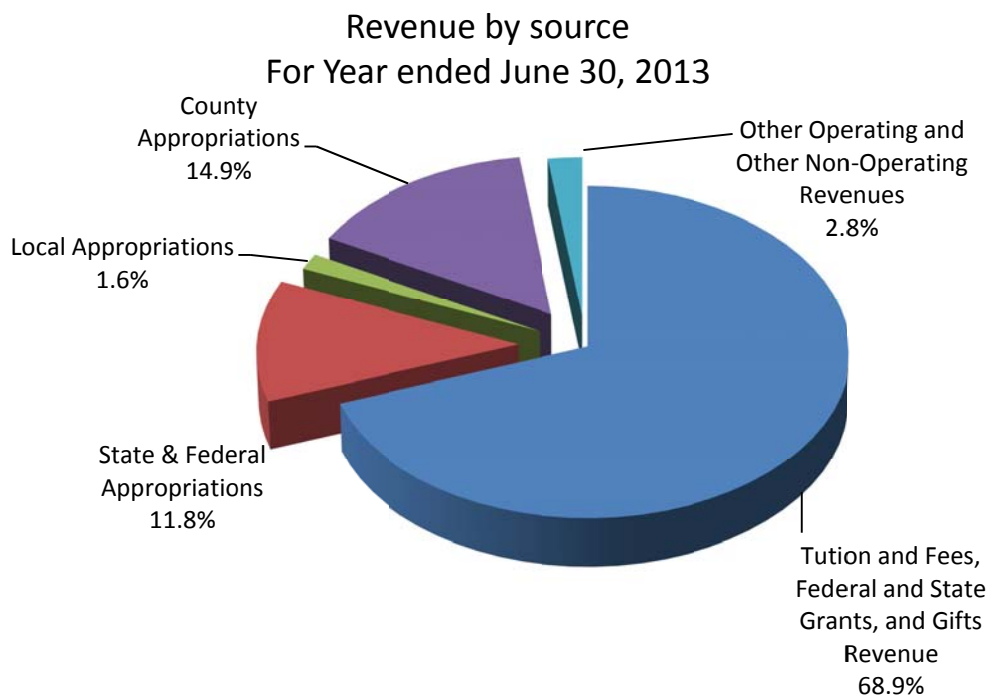
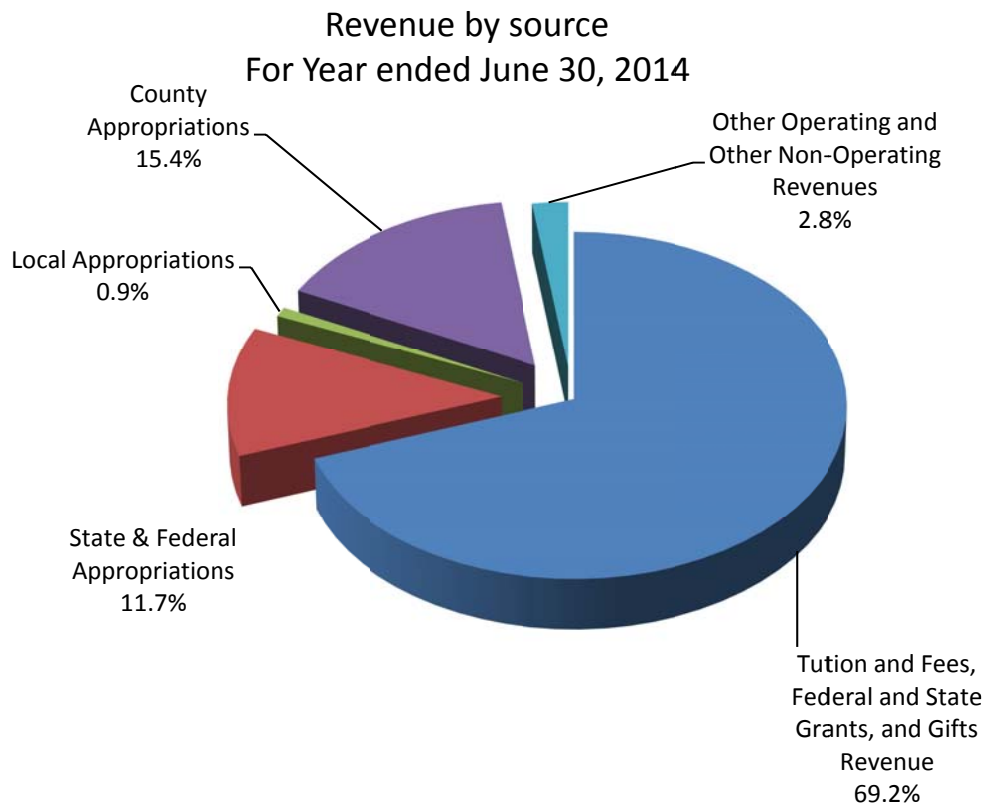
**UNION COUNTY COLLEGE
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New Jersey State Appropriations for the Community College Sector for the College decreased slightly of \$157 thousand between FY 2014 to FY 2013. State Appropriations are allocated among the State's community colleges based upon a formula that includes the preceding year's credit hours. There was a 2.5% increase in County Appropriations year over year from FY 2013 to FY 2014. The variance relative to the Gain on Fixed Asset Disposal has been explained in the analysis of FY 2015 versus FY 2014.

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



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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**



UNION COUNTY COLLEGE
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JUNE 30, 2015

Capital Contributions and Grants

Capital Contributions and Grants decreased \$236 thousand in FY 2015 as compared to FY 2014. A good portion of the monies for FY 2015 were for the funds received to convert the Thul Building in Plainfield which was a former auto parts store and parts warehouse into space useable to house academic space for the Allied Health programs.

Capital Contributions and Grants increased \$2.6 million in FY 2014 as compared to FY 2013. This resulted from the purchase of the Thul property in Plainfield for \$1 million. This facility will house the Licensed Practical Nursing, Paramedics and EMT programs by the end of FY 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)	2015	2014	2015 vs. 2014		2013	2014 vs. 2013	
			Inc/(Dec)	% Change		Inc/(Dec)	% Change
Current Assets	\$ 35,899	\$ 34,556	\$ 1,343	3.9%	\$ 31,065	\$ 3,491	11.2%
Non-Current Assets:			-				
Capital Assets, Net of Depreciation	89,614	86,906	2,708	3.1%	89,074	(2,168)	-2.4%
Total Assets	125,513	121,462	4,051	3.3%	120,139	1,323	1.1%
Deferred Outflows of Resources	3,309	-	3,309	0.0%	-	-	0.0%
Current Liabilities	11,882	10,812	1,070	9.9%	11,342	(530)	-4.7%
Non-Current Liabilities	42,381	15,982	26,399	165.2%	16,214	(232)	-1.4%
Total Liabilities	54,263	26,794	27,469	102.5%	27,556	(762)	-2.8%
Deferred Inflows of Resources	1,727	-	1,727	0.0%	-	-	0.0%
Capital Assets - Net Position	73,632	70,993	2,639	3.7%	72,312	(1,319)	-1.8%
Unrestricted - Net Position	(800)	23,675	(24,475)	-103.4%	20,271	3,404	16.8%
Total Net Position	\$ 72,832	\$ 94,668	\$ (21,836)	-23.1%	\$ 92,583	2,085	2.3%

Current Assets in FY 2015 increased \$1.3 million or 3.9% year over year. This results primarily from an increase in the cash balance at June 30, 2015 of \$3.2 million offset by a decrease in grants receivable of \$1.8 million resulting from lower Federal Financial Aid to be drawn down at fiscal year/end. Net Capital Assets are up \$2.7 million or 3.1% resulting from \$5.5 million in depreciation expense offset by additions of \$8.2 million. The College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No.71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These new statements establish standards for measuring and recognizing on each participating public employers' financial statements their allocated share of the plan's net pension liability (NPL), deferred inflows and outflows, and pension expense.

Current Assets in FY 2014 increased \$3.5 million or 11.2% year over year. This results from an increase in the cash balance at June 30, 2014 of \$3.5 million. Net Capital Assets are down \$2.2 million or 2.4% resulting from an additional \$5.8 million in depreciation expense offset by additions of \$4.3 million less net disposals of \$603 thousand.

UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Summary and Outlook

The support of the College is dependent on three major revenue sources: State Appropriations, County Appropriations and student tuition. During economic times when increases for State and County Aid are tight, greater pressure falls upon students to bear the additional cost in the form of increased tuition. The College continues its efforts to contain costs 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 2015 student academic credit hours decreased 4.0% from FY 2014 and the Fall 2015 enrollment has decreased 2.7% compared to the preceding Fall semester. It is expected that this trend will continue throughout FY 2016.

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 has been an ongoing process and will continue throughout FY 2016.

An organizational structure in Academic Affairs was needed to provide twelve month accountability and administrative support. Managing the complexity of day to day operations in higher education today requires a full time presence over the entire calendar year. The previous structure had all ten Departments, eight Department Chairs and all 160 full time faculty members reporting to the Academic Vice President, an approach that did not support quality teaching and learning.

Effective July 1, 2015, a reorganization in Academic Affairs took place to provide a structure that links together like disciplines, encourages innovation, focuses faculty and staff on organizational priorities and goals, and promotes student success. The revised structure consists of four Divisions: Humanities; Social Sciences, Business and History; STEM; and Allied Sciences each headed by a dean. The faculty report to their respective Dean. Each Dean is supported in the administration of their responsibilities by Assistant Deans and Directors.

The College had a need to integrate all student service functions within one division. With the consolidation of all of these functions particularly with the One-Stop Center on the horizon, students would be provided with consistent communication from the institution's team approach for addressing student issues in a comprehensive and dynamic single location environment. With this in mind, effective October 1, 2015, a reorganization within the Student Development division took place. Admissions, Records and Registration as well as Student Accounts became a part of the division. The role of One Stop Managers was developed and became a part of the division's structure along with a new Dean of Student Success and a reorganization with respect to the role of the Dean of Students. With all of this in mind, the goal of this reorganization was to provide a premier student service experience in a student-centered environment.

The increasing influence of external pressures and the need to improve student success outcomes have made it essential that decisions invoke interdisciplinary thinking, involve all stakeholders, and reflect an informed, objective, and disciplined perspective. As a result, a new governance structure was instituted to incorporate cross functional input into the decision making process at the College. Including the Governance and Leadership Council, there are eighteen established committees. In addition, there is a monthly College Assembly which

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through its representative sample of the College community, and its commitment to institutional priorities provides an interactive forum in which governance becomes a dynamic process that both questions and respects committee work and provides objective input and guidance that is considered in final committee recommendations.

The College continues to expand, renovate and improve facilities and this will continue throughout the up and coming fiscal years. The Student Services Building in Cranford has an anticipated completion date of July 15, 2016. 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 Elizabeth Bookstore is being relocated to the Kellogg Building which has an expected completion date at the end of September 2015. Follett will provide fit-out details for the new space. The Annex-Logos renovation should begin Summer/Fall 2015 with the Annex complete by the end of April 2016 and Logos by September 2016. The CCTV Phase II project which will take place during FY 2016 will provide broader coverage and oversight of the exterior portions of the Cranford campus as well as parking Lot #1 to ensure operational continuity. Phase I of this project installed cameras for the interior portions of the Cranford campus as well as the service for the repository for the video footage. Work on the replacement of the heating, ventilation and air conditioning (HVAC) units located in the Science building of the Cranford campus will to be started in the Fall 2015 and it is expected that work will be scheduled throughout the year to replace other old aging systems throughout the campus. The construction plans and specifications are under development for the first and lower levels at the Lessner Building in Elizabeth.

The Information Technology (IT) department has plans for many initiatives to take place in the very near future. Some of these planned projects are an on line catalog, an updated College website, upgrading and implementing new technologies to support the One Stop, IT infrastructure installation and services for the College's various construction projects mentioned above as well as upgrading computer labs.

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 2016.

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
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2015**

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, 2015 AND 2014

	2015		2014	
	College	Component Unit UCC Foundation	College	Component Unit UCC Foundation
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 29,481,576	\$ 98,546	\$ 26,322,826	\$ 115,097
Investments	-	6,520,286	-	6,160,141
Student Accounts Receivable, Net of Allowance of \$1,757,306 in 2015 and \$1,773,291 in 2014	1,461,750	-	806,079	-
Grants Receivable	2,213,338	-	3,997,937	-
State of New Jersey Receivable:				
Alternative Benefit Program	327,596	-	206,073	-
County of Union Receivable	1,089,274	-	363,514	-
Other Receivables	1,308,618	36,762	2,843,216	44,266
Other Assets	16,667	204,530	16,667	173,426
Total Current Assets	35,898,819	6,860,124	34,556,312	6,492,930
NON-CURRENT ASSETS				
Endowment Investments	-	9,304,078	-	8,824,111
Other Receivables	-	3,735	-	3,290
Capital Assets, Net	89,614,160	576,449	86,905,802	580,405
Total Non-Current Assets	89,614,160	9,884,262	86,905,802	9,407,806
DEFERRED OUTFLOWS OF RESOURCES				
	3,309,375	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 128,822,354	\$ 16,744,386	\$ 121,462,114	\$ 15,900,736
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	\$ 3,405,604	\$ -	\$ 2,856,148	\$ -
Accrued Expenses	5,215,593	58,134	5,156,841	465,744
Due to State of New Jersey	312,978	-	301,910	-
Unearned Revenue				
Student Tuition and Fee Revenue	2,016,977	517,305	1,698,710	38,850
Federal and State Grant Revenue	696,796	-	566,738	-
Capital Lease, Current Portion	233,775	-	232,044	-
Total Current Liabilities	11,881,723	575,439	10,812,391	504,594
NON-CURRENT LIABILITIES				
Capital Lease, Non-Current Portion	15,748,010	-	15,981,785	-
Gift Annuity Fund Payable	-	1,004	-	6,324
Net Pension Liability	26,633,132	-	-	-
Total Non-Current Liabilities	42,381,142	1,004	15,981,785	6,324
Total Liabilities	54,262,865	576,443	26,794,176	510,918
DEFERRED INFLOWS OF RESOURCES				
	1,727,042	-	-	-
NET POSITION				
Net Investment in Capital Assets	73,632,376	576,449	70,993,403	580,405
Restricted for:				
Non-Expendable:				
Program	-	566,141	-	567,772
Scholarships	-	8,737,938	-	8,256,339
Expendable:				
Program	-	29,176	-	25,046
Scholarships	-	1,598,588	-	1,342,912
Other	-	3,821,999	-	3,765,911
Unrestricted (Deficit)	(799,929)	837,652	23,674,535	851,433
Total Net Position	72,832,447	16,167,943	94,667,938	15,389,818
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 128,822,354	\$ 16,744,386	\$ 121,462,114	\$ 15,900,736

See accompanying Notes to Financial Statements.

UNION COUNTY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2015 AND 2014

	2015		2014	
	College	Component Unit UCC Foundation	College	Component Unit UCC Foundation
REVENUES				
Operating Revenues				
Student Tuition and Fees	\$ 43,469,058	\$ -	\$ 42,540,065	\$ -
Less Scholarship Allowances	<u>(15,561,354)</u>	<u>-</u>	<u>(15,150,466)</u>	<u>-</u>
Net Student Tuition and Fees	27,907,704	-	27,389,599	-
 Federal Grants	26,231,331	-	27,569,974	-
State Grants	6,814,546	-	5,247,400	-
Local Grants	1,254,566	-	770,232	-
Gifts and Contributions	288,953	823,027	263,810	754,544
Other	<u>1,696,853</u>	<u>-</u>	<u>2,392,620</u>	<u>-</u>
Total Operating Revenue	64,193,953	823,027	63,633,635	754,544
EXPENSES				
Operating Expenses				
Educational and General				
Instructional	34,946,560	-	35,473,107	-
Public Service	2,626,682	-	2,289,047	-
Academic Support	6,345,021	-	5,919,345	-
Student Services	7,406,115	-	6,642,136	-
Institutional Support	9,702,684	-	9,692,744	-
Operations and Maintenance of Plant	10,746,871	-	10,789,825	-
Student Aid	11,285,812	868,545	12,191,205	820,893
Depreciation	5,549,624	3,956	5,835,686	3,956
Other Expenses	<u>-</u>	<u>352,576</u>	<u>-</u>	<u>269,911</u>
Total Operating Expenses	<u>88,609,369</u>	<u>1,225,077</u>	<u>88,833,095</u>	<u>1,094,760</u>
OPERATING LOSS	(24,415,416)	(402,050)	(25,199,460)	(340,216)
NON-OPERATING REVENUES (EXPENSES)				
State Appropriations	10,306,432	-	10,255,635	-
County Appropriations	13,741,651	-	13,472,211	-
Investment Income	97,999	700,208	89,096	2,330,638
Interest on Capital Asset Related Debt	(717,956)	-	(754,747)	-
Gain on Capital Asset Disposal	-	-	288,651	-
Additions to Permanent Endowments	-	479,967	-	237,399
On-Behalf Payments - Alternate Benefit Plan:				
Revenues	1,409,623	-	1,485,794	-
Expenses - Faculty	(1,279,148)	-	(1,329,523)	-
Expenses - Adjuncts	<u>(130,475)</u>	<u>-</u>	<u>(156,271)</u>	<u>-</u>
Net Non-Operating Revenues	<u>23,428,126</u>	<u>1,180,175</u>	<u>23,350,846</u>	<u>2,568,037</u>
INCOME (LOSS) BEFORE OTHER REVENUES	(987,290)	778,125	(1,848,614)	2,227,821
CAPITAL GRANTS AND CONTRIBUTIONS	<u>3,698,067</u>	<u>-</u>	<u>3,933,942</u>	<u>-</u>
INCREASE IN NET POSITION	2,710,777	778,125	2,085,328	2,227,821
Net Position - Beginning of Year	94,667,938	15,389,818	92,582,610	13,161,997
GASB68 Adjustment	<u>(24,546,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - Beginning of Year, As Restated	<u>70,121,670</u>	<u>15,389,818</u>	<u>92,582,610</u>	<u>13,161,997</u>
Net Position - End of Year	<u>\$ 72,832,447</u>	<u>\$ 16,167,943</u>	<u>\$ 94,667,938</u>	<u>\$ 15,389,818</u>

See accompanying Notes to Financial Statements.

UNION COUNTY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Student Revenue	\$ 17,103,423	\$ 18,298,393
Receipts from Government Grants	36,085,042	33,773,780
Payments to Suppliers	(12,699,924)	(17,620,124)
Payments for Employee Salaries and Benefits	(57,951,765)	(57,042,575)
Receipts from Gifts and Contributions	288,953	263,810
Other Receipts	<u>1,696,853</u>	<u>2,392,621</u>
Net Cash Used by Operating Activities	(15,477,418)	(19,934,095)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	10,306,432	10,255,635
County Appropriations	13,741,651	13,472,211
Loan Program Receipts	10,347,389	11,320,827
Loan Program Disbursements	<u>(10,347,389)</u>	<u>(11,320,827)</u>
Net Cash Provided by Noncapital Financing Activities	24,048,083	23,727,846
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	3,698,069	3,933,942
Purchase of Capital Assets	(8,257,983)	(3,667,326)
Gain on Disposal of Capital Asset	-	288,651
Principal Paid on Debt	(232,044)	(165,253)
Interest Paid on Long-Term Debt	<u>(717,956)</u>	<u>(754,747)</u>
Net Cash Used by Capital and Related Financing Activities	(5,509,914)	(364,733)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	<u>97,999</u>	<u>89,096</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,158,750	3,518,114
Cash and Cash Equivalents - Beginning of Year	<u>26,322,826</u>	<u>22,804,712</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 29,481,576</u></u>	<u><u>\$ 26,322,826</u></u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO		
NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (24,415,416)	\$ (25,199,460)
Adjustment to Reconcile Net Loss to Net Cash		
Used by Operating Activities:		
Depreciation Expense	5,549,624	5,835,686
Changes in Assets and Liabilities:		
Receivables, Net	2,320,773	(1,859,917)
Accounts Payable and Accrued Expenses	619,276	26,487
Unearned Revenue:		
Student Tuition and Fees	318,267	1,243,032
Federal and State Grants	<u>130,058</u>	<u>20,077</u>
Net Cash Used by Operating Activities	<u><u>\$ (15,477,418)</u></u>	<u><u>\$ (19,934,095)</u></u>

See accompanying Notes to Financial Statements.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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 5,313 full-time and 10,694 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, 2015 AND 2014

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, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit (Continued)

During the fiscal years ended June 30, 2015 and 2014, the Foundation distributed \$868,545 and \$820,893, 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, 2015 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, 2015 AND 2014**

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, 2015.

Tuition

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

State Aid

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

County Aid

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

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Unearned revenue represents tuition revenue that has been billed before June 30th 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, 2015 and 2014 was \$5,549,624 and \$5,835,686, 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 liabilities 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 position. The reclassification was due to \$377,279 previously reported as Accrued Expenses in the prior year changing to Federal and State Grant Unearned Revenue in the current year.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications (Continued)

Certain expenses 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 expenses or net position. The reclassification was related to \$194,875 of cost sharing salaries previously reported as Instructional Expenses in the prior year changing to Public Service Expenses in the current year.

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, 2015 and 2014 was \$1,757,306 and \$1,773,291, 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, 2015 and 2014 was \$15,561,354 and \$15,150,466, 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.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

Classification of Revenue

The College has classified its revenues as either operating or 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, 2015 AND 2014**

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.

Deferred Inflows and Outflows of Resources

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

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

New Accounting Standards

The College has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements No. 68 and 71 require the College to report its share of the defined benefit pension liabilities and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the Public Employees' Retirement System (PERS). The July 1, 2014, balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources is reported in the Statement of Revenues, Expenses, and Changes in Net Position as a restatement to the *2015 Net position—beginning of year*. PERS was not able to provide sufficient information to restate the June 30, 2014, financial statements.

	<u>2015</u>
Net Position, beginning of year, as previously stated	\$ 94,667,938
July 1, 2014, Balance of the net pension liability and related deferred outflows of resources and deferred inflows of resources	<u>(24,546,268)</u>
Net Position, beginning of year, as restated	<u><u>\$ 70,121,670</u></u>

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

In February 2015, GASB issued Statement No. 72, Fair Value Measurement and Application ("GASB 72"). The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and for enhancing disclosures around fair value measurements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2015. The College has not yet completed the process of evaluating the impact of GASB 72 on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined contribution pensions and defined benefit pensions that are not within the scope of Statement No. 68 and amends certain provisions of Statements No. 67 and 68. Statement No. 73 is effective for fiscal years beginning after June 15, 2016. The College has determined that Statement No. 73 will have no effect on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"). This Statement establishes financial reporting for state and local governmental other postemployment benefit (OPEB) plans and defined contribution OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2016. This Statement will become effective for the June 30, 2017 year-end. The College has not yet completed the process of evaluating the impact of GASB 74 on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local government employers through OPEB plans that are administered through trusts or equivalent arrangements. This Statement also establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employees through OPEB plans that are not administered through trusts or equivalent arrangements. The provisions of this Statement are effective for financial statements in periods beginning after June 15, 2017. This Statement will become effective for June 30, 2018 year-end. The College has not yet completed the process of evaluating the impact of GASB 75 on its financial statements.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76 modifies the GAAP hierarchy, which are the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP. The provisions in Statement No. 76 are effective for reporting periods beginning after June 15, 2015. The College has determined that Statement No. 76 will have no effect on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for reporting periods beginning after December 15, 2015. The College has determined that Statement No. 77 will have no effect on its financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial Credit Risk

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

As of June 30, 2015 and 2014, the College's bank balances were exposed to custodial credit risk as follows:

	2015	2014
Insured	\$ 1,028,635	\$ 1,028,617
Collateralized under GUDPA	28,869,697	25,325,342
Total	<u>\$ 29,898,332</u>	<u>\$ 26,353,959</u>

UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets by source at June 30, 2015 and 2014:

	Balance July 1, 2014	Increase	Decreases	Adjustments	Balance June 30, 2015
Capital Assets, Non-Depreciable:					
Land	\$ 4,833,320	\$ -	\$ -	\$ -	\$ 4,833,320
Construction in Progress	<u>1,830,674</u>	<u>7,720,839</u>	<u>-</u>	<u>(2,314,703)</u>	<u>7,236,810</u>
Total Capital Assets, Non-Depreciable	6,663,994	7,720,839	-	(2,314,703)	12,070,130
Capital Assets, Depreciable:					
Building and Improvements	124,778,032	-	-	1,763,043	126,541,075
Intangible Asset - Easement	14,415,112	-	-	-	14,415,112
Equipment, Software and Vehicles	<u>15,309,255</u>	<u>549,468</u>	<u>(12,325)</u>	<u>551,660</u>	<u>16,398,058</u>
Total Capital Assets, Depreciable	154,502,399	549,468	(12,325)	2,314,703	157,354,245
Less Accumulated Depreciation for:					
Buildings and Improvements	(62,545,955)	(3,457,045)	-	-	(66,003,000)
Intangible Asset - Easement	(1,161,217)	(480,504)	-	-	(1,641,721)
Equipment, Software and Vehicles	<u>(10,553,419)</u>	<u>(1,612,075)</u>	<u>-</u>	<u>-</u>	<u>(12,165,494)</u>
	<u>(74,260,591)</u>	<u>(5,549,624)</u>	<u>-</u>	<u>-</u>	<u>(79,810,215)</u>
Total Capital Assets, Depreciable Net	<u>80,241,808</u>	<u>(5,000,156)</u>	<u>(12,325)</u>	<u>2,314,703</u>	<u>77,544,030</u>
Capital Assets, Net	<u>\$ 86,905,802</u>	<u>\$ 2,720,683</u>	<u>\$ (12,325)</u>	<u>\$ -</u>	<u>\$ 89,614,160</u>
	Balance July 1, 2013	Increase	Decreases	Adjustments	Balance June 30, 2014
Capital Assets, Non-Depreciable:					
Land	\$ 4,438,162	\$ -	\$ -	\$ 395,158	\$ 4,833,320
Construction in Progress	<u>118,114</u>	<u>3,329,603</u>	<u>-</u>	<u>(1,617,043)</u>	<u>1,830,674</u>
Total Capital Assets, Non-Depreciable	4,556,276	3,329,603	-	(1,221,885)	6,663,994
Capital Assets, Depreciable:					
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	<u>17,436,623</u>	<u>938,580</u>	<u>(3,025,643)</u>	<u>(40,305)</u>	<u>15,309,255</u>
Total Capital Assets, Depreciable	156,699,194	938,580	(4,318,504)	1,183,129	154,502,399
Less Accumulated Depreciation for:					
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	<u>(11,605,906)</u>	<u>(1,973,157)</u>	<u>3,025,644</u>	<u>-</u>	<u>(10,553,419)</u>
	<u>(72,181,306)</u>	<u>(5,835,686)</u>	<u>3,755,892</u>	<u>509</u>	<u>(74,260,591)</u>
Total Capital Assets, Depreciable Net	<u>84,517,888</u>	<u>(4,897,106)</u>	<u>(562,612)</u>	<u>1,183,638</u>	<u>80,241,808</u>
Capital Assets, Net	<u>\$ 89,074,164</u>	<u>\$ (1,567,503)</u>	<u>\$ (562,612)</u>	<u>\$ (38,247)</u>	<u>\$ 86,905,802</u>

Adjustments represent transfers of completed projects from Construction in Progress.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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, 2015 and 2014, the liabilities for accrued compensated absences, included in accrued expenses on the statements of net position, consist of the following:

	<u>2015</u>	<u>2014</u>
Vacation:		
Balance, Beginning of Fiscal Year	\$ 1,229,799	\$ 1,175,684
Increase (Decrease)	<u>(240,389)</u>	<u>54,115</u>
Balance, End of Fiscal Year	<u>\$ 989,410</u>	<u>\$ 1,229,799</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, 2015 AND 2014**

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:

Fiscal Year	Normal Contribution	Accrued Liability	Non- Contributory Group Life Insurance	Employer Share Retroactive	Total Contribution	Paid by College
2015	\$ 195,222	\$ 903,056	\$ 74,386	\$ 49,934	\$ 1,222,598	\$ 1,222,598
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

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

- Actuarial cost method is entry age normal, level percent of pay.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 3.01%.
- Investment return of 7.90%, including inflation.
- Salary increases of 2.15 – 4.40% based on age for years 2012-2021, and 3.15 – 5.50% based on ages subsequent years.
- Asset Valuation using fair (market) value.
- Mortality rates based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 base on Projection Scale AA.

In accordance with State statute, the long-term expected rate of return on pension plan investments was determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table below.

PERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	<u>100.00%</u>	

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The discount rate used to measure the total PERS pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date to determine the total pension liability.

The following presents the College's proportionate share of the PERS net pension liability calculated using the discount rate of 5.39%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.39%) or one percentage point higher (6.39%) than the current rate.

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

	<u>1% Decrease 4.39%</u>	<u>Current Rate 5.39%</u>	<u>1% Increase 6.39%</u>
2014	\$33,504,635	\$26,633,132	\$20,861,719

	<u>1% Decrease 4.55%</u>	<u>Current Rate 5.55%</u>	<u>1% Increase 6.55%</u>
2013	\$31,810,529	\$25,553,330	\$20,310,625

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

PERS measured the net pension liability as of June 30, 2014. The total PERS pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability calculated as of June 30, 2013 to June 30, 2014. PERS calculated the employer's proportion of the net pension liability using the ratio of each employer's one-year contributions to total participating employers' contributions for the group. At June 30, 2014, the College's proportion was .1422%, a decrease of .0085% from its proportion calculated as of June 30, 2013.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

For the year ended June 30, 2015, the College recognized PERS pension expense of \$1,672,138. At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings	\$ -	\$ 1,587,154
Net Changes in Proportions	-	139,888
Changes in Assumptions	707,428	
Difference Between Employer Contributions and Proportionate Share of Total Contributions	1,379,349	-
Contributions After the Measurement Date	1,222,598	-
	<u>\$ 3,309,375</u>	<u>\$ 1,727,042</u>

The College will recognize the \$1,222,598 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PERS net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as PERS pension expense as follows.

Year Ending June 30,	Amortization
2016	\$ (38,905)
2017	(38,905)
2018	(38,905)
2019	(38,905)
2020	515,353
Total	<u>\$ 359,733</u>

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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 2015 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 2015 and 2014, the State reimbursed \$1,409,623 and \$1,485,794, 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:

<u>Fiscal Year</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by College</u>
2015	\$ 1,969,402	\$ 1,409,623	\$ 559,779
2014	2,052,657	1,485,794	566,863
2013	2,071,975	1,587,828	484,147

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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 \$197,644 and \$188,733, respectively, for fiscal years ended 2015 and 2014.

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, 2015:

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 8 CAPITAL LEASE PAYABLE (CONTINUED)

Kellogg Building (Continued)

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	154,336	45,664	200,000
2021-2025	876,199	123,801	1,000,000
2026	131,266	2,068	133,334
Total	<u>\$ 1,718,552</u>	<u>\$ 414,782</u>	<u>\$ 2,133,334</u>

Principal and interest payments for the above capital lease were \$125,253 and \$74,747, respectively, for fiscal year 2015 and \$120,130 and \$79,870, respectively, for fiscal year 2014.

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, 2015:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	169,663	701,537	871,200
2021-2025	1,351,587	3,214,953	4,566,540
2026-2030	2,201,104	2,917,922	5,119,026
2031-2035	3,256,081	2,528,577	5,784,658
2036-2040	4,673,848	1,884,470	6,558,318
2041-2042	2,013,521	208,052	2,221,573
Total	<u>\$ 14,263,233</u>	<u>\$ 14,059,082</u>	<u>\$ 28,322,315</u>

Principal and interest payments for the above easement were \$106,791 and \$643,209, respectively, for fiscal year 2015 and \$45,123 and \$674,877, respectively, for fiscal year 2014.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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>2015</u>	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Educational and							
General Expenditures							
Instruction	\$31,386,774	\$ 645,316	\$ 2,914,470	\$ -	\$ -	\$ -	\$34,946,560
Public Service	2,051,997	85,011	489,674	-	-	-	2,626,682
Academic Support	3,653,087	131,254	2,560,680	-	-	-	6,345,021
Student Services	6,180,822	522,714	702,579	-	-	-	7,406,115
Institutional Support	7,953,191	568,610	1,180,883	-	-	-	9,702,684
Operation and							
Maintenance of Plant	5,756,809	383,480	2,407,417	-	2,199,165	-	10,746,871
Scholarship Aid	-	-	74,460	11,211,352	-	-	11,285,812
Depreciation	-	-	-	-	-	5,549,624	5,549,624
Total	<u>\$56,982,680</u>	<u>\$ 2,336,385</u>	<u>\$ 10,330,163</u>	<u>\$11,211,352</u>	<u>\$2,199,165</u>	<u>\$ 5,549,624</u>	<u>\$88,609,369</u>

UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 10 EDUCATION AND GENERAL EXPENSES BY FUNCTION (CONTINUED)

<u>2014</u>	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Educational and General Expenditures							
Instruction	\$31,641,492	\$ 598,606	\$ 3,233,009	\$ -	\$ -	\$ -	\$35,473,107
Public Service	1,945,800	90,500	252,747	-	-	-	2,289,047
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>

NOTE 11 OTHER RECEIVABLES

Other receivables as of June 30, 2015 and 2014 consist of the following amounts due to the College:

	<u>2015</u>	<u>2014</u>
Non-Credit Corporate Sponsors	\$ 182,147	\$ 109,841
JFK Muhlenberg	174,631	206,460
Other Counties	112,783	101,123
Insurance Receivable	123,597	1,148,976
Union County Improvement Authority	350,000	450,000
Continuing Education	78,091	109,840
Union County College Foundation	17,034	422,545
Other	270,335	294,431
Total	<u>\$ 1,308,618</u>	<u>\$ 2,843,216</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, 2014, there were 103,432 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, 2015 AND 2014**

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 \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in fiscal year 2014.

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 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, 2015 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, 2015 and 2014, the Foundation's uninsured balances were \$-0- and \$-0-, respectively.

UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 14 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

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, 2015		
	Cost	FMV	Unrealized Appreciation (Depreciation)
Common Stock	\$ 8,608,339	\$ 10,713,816	\$ 2,105,477
Bond-Fixed Income	4,902,817	4,885,822	(16,995)
Short-Term Investments	224,726	224,726	-
Total	<u>\$ 13,735,882</u>	<u>\$ 15,824,364</u>	<u>\$ 2,088,482</u>

	June 30, 2014		
	Cost	FMV	Unrealized Appreciation (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>

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.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 14 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Fair Value Measurements (Continued)

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, 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments at fair value.

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

UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 14 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Fair Value on a Recurring Basis

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

	<u>2015</u>	<u>2014</u>
<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>		
Stock:		
Consumer Discretionary	\$ 1,400,985	\$ 1,346,284
Consumer Staples	638,734	505,704
Emerging Markets	312,923	390,949
Energy	649,582	924,461
Financials	2,231,112	1,819,683
Foreign Stock	13,042	12,408
Healthcare	1,543,451	1,114,080
High Yield	13,682	13,185
Industrials	1,045,802	1,046,634
Information Technology	1,538,230	1,125,373
International Developed	23,425	158,831
International Equity	40,252	43,167
Large Cap Funds	314,344	211,732
Materials	193,141	277,046
Other Equity	354,617	497,765
Small Cap Funds	16,602	52,962
Telecommunications Services	225,231	236,517
Utilities	158,661	155,765
Total Stock	<u>10,713,816</u>	<u>9,932,546</u>
Bond-Fixed Income:		
Funds	3,073,784	2,337,175
Individual Holding	1,796,109	2,373,005
Other	15,929	15,854
Total Bond-Fixed Income	<u>4,885,822</u>	<u>4,726,034</u>
Total	<u><u>\$ 15,599,638</u></u>	<u><u>\$ 14,658,580</u></u>

Not included above are short-term investments at June 30, 2015 and 2014 of \$224,726 and \$325,672, respectively. These assets are recorded at cost that approximates fair value and are not subject to the above classification.

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2015 AND 2014
(UNAUDITED)

Schedule of Proportionate Share of Net Pension Liability (NPL)
Determined as of June 30, 2014, Measurement Date
(in Thousands)

<u>Fiscal Year</u>	<u>College's Proportion</u>	<u>College's Proportion Share</u>	<u>College's Covered Employee Payroll</u>	<u>College's Proportionate Share of NPL as a % of Covered-Employee Payroll</u>	<u>PERS Fiduciary Net Position as a % of Total Pension Liability</u>
2014/15	0.1422470301%	\$ 26,633	\$ 9,665	275.56%	52.08%

Schedule of Contributions
(in thousands)

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions Recognized by PERS in FY 2014/15</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Contributions as a % of Covered-Employee Payroll</u>
2014/15	\$ 1,223	\$ 1,223	\$ -	\$ 9,665	12.65%

SUPPLEMENTARY INFORMATION

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Grant Number	FY 2015 Expenditures
U.S. Department of Education:			
Student Financial Aid Cluster (Direct Funding):			
Federal Supplemental Educational Opportunity Grants	84.007	P007A112620	\$ 374,176
Federal Direct Student Loans	84.268	P268K131820	10,347,389
Federal Pell Grant Program	84.063	P063P111820	22,191,224
Federal Work-Study Program	84.033	P033A112620	297,847
Total Student Financial Aid Cluster			33,210,636
Title V Funding (Direct Funding):			
Learning Enhanced through Accelerated Paths (LEAP)	84.031	Not Applicable	553,089
Improving the Pipeline in Stem Education	84.031	Not Applicable	188,794
STEMpact	84.031	Not Applicable	304,539
Total Title V Funding			1,046,422
Passed Through the New Jersey Council of County Colleges:			
New Jersey College Access Challenge Program	84.378A	Not Applicable	3,328
Passed Through State of New Jersey Department of Treasury:			
Vocational Education - Perkins	84.048	PSF Consol 718511	526,060
Passed Through State Department of Labor and Workforce Development:			
Adult Education and Family Literacy:			
Adult Basic Skills	84.002	ABS-FY10106	931,416
Total U.S. Department of Education			35,717,862
U.S. Department of Labor Employment and Training Administration:			
Trade Adjustment Assistance Community College Career Training Grant	17.282	TC-25003-13-60-A-34	267,650
NJ Health Professions Pathway to Regional Excellence Project	17.282	TC-26459-14-60-A-34	21,355
Total U.S. Department of Employment and Training			289,005
Passed Through County of Union, NJ:			
WIA - Adult	17.258	Not Applicable	70,221
WIA - Dislocated Worker	17.260	Not Applicable	51,471
Total WIA Cluster			121,692
Total U.S. Department of Labor			410,697
U.S. Department National Science Foundation:			
Passed Through Stevens Institute of Technology:			
SFS Cybersecurity Scholars Program	47.076	1410389	9,718
U.S. Department of Health and Human Services:			
Passed Through Bergen County Community College:			
Northern New Jersey Health Professions Pathway Consortium	93.093	Not Applicable	292,341
U.S. Department of Homeland Security:			
Passed Through State of New Jersey Office of Homeland Security and Preparedness:			
Urban Areas Security Initiative	97.008	EMW-2013-SS-00031-S01	147,652
U.S. Department of Housing and Urban Development:			
Community Block Development Cluster:			
Passed Through County of Union, NJ:			
Community Block Development/Life Center	14.218	Not Applicable	4,500
Passed Through City of Elizabeth, NJ:			
Community Block Development/Life Center	14.218	Not Applicable	3,394
Total Community Development Block Grant			7,894
Total Federal Financial Assistance			\$ 36,586,164

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, 2015

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	State GMIS Number	Program or Award Amount	Program Funds Received	Grant Period		FY 2015 Expenditures	Cumulative Expenditures
				From	To		
N.J. Commission of Higher Education:							
Educational Opportunities Fund - Article III	10-100-074-2401-001	\$ 195,191	\$ 193,534	07/01/14	06/30/15	\$ 193,534	\$ 193,534
Educational Opportunities Fund - Article III Summer	10-100-074-2401-001	109,597	107,927	07/01/14	06/30/15	107,927	107,927
N.J. Higher Education Student Assistance Authority:							
Tuition Aid Grants	10-100-074-2405-007	3,302,660	3,302,660	07/01/14	06/30/15	3,302,660	3,302,660
New Jersey Stars Program	10-100-074-2405-313	245,030	245,030	07/01/14	06/30/15	245,030	245,030
Urban Scholars Program	10-100-074-US11-278	5,500	5,500	07/01/14	06/30/15	5,500	5,500
NJ Class Loans	Not Applicable	78,275	78,275	07/01/14	06/30/15	78,275	78,275
N.J. Commission on Higher Education:							
Educational Opportunities Fund - Article IV	10-100-074-2401-002	273,101	270,639	09/01/14	06/30/15	270,639	270,639
Total N.J. Commission on Higher Education						<u>4,203,565</u>	<u>4,203,565</u>
N.J. Commerce and Economic Growth Commission, Urban Enterprise Zone Authority: Passed Through City of Elizabeth, NJ:							
Retail Skill Center	Not Available	241,308	29,768	09/01/14	08/31/15	29,768	29,768
N.J. Department of Labor and Workforce Development:							
Direct Funding:							
New Jersey Youth Corps	ACNY13N	384,659	362,331	07/01/14	06/30/15	362,331	362,331
Youth Transitions to Work	YT15009	179,598	10,529	10/01/14	08/31/15	10,529	10,529
Literacy4Jersey Consortium	L4J - FR13 - 012	150,000	11,000	01/01/14	06/30/15	11,000	11,000
Opportunity4Jersey	O4JFY13005027/O4JFY1504002	216,000	35,070	07/01/13	06/01/16	35,070	35,070
Work Investment Board Program	13/WIA CONSORTIUM/001	1,000,000	180,566	07/01/14	06/30/15	180,566	180,566
Total N.J. Department of Labor						<u>599,496</u>	<u>599,496</u>
N.J. Department of Children and Family							
Sandy Displace Homemaker	14YSGZ	169,999	148,157	05/01/04	06/30/15	148,157	148,157

(Continued)

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2015

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	State GMIS Number	Program or Award Amount	Program Funds Received	Grant Period		FY 2015 Expenditures	Cumulative 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	13/14 WFNJ 002	\$ 850,000	\$ 738,150	07/30/13	06/30/15	\$ 738,150	\$ 738,150
N.J. Department of Treasury - Higher Education Administration:							
Operational Costs - County Colleges	10-100-082-2155-015	10,306,432	10,306,432	07/01/14	06/30/15	10,306,432	10,306,432
Employer Contributions - Alternate Benefit Program - Faculty	10-100-082-2155-017	1,279,148	1,279,148	07/01/14	06/30/15	1,279,148	1,279,148
Employer Contributions - Alternate Benefit Program - Adjunct	10-100-082-2155-017	130,475	130,475	07/01/14	06/30/15	130,475	130,475
FICA for Members of TPAF	10-100-082-2155-020	46,705	46,705	07/01/14	06/30/15	46,705	46,705
Building Our Future Bond Act	5860742400045	1,405,848	1,173,684	05/01/13	Open	1,173,684	1,173,684
Total N.J. Department of Treasury						13,674,594	13,674,594
Total State Financial Assistance						<u>\$ 18,655,580</u>	<u>\$ 18,655,580</u>

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, 2015

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, 2015.

NOTE 6 MAJOR PROGRAMS

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



CliftonLarsonAllen

**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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 26, 2016. The financial statements of the discretely presented component unit, Union County College Foundation, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with Union County College Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency internal control, described in the accompanying schedule of findings and question costs that we consider to be a significant deficiency (2015-001).

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*.

Union County College's Response to Findings

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

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
January 26, 2016

**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, 2015. 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and the State of New Jersey Circular 04-04 and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on the major federal and state programs is not modified with respect to this matter.

The College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of 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 a material weakness. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002 that we consider to be a significant deficiency.

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

The College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of 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
January 26, 2016

UNION COUNTY COLLEGE
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Section I – Summary of Auditors’ Results

Financial Statements

Type of Auditors’ Report Issued:

UNMODIFIED

Internal Control over Financial Reporting:

Material Weakness(es) Identified?

☐ Yes

☒ No

Significant Deficiency(ies) Identified?

☒ Yes

☐ None Reported

Noncompliance Material to Financial Statements Noted?

☐ Yes

☒ No

Federal and State Awards

Internal Control Over Major Programs:

Material Weakness(es) Identified?

☐ Yes

☐ No

Significant Deficiency(ies) Identified?

☒ Yes

☐ None Reported

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

UNMODIFIED

Any Audit Findings Disclosed that are Required to be
Reported in Accordance with Section 501(a) of
OMB Circular A-133 or NJ OMB 04-04?

☒ Yes

☐ No

UNION COUNTY COLLEGE
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Section I – Summary of Auditors’ Results (Continued)

Identification of Major Programs:

CFDA Number(s)/State Account Number	Name of Federal/State Program or Cluster
<u>Federal:</u>	
84.007, 84.033, 84.038 84.063, 84.268	Student Financial Assistance Cluster
84.031	U.S. Department of Education - Title V Funding
84.048	U.S. Department of Education - Passed through N.J. Dept. of Treasury - Vocational Education - Perkins
93.093	U.S. Department of Health and Human Services - Passed through Bergen Community College - Northern New Jersey Health Professions Pathway Consortium
<u>State:</u>	
10-100-082-2155-015	N.J. Department of Treasury - Higher Education Administration - Operational Costs - County Colleges
10-100-074-2405-007	N.J. Higher Education Student Assistance Authority - Tuition Aid Grants
13/14 WFNJ 002	N.J. Department of Treasury - Vocational Education - Passed through County of Union, Department of Human Services - Work First New Jersey
5860742400045	N.J. Department of Treasury - Higher Education Administration - Building Our Future Bond Act

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

Federal	\$	300,000
State	\$	559,667

Auditee Qualified as Low-Risk Auditee? X Yes No

UNION COUNTY COLLEGE
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Section II – Financial Statement Findings

Finding Reference: 2015-001 –*Proper Recording of Revenue and Expenses*

Type of Finding: **Significant Deficiency in Internal Control over Financial Reporting**

Criteria:

The granting agreements for Work First New Jersey (WFNJ) were delayed in being signed, which caused a delay in recording. As a result, the College failed to record expenses incurred in fiscal year ending June 30, 2014 in the proper period. These expenses, along with fiscal year ending June 30, 2015 expenses, were all recorded and recognized on the Statement of Revenues, Expenses, and Changes in Net Position and on the Schedule of Expenditures of State Financial Assistance (SESA) in fiscal year ending June 30, 2015.

Condition:

This program was selected as a major program for testing in fiscal year ending June 30, 2015. During testing, CLA noted that a significant portion of the expenses being recognized as fiscal year ending June 30, 2015 expenses on the Statement of Revenues, Expenses, and Changes in Net Position and SESA were actually incurred during fiscal year ending June 30, 2014, but not recorded on the Statement of Revenues, Expenses, and Changes in Net Position and SESA in fiscal year ending June 30, 2014.

Questioned Costs:

Approximately \$325,000.

Cause:

Control procedures are not in place to ensure expenses are recorded as incurred and correctly reported on the Statement of Revenues, Expenses, and Changes in Net Position and SESA during the year in which they were incurred.

Effect:

Amounts were incorrectly reported on the College's Statement of Revenues, Expenses, and Changes in Net Position and SESA.

Auditors' Recommendation:

We recommend that management implement additional procedures to ensure all expenditures, especially state funded related expenditures, are properly recorded in the period in which they are incurred.

Views of Responsible Officials and Planned Corrective Action:

The Assistant Controller will review SESA type expenses to ensure all amounts are properly recorded in the appropriate fiscal year. Billings made in subsequent periods will also be reviewed to ensure entries are recorded in the proper period.

**UNION COUNTY COLLEGE
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

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

Finding Reference: 2015-002 – Student Financial Aid – NSLDS Reporting

Federal Agency: U.S. Department of Education
Federal Program: Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.038, 84.063, 84.268)

Compliance

Requirement: Special Tests and Provisions (Return of Title IV Funds)

Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Condition:

During student financial aid testing, we noted that the National Student Loan Data Systems (NSLDS) rosters returned to the College yielded error reports that were not corrected and resubmitted within the required 10 days. This issue occurred at many colleges and universities in the United States during Fall 2014, attributable to a processing error on the NSLDS website. However, it is possible for the College to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

Criteria:

Federal regulation requires enrollment status for each student be reported accurately to NSLDS. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that do not pass the NSLDS enrollment reporting edits.

Questioned Costs:

None

Cause:

The College uses the National Student Clearinghouse (NSC) to assist in submitting all student status confirmation reports to NSLDS. The NSC had a compliance finding for fiscal year ending June 30, 2014 noting that NSLDS did not accept the error files submitted by the NSC.

Effect:

Student status error records for the College are not being timely cleared at NSLDS.

Auditors' Recommendation:

We recommend the College implement additional internal controls to ensure the timely receipt, processing, and tracking of Student Status Confirmation Report error files, error file responses, and file receipt acknowledgements for data submitted to NSLDS by the College. The College should no longer rely solely on the Clearinghouse for proper handling of such files.

Views of Responsible Officials and Planned Corrective Action:

The Registrar will periodically review the Enrollment Reporting Summary Report, select a sample of transmission errors and review documentation to show that errors were corrected within ten days. The Registrar will follow-up with NSC to ensure that its data transmission problems are resolved and will follow-up with NSC as transmission errors arise and ensure errors are timely corrected.

**UNION COUNTY COLLEGE
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

Section IV – Summary of Prior Year Findings

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

Condition:

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

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.

Status:

There were no similar findings in the current year.

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

Condition:

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

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.

Status:

There were no similar findings in the current year.

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

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.

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.

Status:

There were no similar findings in the current year.

UNION COUNTY COLLEGE
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

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

Condition:

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

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.

Status:

There were no similar findings in the current year.