



REPORT OF AUDIT

U UNION
COUNTY
COLLEGE

Transforming
Our Community...
One Student
at a Time

2019

FISCAL YEAR ENDED JUNE 30, 2019
CRANFORD, NEW JERSEY

**UNION COUNTY COLLEGE
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**UNION COUNTY COLLEGE
MEMBERS OF THE BOARDS OF TRUSTEES AND GOVERNORS**

**MEMBERS OF THE BOARD OF TRUSTEES
AS OF JUNE 30, 2019**

<u>Name</u>	<u>Term Expires</u>
Victor M. Richel, Chair	2022
Mary M. Zimmermann, Vice Chair	2021
Lawrence D. Bashe	2020
George A. Castro, II	2018
Edward J. Chrystal, Jr.	2021
Daniel J. Connolly, CPA	2018
Nick Fixmer	2019
Edward J. Hobbie, Esq.	2023
Miguel A. Merino	2022
Daryl Palmieri	2023
Gissella Gamboa, Student Representative	Nov. 2019
Dr. Margaret M. McMenamain, President	Ex-Officio

**MEMBERS OF THE BOARD OF GOVERNORS
AS OF JUNE 30, 2019**

<u>Name</u>	<u>Term Expires</u>
Elizabeth Garcia, P.E., Chair	2022
Lawrence D. Bashe, Vice Chair	2020
Melinda Ayala	2021
Nancy J. Benz	2020
Rafael J. Betancourt, Esq.	2020
Tamecka M. Dixon	2022
Ryan J. Greco	2022
Susan D. Hairston	2020
Stephen F. Hehl, Esq.	2022
Donna M. Herran	2022
Harvey R. Hirschfeld	2020
Edward J. Hobbie, Esq.	2020
Gary S. Horan	2020
Jeffrey H. Katz, Esq.	2022
Richard J. Malcolm	2021
J. Anthony Manger, Esq.	2021
Carl J. Napor	2020
Francis Raudelunas	2021
Victor M. Richel	2022
Allan L. Weisberg	2021
Hugh C. Welsh	2020
Mary M. Zimmerman	2022
Dr. Margaret M. McMenamain, President	Ex-Officio

**UNION COUNTY COLLEGE
OTHER COLLEGE OFFICIALS**

**OTHER COLLEGE OFFICIALS
AS OF NOVEMBER 30, 2019**

Dr. Margaret M. McMnamin	President
Dr. Maris Lown	Vice President of Academic Affairs
Lynne A. Welch	Vice President of Financial Affairs and Treasurer
Dr. Demond Hargrove	Vice President of Student Development
Dr. Athos Brewer	Vice President of Administrative Services
Lori Wilkin	Associate Vice President of Finance
Vincent Lotano	Associate Vice President of Administration
Dr. Elizabeth A. Cooner	Executive Director of Assessment Planning & Research
Dr. Lisa Hiscano	Executive Director of Continuing Education and Workforce Development
Douglas E. Rouse	Executive Director of Union County College Foundation
Dr. Victoria Ukachukwu	Dean of Plainfield Campus and Allied Sciences
Dr. Lester Sandres Rapalo	Dean of Elizabeth Campus
Dr. Bernard Polnariev	Assistant Vice President for Academic Affairs and Dean of Scotch Plains Campus
Dr. Jaime Segal	Executive Director of College Relations and Secretary of the Boards
Dr. Liesl Jones	Dean of STEM
Dr. Melissa Sande	Dean of Humanities
Dr. Carlos Barrezueta	Dean of Social Science, Business & History



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Union County College (the College), a component unit of the County of Union, State of New Jersey, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Union County College as of June 30, 2019 and 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 6 through 16, the schedules of proportionate share of net pension liability and contributions on page 49, and the schedule of proportionate share of net OPEB liability and contributions on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of New Jersey Department of Treasury Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 17, 2019

**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

This section of Union County College's Financial Report presents management's discussion and analysis of the financial performance of Union County College (the College) during the fiscal years ended June 30, 2019 and 2018 and its changes in financial position for the fiscal years then ended with FY 2017 data presented for comparative purposes. This analysis is designed to focus on current activities, resulting changes, and currently known facts. Please read it in conjunction with the College's Basic Financial Statements, Notes to the Financial Statements and its Independent Auditors' Report. College management is responsible for the completeness and fairness of this information.

Overview of the Basic Financial Statements

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

The College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in FY 2015. These new statements establish standards for measuring and recognizing on each participating public employers' financial statements their allocated share of the Plan's net pension liability (NPL), deferred inflows and outflows, and pension expense. 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 \$6.3 million for deferred outflows as well as a \$10.2 million for deferred inflows in FY 2019 resulting from the adoption of GASB 68 and 71.

The College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, whereby the State is responsible for the employer contributions and the total liability resulting from a special funding situation. Other postemployment benefits (OPEB) are benefits, such as healthcare benefits, that are paid in the period after employment and that are provided separately from a pension plan. While the College does not report a liability related to OPEB due to the special funding situation, the College is required to recognize the OPEB expense paid by the State and the offsetting revenue. Therefore, for FY 2019 and FY 2018, the College has reported its proportionate share of the collective OPEB expense and revenue for the State's OPEB expense of \$4,444,569 and \$6,339,731, respectively.

**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

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

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

Key Financial Data (\$000)	2019	2018	2019 vs 2018		2017	2018 vs 2017	
			Inc (Dec)	% Change		Inc (Dec)	% Change
Operating Revenues	\$ 58,061	\$ 56,090	\$ 1,971	3.5 %	\$ 57,790	\$ (1,700)	(2.9)%
Educational and General Expense	87,875	91,609	(3,734)	(4.1)	96,389	(4,780)	(5.0)
Operating (Loss)	(29,814)	(35,519)	5,705	16.1	(38,599)	3,080	8.0
Nonoperating Revenues, Net	30,573	32,008	(1,435)	(4.5)	32,591	(583)	(1.8)
Capital Contributions and Grants	6,693	7,143	(450)	(6.3)	23,480	(16,337)	(69.6)
Increase (Decrease) in Net Position	7,452	3,632	3,820	105.2	17,472	(13,840)	(79.2)
Net Position - Beginning of Year	94,345	90,713	3,632	4.0	73,241	17,472	23.9
Net Position - End of Year	\$ 101,797	\$ 94,345	\$ 7,452	7.9	\$ 90,713	\$ 3,632	4.0

The preceding table summarizes key financial data for fiscal years ended June 30, 2019 (FY 2019), June 30, 2018 (FY 2018), and June 30, 2017 (FY 2017). Comparisons represented above show FY 2019 contrasted with FY 2018 and FY 2018 contrasted with FY 2017 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)	2019	2018	2019 vs 2018		2017	2018 vs 2017	
			Inc (Dec)	% Change		Inc (Dec)	% Change
Tuition and Fees (Net of Scholarship Allowance)	\$ 27,474	\$ 26,705	\$ 769	2.9 %	\$ 27,304	\$ (599)	(2.2)%
Federal Grants	22,342	22,728	(386)	(1.7)	23,221	(493)	(2.1)
State Grants	6,818	4,950	1,868	37.7	4,523	427	9.4
Local Grants	152	51	101	198.0	152	(101)	(66.4)
Gifts and Contributions	260	357	(97)	(27.2)	413	(56)	(13.6)
Other Operating Revenues	1,015	1,299	(284)	(21.9)	2,177	(878)	(40.3)
Total Operating Revenues	\$ 58,061	\$ 56,090	\$ 1,971	3.5	\$ 57,790	\$ (1,700)	(2.9)

**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Total Operating Revenues increased \$2.0 million or 3.5% in FY 2019 as compared to FY 2018. The major areas of change were as follows:

- ❖ Net tuition and fees increased \$769 thousand year over year. Tuition rates increased by 7% and 9% for full-time block rate and part-time per credit, respectively. The increase in tuition rates was offset by a decline in credit hours of 2.92% compared to FY 2018.
- ❖ Federal grants decreased \$386 thousand or 1.7% from FY 2018. PELL decreased by \$242 thousand year over due to the decline in enrollment. In addition, the LEAP and TAACCT grants ended in FY 2018.
- ❖ State grant revenues increased \$1.9 million or 37.7% as compared to FY 2018. The renovation of the Health Science Building in Plainfield is primarily funded by the NJ GoBond Grant. During FY 2019, the reimbursement for the costs of construction totaled \$1.1 million compared to \$69 thousand in FY 2018. In addition, the College participated in the State's pilot program for the Community College Opportunity Grant. The Grant provided last-dollar financial aid awards totaling \$673 thousand as well as a planning grant of \$197 thousand in FY 2019.
- ❖ Other operating revenues decreased by \$284 thousand in FY 2019 as compared to FY 2018. The decline in enrollment directly affected other operating revenues including parking and commission-based revenues which decreased by \$45 thousand and \$93 thousand, respectively.

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

- ❖ Net tuition and fees have decreased \$599 thousand year over year. Enrollment for FY 2018 was down 2.5% as compared to FY 2017. Additionally, the College provides flat rate tuition for students enrolled in courses between 12-18 credit hours. During FY 2018, the average credit load increased which negatively affected revenue. The net enrollment offset by the tuition increase of 4% resulted in the variance presented.
- ❖ Federal grants decreased \$493 thousand or 2.1% from FY 2017. The LEAP and TAACCCT grants ended in September of 2017 resulting in a decrease of \$1.0 million. This is offset by the Pell increase of \$600 thousand year over year.
- ❖ State grant revenues increased \$427 thousand or 9.4% as compared to FY 2017. NJ TAG and STARS revenues increased \$345 thousand combined year or year.
- ❖ Other operating revenues decreased by \$878 thousand in FY 2018 as compared to FY 2017. During FY 2017, the College received an insurance settlement for \$630 thousand pertaining to a fire that occurred on the Plainfield Campus in 2011. There were no insurance settlements during FY 2018. The decline in enrollment directly affected other operating revenues including parking and commission-based revenues which decreased by \$23 thousand and \$100 thousand, respectively.

**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Operating Expense (\$000)	2019	2018	2019 vs 2018		2017	2018 vs 2017	
			Inc (Dec)	% Change		Inc (Dec)	% Change
Instructional	\$ 35,368	\$ 37,850	\$ (2,482)	(6.6)%	\$ 39,999	\$ (2,149)	(5.4)%
Public Service	1,986	2,159	(173)	(8.0)	2,659	(500)	(18.8)
Academic Support	6,588	7,647	(1,059)	(13.8)	7,237	410	5.7
Student Services	9,229	9,113	116	1.3	8,855	258	2.9
Institutional Support	11,467	11,409	58	0.5	12,544	(1,135)	(9.0)
Plant	10,415	10,385	30	0.3	11,431	(1,046)	(9.2)
Student Aid	6,910	7,859	(949)	(12.1)	8,230	(371)	(4.5)
Depreciation	5,913	5,187	726	14.0	5,434	(247)	(4.5)
Total Operating Expenses	87,876	91,609	(3,733)	(4.1)	96,389	(4,780)	(5.0)
Interest on Capital Asset Related Debt	705	666	39	5.9	728	(62)	(8.5)
Total Expenses	\$ 88,581	\$ 92,275	\$ (3,694)	(4.0)	\$ 97,117	\$ (4,842)	(5.0)

Operating expenses in FY 2019 decreased \$3.7 million or 4.1% over the same period in FY 2018. The major areas of change were:

- ❖ Instructional expenses decreased \$2.5 million or 6.6% in FY 2019 as compared to FY 2018. Faculty retirements and vacancies resulted in a \$1.1 million reduction in compensation. In addition, other postemployment benefits decreased \$1.4 million year over year.
- ❖ Academic support decreased \$1.0 million or 13.8% in FY 2019. The College began offering its own American Honors Program and created a Health Science program for future nursing students. These initiatives reduced the total cost to third party providers in the amount of \$722 thousand. Additionally, retirements and vacancies during FY 2019 resulted in \$259 thousand reduction in compensation expense.
- ❖ Student aid decreased \$949 thousand or 12.1% in FY 2019. A decline in credit hours of 2.92% impacted total aid awarded.
- ❖ Depreciation increased \$726 thousand or 14.0% in FY 2019 as compared to FY 2018. Several projects were completed in FY 2019 including the renovation of the first floor and lower level of the Lessner Building on the Elizabeth Campus.

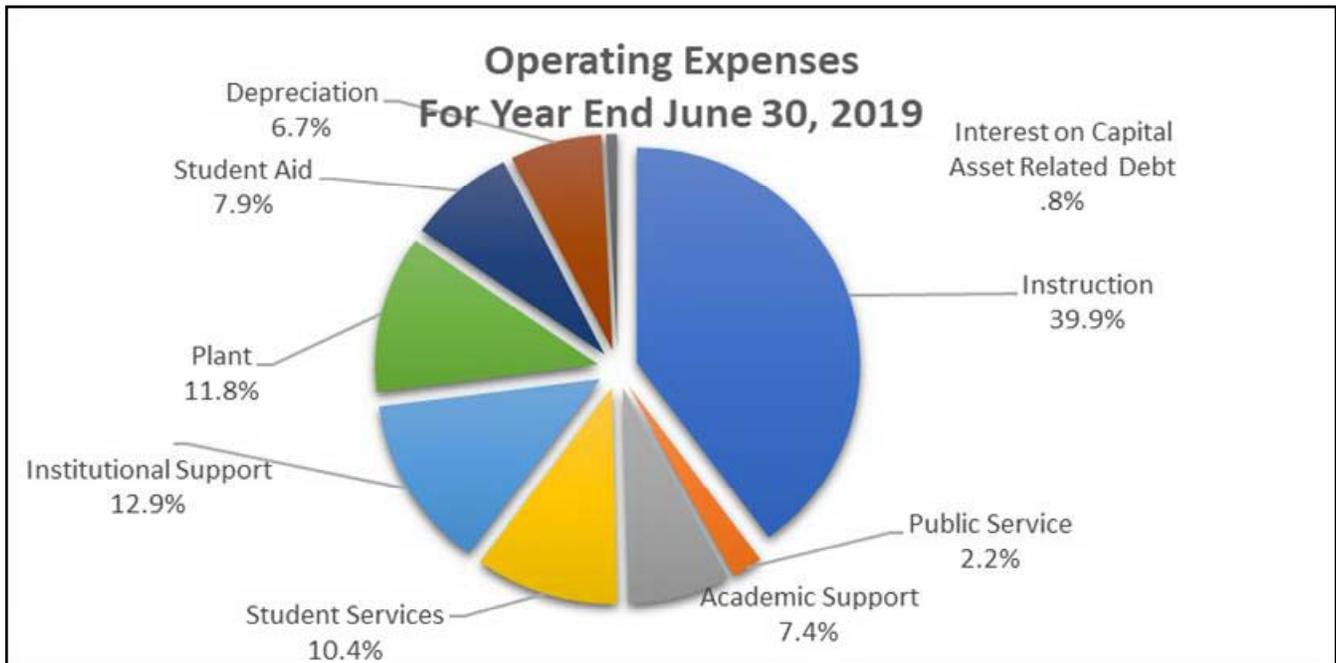
Operating expenses in FY 2018 increased \$4.8 million or 5.0% over the same period in FY 2017. The major areas of change were:

- ❖ Instructional expenses decreased \$2.1 million or 5.4% in FY 2018 as compared to FY 2017. The completion of the LEAP and TAACCCT grants on September 30, 2017 resulted in a decrease of \$1.0 million. A decrease of \$600 thousand in plant pertains to computer classrooms and labs that were reconfigured for use in FY 2017. Additionally, with the implementation of GASB 75, other postemployment benefits decreased by \$500 thousand year over year.
- ❖ Public Service was down \$500 thousand year over year or 18.8%. Decreases in participation in noncredit customized training programs and continuing education resulted in a decline of \$280 thousand. Additionally, Work First New Jersey (WFNJ) programs decreased by \$170 thousand due to a reduction in funding.

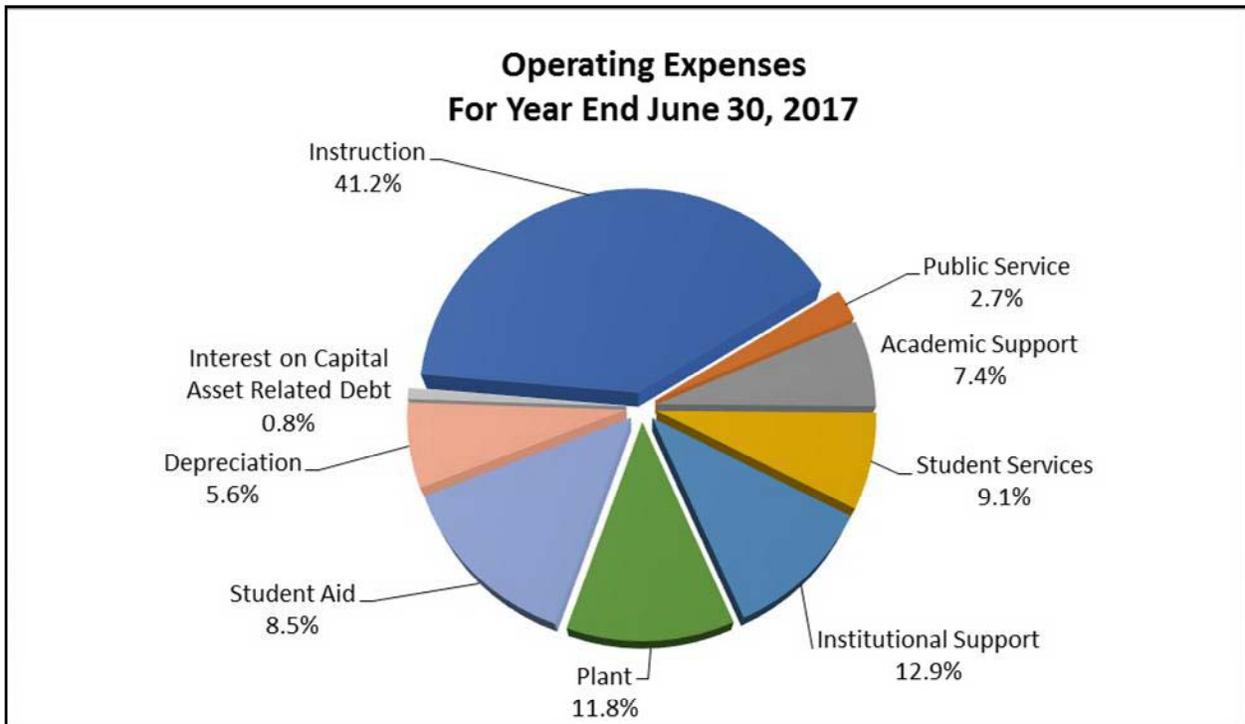
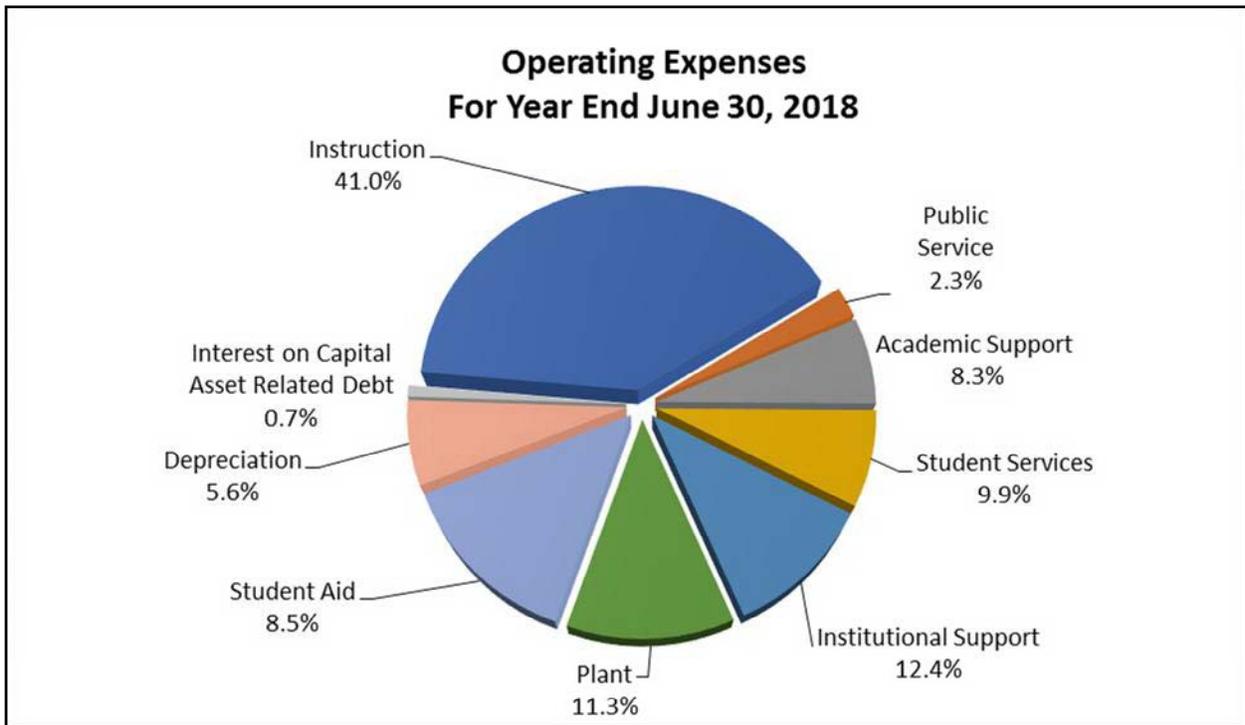
**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

- ❖ Academic support increased \$410 thousand or 5.7% when FY 2018 is compared to FY 2017. The increase relates to compensation expenses including fringe benefits. Positions vacant during FY 2017 were filled during FY 2018. Additionally, the College implemented extended hours in the Library and Academic Learning Center to assist students during exam periods.
- ❖ Student Services increased \$258 thousand or 2.9% year over year. The College realized a full year impact of the opening of the Helen E Chaney Student Center. Additional compensation expenses were necessary to continue the support of student success initiatives.
- ❖ Institutional Support decreased \$1.1 million or 9.0% when comparing FY 2017 with FY 2018 primarily due to the decrease in GASB 68 and 71 pension expense of \$1.7 million. The decrease is offset by an increase of \$600 thousand in information technology (IT) stemming from the outsourced managed IT services for a full fiscal year.
- ❖ Plant decreased by \$1.0 million or 9.2% year over year. In FY 2018, a process was established for capitalizing smaller value projects that normally would have previously been expensed.
- ❖ Student aid decreased \$371 thousand year over year. The decline in student aid corresponds with the decrease in enrollment.

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



**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**



**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

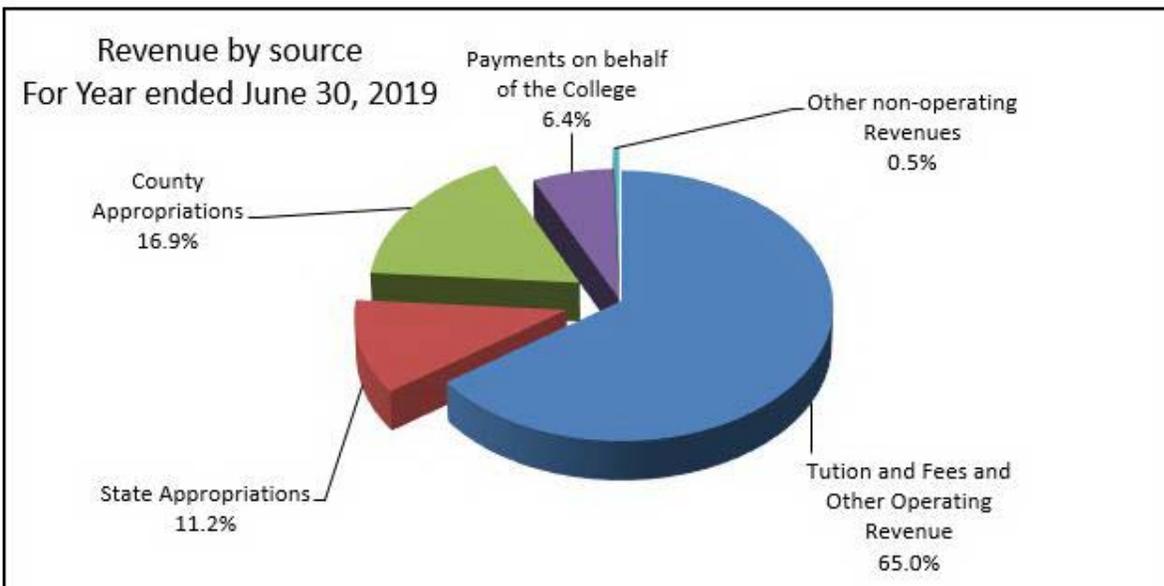
Operating Loss

The College reported an operating loss of \$29.8 million in FY 2019 as compared to a loss of \$35.5 million in FY 2018. The decrease in operating loss year over year demonstrates a reduction of \$3.7 million in Educational and General Expense as well as an increase in operating revenues of \$2.0 million. The loss reinforces the dependence and importance to the institution of two major components of nonoperating revenue – the State and County Appropriations. Were it not for this aid to the College, the attainment of a two-year college education would not be a realistic goal for many students.

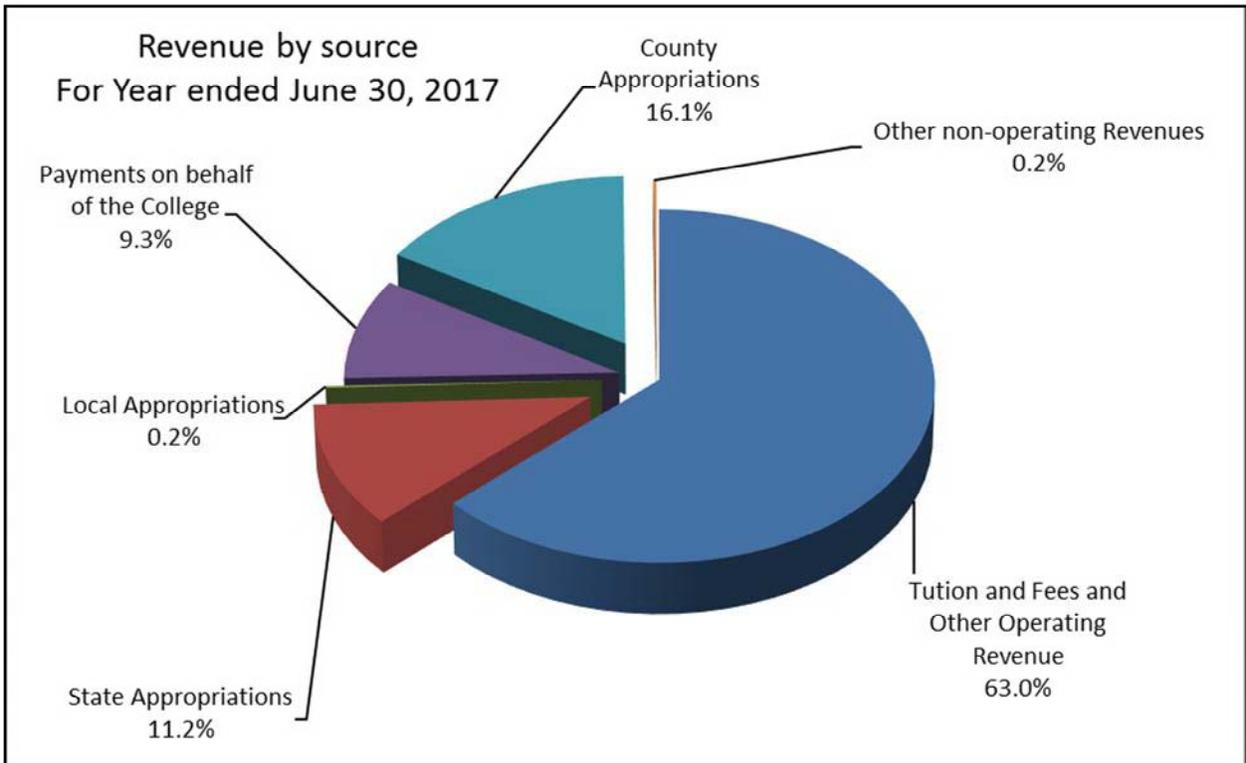
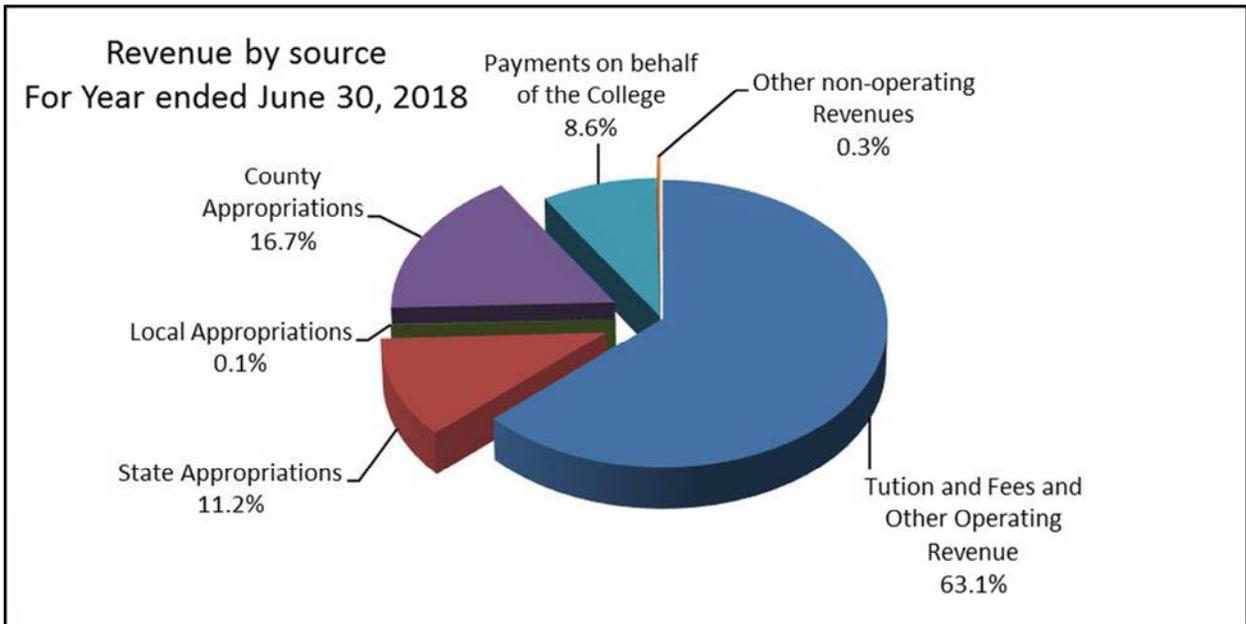
Nonoperating Revenues, Net (\$000)	2019	2018	2019 vs 2018		2017	2018 vs 2017	
			Inc (Dec)	% Change		Inc (Dec)	% Change
State Appropriations	\$ 9,995	\$ 9,964	\$ 31	0.3 %	\$ 10,230	\$ (266)	(2.6)%
County Appropriations	15,127	14,831	296	2.0	14,540	291	2.0
Payments on behalf of the College	5,732	7,649	(1,917)	(25.1)	8,374	(725)	N/A
Investment Income	424	230	194	84.3	176	54	30.7
Total Nonoperating Revenues, Net	\$ 31,278	\$ 32,674	\$ (1,396)	(4.3)	\$ 33,320	\$ (646)	(1.9)

The College relies on nonoperating revenue to subsidize the cost of education for its students. Chief among these revenues are the Appropriations of County and State aid. Funding from nonoperating revenues decreased \$1.4 million, or 4.3% in FY 2019 due to other postemployment benefits. Any decrease in Appropriations of State funds puts added pressure on the College's Tuition and Fee structure because income from students, inclusive of third-party payments on their behalf, provides only 65.0% of the College's operating expense. The College received a 2.0% increase from the County of Union in FY 2019.

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



**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**



**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Capital Contributions and Grants

Capital Contributions and Grants decreased \$450 thousand in FY 2019. As mentioned earlier, during FY 2019, the College completed renovations of the first floor and lower level in the Lessner Building of the Elizabeth Campus.

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

Net Position (\$000)	2019	2018	2019 vs 2018		2017	2018 vs 2017	
			Inc (Dec)	% Change		Inc (Dec)	% Change
Current Assets	\$ 46,428	\$ 38,760	\$ 7,668	19.8 %	\$ 40,445	\$ (1,685)	(4.2)%
Noncurrent Assets:							
Capital Assets, Net of Depreciation	112,760	111,966	794	0.7	108,117	3,849	3.6
Total Assets	159,188	150,726	8,462	5.6	148,562	2,164	1.5
Deferred Outflows of Resources	6,290	9,167	(2,877)	(31.4)	12,827	(3,660)	(28.5)
Current Liabilities	13,416	12,042	1,374	11.4	14,136	(2,094)	(14.8)
Noncurrent Liabilities	40,013	46,053	(6,040)	(13.1)	55,516	(9,463)	(17.0)
Total Liabilities	53,429	58,095	(4,666)	(8.0)	69,652	(11,557)	(16.6)
Deferred Inflows of Resources	10,252	7,453	2,799	37.6	1,024	6,429	627.8
Capital Assets - Net Position	97,932	96,819	1,113	1.1	92,643	4,176	4.5
Unrestricted - Net Position	3,865	(2,474)	6,339	256.2	(1,930)	(544)	(28.2)
Total Net Position	\$ 101,797	\$ 94,345	\$ 7,452	7.9	\$ 90,713	\$ 3,632	4.0

Current Assets in FY 2019 increased \$7.7 million or 19.8% year over year. Cash and cash equivalents increased \$7.4 million. This resulted from increases in operating revenues including State grant revenues and tuition and fees revenues. This is coupled with a reduction in operating expenses resulting from faculty and staff retirements, personnel vacancies, changes in academic third-party cost sharing, tighter control over expenses and a decline in enrollment. Current Liabilities increased \$1.4 million or 11.4% due to increases in accounts payable and accrued expenses pertaining to the construction costs incurred in FY 2019 from several projects. The decrease in Noncurrent Liabilities year over year resulted from a \$5.7 million decrease in the College's share of net pension liability recorded in FY 2019 based upon GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Summary and Outlook

The decline in student enrollment over the last few years has presented challenges for the College. It is expected that this decline will continue throughout FY 2020 and in fact, this will be the first fiscal year that the College budgeted for such a decline in an effort to better manage costs. With student success at the forefront, many of the initiatives below are reflective of these efforts while keeping costs contained in a declining enrollment environment.

With support from many areas, Academic Affairs is leading several innovative efforts to increase student success during the upcoming fiscal year. With the start of the Fall 2019 semester, the College started utilizing Cengage Unlimited for ebooks subscriptions at a price of \$130 for a 12 month period in an effort to defray high book costs for students which could potentially be a financial barrier for some to attend College. Some of the other initiatives are advancing several new programs including eSports, Blockchain and Aerial Digital Design, implementing two new 3+1 programs with a four year institution and transforming our library with a new coding station as a new maker-space at the Cranford campus.

The College will continue to renovate, refurbish and improve facilities throughout the upcoming fiscal year. Renovation of Phase II of the Health Sciences Building will be ready for classes starting with the Spring 2020 semester. Renovation of the Roy Smith Theater project should start in June 2020. This project is expected to last approximately six months. The College started renovation work on its Scotch Plains Building in mid-July 2019 and immediately started testing and renovating the facility to ensure it is ready to start the University Center in Fall 2020 which will house four year partner higher education institutions. Some of the work taking place there this year will be water detention, replacement of the elevator and HVAC system and rework of the loading dock.

For FY2020 there are significant initiatives planned for Information Technology. The College is implementing a product from ZogoTech that aims to improve the quality and use of data to allow college staff to make more informed decisions. CRM Advise, a tool designed to improve student success and retention by automating early alerts and student success plans, will be implemented during the upcoming fiscal year. By gathering data from various sources, CRM Advise can alert staff automatically when it appears a student has deviated from their success plan and therefore needs additional assistance. In order to improve the efficiency and accuracy of course scheduling, the College also plans to implement a course scheduling platform that can automatically generate schedules based on predetermined requirements. PaperCut, a print management system, will be another initiative for the College which will not only help reduce the cost the college absorbs for paper and toner, but will make printing more secure. There will also be a full College-wide wireless infrastructure upgrade to ensure wireless coverage in all locations.

The College continues to assure a high-quality education for its students with services, facilities and technology to meet their expectations and needs. This is evidenced by the 2016 FTFT cohort graduation rate of 33.04% in FY 2019 as compared to 29.66% for the 2015 FTFT cohort in FY 2018.

**UNION COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2019**

Union County College Foundation

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

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

BASIC FINANCIAL STATEMENTS

**UNION COUNTY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018**

	2019		2018	
	College	Component Unit - UCC Foundation	College	Component Unit - UCC Foundation
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 37,811,262	\$ 29,937	\$ 30,428,439	\$ 82,960
Investments	-	7,094,525	-	7,611,960
Student Accounts Receivable, Net of Allowance of \$1,050,300 in 2019 and \$517,614 in 2018	799,416	-	584,666	-
Grants Receivable	2,560,743	-	1,659,020	-
State of New Jersey Receivable:				
Alternative Benefit Program	418,849	-	512,618	-
County of Union Receivable	3,504,103	-	4,183,597	-
Other Receivables	1,279,944	69,670	1,325,592	57,838
Other Assets	53,618	190,028	66,048	194,468
Total Current Assets	<u>46,427,935</u>	<u>7,384,160</u>	<u>38,759,980</u>	<u>7,947,226</u>
NONCURRENT ASSETS				
Endowment Investments	-	10,969,885	-	10,648,721
Capital Assets, Net	112,760,016	551,900	111,966,333	555,856
Total Noncurrent Assets	<u>112,760,016</u>	<u>11,521,785</u>	<u>111,966,333</u>	<u>11,204,577</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>6,290,631</u>	<u>-</u>	<u>9,166,940</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 165,478,582</u></u>	<u><u>\$ 18,905,945</u></u>	<u><u>\$ 159,893,253</u></u>	<u><u>\$ 19,151,803</u></u>

See accompanying Notes to Financial Statements.

**UNION COUNTY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2019 AND 2018**

	2019		2018	
	College	Component Unit - UCC Foundation	College	Component Unit - UCC Foundation
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	\$ 4,702,566	\$ 34,070	\$ 4,458,106	\$ 496,547
Accrued Expenses	5,503,026	36,670	4,854,216	38,338
Due to State of New Jersey	523,640	-	253,307	-
Unearned Revenue	-	21,631	-	12,170
Unearned Student Tuition and Fee Revenue	1,936,970	-	1,755,169	-
Unearned Federal and State Grant Revenue	426,243	-	401,566	-
Capital Lease, Current Portion	323,999	-	319,793	-
Total Current Liabilities	13,416,444	92,371	12,042,157	547,055
NONCURRENT LIABILITIES				
Capital Lease, Noncurrent Portion	14,503,570	-	14,827,569	-
Net Pension Liability	25,509,057	-	31,224,747	-
Total Noncurrent Liabilities	40,012,627	-	46,052,316	-
Total Liabilities	53,429,071	92,371	58,094,473	547,055
DEFERRED INFLOWS OF RESOURCES	10,252,235	-	7,453,399	-
NET POSITION				
Net Investment in Capital Assets	97,932,447	250,000	96,818,971	555,856
Restricted for:				
Nonexpendable:				
Program	-	555,211	-	575,340
Scholarships	-	10,414,674	-	10,073,381
Expendable:				
Program	-	46,989	-	42,479
Scholarships	-	2,418,773	-	2,218,773
Other	-	4,192,934	-	4,109,041
Unrestricted Surplus (Deficit)	3,864,829	934,993	(2,473,590)	1,029,878
Total Net Position	101,797,276	18,813,574	94,345,381	18,604,748
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 165,478,582	\$ 18,905,945	\$ 159,893,253	\$ 19,151,803

See accompanying Notes to Financial Statements.

UNION COUNTY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018	
	College	Component Unit - UCC Foundation	College (As Restated)	Component Unit - UCC Foundation
REVENUES				
Operating Revenues:				
Student Tuition and Fees	\$ 43,361,032	\$ -	\$ 41,277,609	\$ -
Less: Scholarship Allowances	(15,887,314)	-	(14,572,811)	-
Net Student Tuition and Fees	27,473,718	-	26,704,798	-
Federal Grants	22,342,049	-	22,727,897	-
State Grants	6,818,151	-	4,949,884	-
Local Grants	152,182	-	51,406	-
Gifts and Contributions	259,655	940,077	357,488	883,492
Other	1,015,322	-	1,298,569	-
Total Operating Revenues	58,061,077	940,077	56,090,042	883,492
EXPENSES				
Operating Expenses:				
Educational and General:				
Instructional	35,368,310	-	37,850,060	-
Public Service	1,986,041	-	2,158,838	-
Academic Support	6,587,664	-	7,647,240	-
Student Services	9,228,679	-	9,112,316	-
Institutional Support	11,466,989	-	11,409,016	-
Plant Operations and Maintenance	10,414,841	-	10,385,112	-
Student Aid	6,909,646	1,184,249	7,859,196	1,213,422
Depreciation	5,913,171	3,956	5,187,176	3,956
Other Expenses	-	537,134	-	557,511
Total Operating Expenses	87,875,341	1,725,339	91,608,954	1,774,889
OPERATING LOSS	(29,814,264)	(785,262)	(35,518,912)	(891,397)
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	9,994,995	-	9,964,291	-
County Appropriations	15,127,395	-	14,830,811	-
Investment Income (Loss)	424,249	672,924	229,739	1,369,029
Interest on Capital Asset Related Debt	(705,207)	-	(666,229)	-
Additions to Permanent Endowments	-	321,164	-	167,804
On-Behalf Payments:				
Alternate Benefit Plan	1,287,426	-	1,309,193	-
Other Post Employment Benefits	4,444,569	-	6,339,731	-
Net Nonoperating Revenues	30,573,427	994,088	32,007,536	1,536,833
INCOME (LOSS) BEFORE OTHER REVENUES	759,163	208,826	(3,511,376)	645,436
CAPITAL GRANTS AND CONTRIBUTIONS	6,692,732	-	7,143,247	-
INCREASE IN NET POSITION	7,451,895	208,826	3,631,871	645,436
Net Position - Beginning of Year	94,345,381	18,604,748	90,713,510	17,959,312
NET POSITION - END OF YEAR	<u>\$ 101,797,276</u>	<u>\$ 18,813,574</u>	<u>\$ 94,345,381</u>	<u>\$ 18,604,748</u>

See accompanying Notes to Financial Statements.

**UNION COUNTY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Student Revenue	\$ 20,752,400	\$ 19,387,495
Receipts from Government Grants	28,410,659	28,974,773
Payments to Suppliers	(10,838,691)	(17,176,971)
Payments to and on Behalf of Employees	(56,724,040)	(52,228,508)
Receipts from Gifts and Contributions	259,655	357,488
Other Receipts	1,015,322	1,298,569
Net Cash Used by Operating Activities	<u>(17,124,695)</u>	<u>(19,387,154)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	9,994,995	9,964,291
County Appropriations	15,127,395	14,830,811
Loan Program Receipts	8,047,301	9,130,305
Loan Program Disbursements	<u>(8,047,301)</u>	<u>(9,130,305)</u>
Net Cash Provided by Noncapital Financing Activities	25,122,390	24,795,102
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	6,692,732	7,143,247
Purchase of Capital Assets	(6,706,853)	(9,036,764)
Principal Paid on Debt	(319,793)	(325,771)
Interest Paid on Long-Term Debt	<u>(705,207)</u>	<u>(666,229)</u>
Net Cash Used by Capital and Related Financing Activities	(1,039,121)	(2,885,517)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	<u>424,249</u>	<u>229,739</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,382,823	2,752,170
Cash and Cash Equivalents - Beginning of Year	<u>30,428,439</u>	<u>27,676,269</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 37,811,262</u>	<u>\$ 30,428,439</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (29,814,264)	\$ (35,518,912)
Adjustment to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	5,913,171	5,187,176
On-Behalf Payments	5,731,995	7,648,924
Changes in Assets and Liabilities:		
Receivables, Net	(285,133)	4,437,291
Accounts Payable and Accrued Expenses	1,163,603	(2,045,907)
Net Pension Liability	(40,545)	946,184
Unearned Revenue:		
Student Tuition and Fees	181,801	(42,935)
Federal and State Grants	24,677	1,025
Net Cash Used by Operating Activities	<u>\$ (17,124,695)</u>	<u>\$ (19,387,154)</u>
SIGNIFICANT NONCASH TRANSACTIONS		
Expenses Paid on Behalf of the College	<u>\$ 5,731,995</u>	<u>\$ 7,648,924</u>

See accompanying Notes to Financial Statements.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Union County College (the College) was established in 1933 as a private college. In 1982, with the merger of then Union College and Union County Vocational Technical Institute, Union County College was established as a public comprehensive community college pursuant to N.J.S. 18A: 64A-50 et seq. It is a member of New Jersey's system of nineteen county colleges and is a component unit of the County of Union. The College operates campuses in Cranford, Elizabeth, Plainfield, and Scotch Plains. The College's enrollment for Fall 2018 was 4,297 full time students and 5,414 part time students. The College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools.

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

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

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

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

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

Component Unit

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

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

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

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit (Continued)

During the fiscal years ended June 30, 2019 and 2018, the Foundation distributed \$1,184,249 and \$1,213,422, 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, 2019 can be obtained at the Foundation offices; Union County College Foundation, 1033 Springfield Avenue, Cranford, New Jersey 07016.

Basis of Presentation

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

Basis of Accounting and Measurement Focus

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

Cash and Cash Equivalents and Investments

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

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

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments (Continued)

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

Accounts Receivable

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

Prepaid Expenses

Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2019.

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, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

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

Capital Assets

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

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

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

Depreciation expense for the fiscal years ending June 30, 2019 and 2018 was \$5,913,171 and \$5,187,176, 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.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

The allowance for doubtful accounts of student accounts receivable is based on average percentages of past years collection rates. The allowance for June 30, 2019 and 2018 was \$1,050,300 and \$517,614, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Federal Financial Assistance Programs

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

Scholarship Discounts and Allowances

Student tuition and fee revenues are reported net of scholarship discount and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discount and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, as well as other federal grants and state grants, are recorded as operating revenue in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the College has recorded a scholarship discount and allowance. The amount of scholarship discount and allowances for the fiscal years ending June 30, 2019 and 2018 was \$15,887,314 and \$14,572,811, respectively.

On-Behalf Payments, Pension and OPEB

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

The College has recorded a revenue and expense for payments made to the School Employees' Health Benefit Program (SEHBP), by the State of New Jersey (the State) on behalf of certain employees of the College. For the fiscal year ending June 30, 2018, the College GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, whereby the State is responsible for the employer contributions and the total OPEB liability resulting from a special funding situation. Therefore, for the fiscal years ended June 30, 2019 and 2018, the College has reported its proportionate share of the collective OPEB expense and revenue for the State's OPEB expense.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 (IRC), as amended.

Classification of Revenue

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

Operating Revenues

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

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

Nonoperating Revenues

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

Net Position

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

Net Investment in Capital Assets

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

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Restricted

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

Unrestricted Net Position

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

Deferred Inflows and Outflows of Resources

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

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

New Accounting Standards

GASB has issued several accounting standards that are required to be adopted by the College in future years. The College is evaluating the impact of the adoption of these standards on its financial statements as discussed below.

New Accounting Standards

In June 2017, GASB issued Statement No. 87, *Leases*. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The College has determined that, although Statement No. 87 will change the way it accounts for its operating leases, it will have little, if any, effect on its net position or results of operations. The provisions in Statement No. 87 are effective for reporting periods beginning after December 15, 2019.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred, and should no longer be capitalized as part of the cost of an asset. The College has determined that the effect of Statement No. 89 on its financial statements will vary from year to year, depending upon the amount of new debt incurred for capital assets. The provisions of Statement No. 89 are effective for reporting periods beginning after December 15, 2019.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. Statement No. 91 is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in accounting and financial reporting. The College has determined that Statement No. 91 will have no effect on its financial statements. The provisions of Statement No. 91 are effective for reporting periods beginning after December 15, 2020.

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, 2019 and 2018, the College's bank balances were exposed to custodial credit risk as follows:

	<u>2019</u>	<u>2018</u>
Insured	\$ 2,000,000	\$ 2,000,000
Collateralized Under GUDPA	36,376,571	29,467,955
Total	<u>\$ 38,376,571</u>	<u>\$ 31,467,955</u>

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets by source at June 30, 2019 and 2018:

	Balance July 1, 2018	Increases	Decreases	Adjustments	Balance June 30, 2019
Capital Assets, Nondepreciable:					
Land	\$ 4,833,320	\$ -	\$ -	\$ -	\$ 4,833,320
Construction in Progress	14,311,028	5,311,401	-	(11,184,447)	8,437,982
Total Capital Assets, Nondepreciable	19,144,348	5,311,401	-	(11,184,447)	13,271,302
Capital Assets, Depreciable:					
Building and Improvements	152,260,383	856,485	-	8,123,471	161,240,339
Intangible Asset - Easement	14,415,112	-	-	-	14,415,112
Equipment, Software, and Vehicles	20,692,733	577,728	-	3,022,216	24,292,677
Total Capital Assets, Depreciable	187,368,228	1,434,213	-	11,145,687	199,948,128
Less: Accumulated Depreciation for:					
Buildings and Improvements	(76,386,744)	(3,929,813)	-	-	(80,316,557)
Intangible Asset - Easement	(3,083,233)	(480,504)	-	-	(3,563,737)
Equipment, Software, and Vehicles	(15,076,266)	(1,502,854)	-	-	(16,579,120)
Total Depreciation	(94,546,243)	(5,913,171)	-	-	(100,459,414)
Total Capital Assets, Depreciable Net	92,821,985	(4,478,958)	-	11,145,687	99,488,714
Capital Assets, Net	<u>\$ 111,966,333</u>	<u>\$ 832,443</u>	<u>\$ -</u>	<u>\$ (38,760)</u>	<u>\$ 112,760,016</u>
	Balance July 1, 2017	Increases	Decreases	Adjustments	Balance June 30, 2018
Capital Assets, Nondepreciable:					
Land	\$ 4,833,320	\$ -	\$ -	\$ -	\$ 4,833,320
Construction in Progress	6,606,870	7,704,158	-	-	14,311,028
Total Capital Assets, Nondepreciable	11,440,190	7,704,158	-	-	19,144,348
Capital Assets, Depreciable:					
Building and Improvements	152,098,906	161,477	-	-	152,260,383
Intangible Asset - Easement	14,415,112	-	-	-	14,415,112
Equipment, Software, and Vehicles	19,923,476	1,173,101	(403,844)	-	20,692,733
Total Capital Assets, Depreciable	186,437,494	1,334,578	(403,844)	-	187,368,228
Less: Accumulated Depreciation for:					
Buildings and Improvements	(72,702,448)	(3,684,296)	-	-	(76,386,744)
Intangible Asset - Easement	(2,602,729)	(480,504)	-	-	(3,083,233)
Equipment, Software, and Vehicles	(14,455,762)	(1,057,946)	401,870	35,572	(15,076,266)
Total Depreciation	(89,760,939)	(5,222,746)	401,870	35,572	(94,546,243)
Total Capital Assets, Depreciable Net	96,676,555	(3,888,168)	(1,974)	35,572	92,821,985
Capital Assets, Net	<u>\$ 108,116,745</u>	<u>\$ 3,815,990</u>	<u>\$ (1,974)</u>	<u>\$ 35,572</u>	<u>\$ 111,966,333</u>

Adjustments represent transfers of completed projects from construction in progress.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4 ACCRUED COMPENSATED ABSENCES

It is the College's policy to reimburse employees upon termination for accrued vacation at their current rate of pay. Physical Plant and Public Safety employees can accrue up to 192 hours of accrued vacation and all other employees can accrue up to 168 hours of accrued vacation. An employee may request to carry forward additional hours; however, in no event shall they carry forward more than 192 hours and 168 hours, respectively. As of June 30, 2019 and 2018, the liabilities for accrued compensated absences, included in accrued expenses on the statements of net position, consist of the following:

	2019	2018
Vacation:		
Balance - Beginning of Fiscal Year	\$ 1,174,788	\$ 1,187,978
(Decrease)/Increase	49,151	(13,190)
Balance - End of Fiscal Year	\$ 1,223,939	\$ 1,174,788

NOTE 5 PENSION PLANS

A substantial number of the College's employees participate in one of the two following defined benefit and defined contribution 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

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System

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

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

Annually, employer contributions to the PERS are actuarially determined and include the College's normal contribution plus any accrued liability, which ensures adequate funding for future pension system liability. The amount of contributions recognized by PERS from the College as of June 30, 2019, 2018, and 2017 were \$1,216,057, \$1,295,016, \$1,260,728, respectively.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016. This actuarial valuation used the following actuarial assumptions, applied to the June 30, 2018 measurement date:

- Actuarial cost method is entry age normal, level percent of pay.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 2.25%.
- Investment return of 7.00%, including inflation.
- Salary increases of 1.65 – 4.15% based on age for years 2018-2026, and 2.65 – 5.15% based on ages subsequent years.
- Asset Valuation using fair (market) value.
- Mortality rates based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base year of 2014 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, 2018 are summarized in the following table below.

PERS's policy in regard to the allocation of invested Plan assets is established and may be amended by the PERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30 2019 and 2018.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

	<u>2018 Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Asset Class:		
Cash	5.50 %	1.00 %
Core Bonds	3.00	1.87
Intermediate-Term Bonds	10.00	3.78
High Yield Bonds	2.50	6.82
Broad U.S. Equities	30.00	8.19
Developed Foreign Equities	11.50	9.00
Emerging Market Equities	6.50	11.64
Private Equity	2.00	10.63
Hedge Funds / Absolute Return	1.00	6.60
Real Estate (Property)	3.50	18.44
Global Debt ex U.S.	5.00	7.10
Risk Mitigation Strategies	5.00	5.51
Buyouts/Venture Cap	8.25	13.08
REIT	6.25	9.23
Total	<u>100.00 %</u>	
	<u>2017 Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Asset Class:		
Cash	5.50 %	1.00 %
Core Bonds	3.00	1.87
Intermediate-Term Bonds	10.00	3.78
High Yield Bonds	2.50	6.82
Broad U.S. Equities	30.00	8.19
Developed Foreign Equities	11.50	9.00
Emerging Market Equities	6.50	11.64
Private Equity	2.00	10.63
Hedge Funds / Absolute Return	1.00	6.60
Real Estate (Property)	3.50	18.44
Global Debt ex U.S.	5.00	7.10
Risk Mitigation Strategies	5.00	5.51
Buyouts/Venture Cap	8.25	13.08
REIT	6.25	9.23
Total	<u>100.00 %</u>	

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The discount rate used to measure the total PERS pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, 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 June 30, 2046. Therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through June 30, 2046, 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 5.66% as of June 30, 2019 and 5.00% as of June 30, 2018, 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 (4.66% in 2019 and 4.00% in 2018) or one percentage point higher (6.66% in 2019 and 6.00% in 2018) than the current rate.

Sensitivity of the College's Proportionate Share of the PERS Net Pension Liability to Changes in the Discount Rate			
	1% Decrease 4.66%	Current Rate 5.66%	1% Increase 6.66%
2019	\$ 32,074,700	\$ 25,509,057	\$ 20,000,902
	1% Decrease 4.00%	Current Rate 5.00%	1% Increase 6.00%
2018	\$ 38,736,418	\$ 31,224,747	\$ 24,966,595

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/financial-reports.shtml.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

PERS measured the net pension liability as of June 30, 2018. 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, 2017 to June 30, 2018. 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, 2018, the College's proportion was 0.1296%, a decrease of 0.0046% from its proportion calculated as of June 30, 2017.

At June 30, 2019, the amount recognized as the College's proportionate share of the PERS June 30, 2018 net pension liability (measurement date) was \$25,509,057. For the year ended June 30, 2019, the College recognized PERS pension expense of \$1,217,857. At June 30, 2019, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Expected and Actual Experience	\$ 486,462	\$ 131,533
Changes of Assumptions	4,203,470	8,156,440
Net Difference Between Projected and Actual Investment Earnings	-	239,276
Changes in Proportions	384,642	1,724,986
Total Contributions and Proportionate Share of Contributions after the Measurement Date	<u>1,216,057</u>	<u>-</u>
Total	<u>\$ 6,290,631</u>	<u>\$ 10,252,235</u>

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

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

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The College will recognize the \$1,216,057 reported as 2019 deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PERS net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as PERS pension expense as follows.

<u>Year Ending June 30,</u>	<u>Amortization</u>
2020	\$ (48,440)
2021	(615,777)
2022	(2,151,774)
2023	(1,745,171)
2024	(616,499)
Total	<u>\$ (5,177,661)</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 nonacademic employees.

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

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

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

The State of New Jersey is responsible for contributing the employer's share of certain defined academic positions towards the annual pension cost of Alternate Benefits for qualified employees. The 2019 Employer's share was 8% of annualized wages. The College pays the employer's share and is reimbursed by the State of New Jersey. During fiscal years 2019 and 2018, the state reimbursed \$1,287,426 and \$1,309,193, 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.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 PENSIONS PLANS (CONTINUED)

New Jersey Alternate Benefit Program (Continued)

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

Alternative Benefit Program

Fiscal Year	Total Liability	Funded by State	Paid by College
2019	\$ 1,872,857	\$ 1,287,426	\$ 585,431
2018	1,970,413	1,309,193	661,220
2017	2,018,819	1,324,368	694,451

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

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

SEHBP

At June 30, 2019 and 2018, the College did not report a liability related to the School Employees' Health Benefit Program (SEHBP) due to a special funding situation. The State of New Jersey (the State) is responsible for the employer contributions and the total OPEB liability resulting from a special funding situation. Therefore, for the fiscal years ended June 30, 2019 and 2018, the College has reported its proportionate share of the collective OPEB expenses and revenues for the State's OPEB expense and is not required to record its share of the unfunded OPEB liability but instead, that liability is recorded by the State. The amount recognized by the College as its proportionate share of the OPEB liability, the related State support, and the total portion of the OPEB liability that was associated with the College were as follows as of June 30:

	2019	2018
State's proportionate share of the OPEB liability	\$ 59,828,577	\$ 69,935,001
College's proportionate share of the OPEB liability	-	-
Total	<u>\$ 59,828,577</u>	<u>\$ 69,935,001</u>

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

SEHBP (Continued)

The total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

For the years ended June 30, 2019 and 2018, the College recognized OPEB expenses of \$4,444,569 and \$6,339,731, respectively, and revenues of \$4,444,569 and \$6,339,731, respectively, for support provided by the State. Due to the special funding situation noted above related to the SEHBP, the College did not report deferred outflows of resources and deferred inflows of resources related to the SEHBP.

Plan Description

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

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

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

SEHBP (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

- Inflation of 2.50%
- Healthcare cost trend assumptions - For pre-Medicare preferred provider organization (PPO) and healthcare maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.
- The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
- Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.
- The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 June 30, 2015 July 1, 2010 June 30, 2013, and July 1, 2011 June 30, 2014 for TPAF, PFRS and PERS, respectively.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 DEFERRED COMPENSATION

The College offers its employees a choice of deferred compensation plans created in accordance with Internal Revenue Code (IRC) Sections 403(b) and 457(b). The 403(b) plan is administered by the State of New Jersey and the 457(b) plan is administered by the College. Both Plans permit participants to defer a portion of their salary until future years. Amounts deferred under the Plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan carriers are as follows:

403(b)

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

457(b)

TIAA, AXA Financial; Valic; and Voya Financial

NOTE 8 RISK MANAGEMENT

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

Property and Liability Insurance

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

Joint Insurance Pool

Union County College is a member of the New Jersey Community College Insurance Pool for Worker'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 \$202,757 and \$237,749, respectively, for fiscal years ended 2019 and 2018.

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.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 9 CAPITAL LEASE PAYABLE

Kellogg Building

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

The Kellogg Building was issued a Certificate of Occupancy in August 2009 and under the terms of the Sublease, annualized College payments of \$200,000 begin on the date of occupancy and end February 1, 2026. Immediately prior to the expiration of the Sublease, per the terms of both the Master Lease and the Sublease, title to the property and building is to be passed from UCIA to the County to the College for a nominal amount. The following is a schedule of the future minimum lease payments at June 30, 2019:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 154,336	\$ 45,664	\$ 200,000
2021	160,918	39,082	200,000
2022	167,780	32,220	200,000
2023	174,935	25,065	200,000
2024	182,394	17,606	200,000
2025-2026	321,438	11,895	333,333
Total	<u>\$ 1,161,801</u>	<u>\$ 171,532</u>	<u>\$ 1,333,333</u>

Principal and interest payments for the above capital lease were \$148,024 and \$51,976, respectively, for fiscal year 2019 and \$141,970 and \$58,030, respectively, for fiscal year 2018.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 9 CAPITAL LEASE PAYABLE (CONTINUED)

Easement (Parking Authority of the City of Elizabeth)

On November 5, 2009, the College entered into a Special Use Easement Agreement (Agreement) with the Parking Authority of the City of Elizabeth (the Parking Authority). Under the terms of the Agreement, the College is to receive the irrevocable right to exclusive use, twenty-four (24) hours per day, seven days per week, of 600 parking spaces (The Easement) in a 1515 parking space garage (the Facility) located between the Lessner and Kellogg buildings on the College's Elizabeth Campus in the City of Elizabeth. The Easement expires 30 years subsequent to the issuance to the Parking Authority of a temporary certificate of occupancy for the Facility. In exchange for the Easement, the County contributed \$2,500,000 funded through Chapter 12, and the College has an obligation of annual payments at an initial annual rate of \$720,000 escalating 10% after the first three years and 10% after each subsequent four-year period. The annual payments have a present value of \$13,665,769 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, 2019:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 169,663	\$ 701,537	\$ 871,200
2021	211,778	659,422	871,200
2022	270,738	600,462	871,200
2023	272,243	635,257	907,500
2024	274,348	683,972	958,320
2025-2029	1,979,700	3,043,494	5,023,194
2030-2034	3,043,702	2,587,226	5,630,928
2035-2039	4,387,768	1,975,357	6,363,125
2040-2042	3,055,829	568,784	3,624,613
Total	<u>\$ 13,665,769</u>	<u>\$ 11,455,511</u>	<u>\$ 25,121,280</u>

Principal and interest payments for the above easement were \$171,769 and \$653,231, respectively, for fiscal year 2019 and \$183,301 and \$608,199, respectively, for fiscal year 2018.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 AUXILIARY OPERATIONS — BOOKSTORE

The College contracts with a private contractor for the operation of the official Campus Store (Bookstore). A five-year contract was approved by the board of trustees on May 21, 2013, for the period starting July 1, 2013. An amendment to the Bookstore operating agreement was made on June 26, 2018 exercising its five-year option beginning July 1, 2018 through June 30, 2023. Under the contract, the contractor has agreed to make minimum annual guarantee payments in the greater amounts of:

- (1) Contractor will provide an amount equal to ninety percent (90%) of the calculated commission on gross revenue of the immediate preceding year.
- (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 additional capital facilities funding of \$15,000 for Bookstore renovation and refurbishment.
- (4) The contractor provided a one-time payment of this extended five-year term of \$100,000.

NOTE 11 EDUCATION AND GENERAL EXPENSES BY FUNCTION

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

	2019						Total
	Salaries and Benefits	Supplies and Materials	Services	Scholarships	Utilities	Depreciation	
Educational and General Expenditures:							
Instruction	\$ 32,052,563	\$ 659,135	\$ 2,656,612	\$ -	\$ -	\$ -	\$ 35,368,310
Public Service	1,274,149	34,227	677,665	-	-	-	1,986,041
Academic Support	3,876,354	73,822	2,637,488	-	-	-	6,587,664
Student Services	8,042,956	1,185,723	-	-	-	-	9,228,679
Institutional Support	5,956,219	1,879,240	3,631,530	-	-	-	11,466,989
Operation and Maintenance of Plant	6,439,597	-	2,076,376	-	1,898,868	-	10,414,841
Scholarship Aid	-	-	-	6,909,646	-	-	6,909,646
Depreciation	-	-	-	-	-	5,913,171	5,913,171
Total	<u>\$ 57,641,838</u>	<u>\$ 3,832,147</u>	<u>\$ 11,679,671</u>	<u>\$ 6,909,646</u>	<u>\$ 1,898,868</u>	<u>\$ 5,913,171</u>	<u>\$ 87,875,341</u>
	2018						
	Salaries and Benefits	Supplies and Materials	Services	Scholarships	Utilities	Depreciation	Total
Educational and General Expenditures:							
Instruction	\$ 34,073,311	\$ 722,322	\$ 3,054,427	\$ -	\$ -	\$ -	\$ 37,850,060
Public Service	1,484,322	28,416	646,100	-	-	-	2,158,838
Academic Support	3,840,209	112,221	3,694,810	-	-	-	7,647,240
Student Services	8,226,677	113,791	771,848	-	-	-	9,112,316
Institutional Support	7,899,428	789,993	2,719,595	-	-	-	11,409,016
Operation and Maintenance of Plant	6,718,543	-	1,944,058	-	1,722,511	-	10,385,112
Scholarship Aid	-	-	-	7,859,196	-	-	7,859,196
Depreciation	-	-	-	-	-	5,187,176	5,187,176
Total	<u>\$ 62,242,490</u>	<u>\$ 1,766,743</u>	<u>\$ 12,830,838</u>	<u>\$ 7,859,196</u>	<u>\$ 1,722,511</u>	<u>\$ 5,187,176</u>	<u>\$ 91,608,954</u>

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 12 OTHER RECEIVABLES

Other receivables as of June 30, 2019 and 2018 consist of the following amounts due to the College:

	<u>2019</u>	<u>2018</u>
Noncredit Sponsors	\$ 220,761	\$ 198,951
JFK Muhlenberg	292,988	69,847
Trinitas Regional Medical Center	71,928	119,775
EMT - State of NJ	169,875	74,812
Other Corporate Receivables	-	11,215
County Chargebacks	76,436	333
Union County College Foundation	34,070	496,547
Other	413,886	354,112
Total	<u>\$ 1,279,944</u>	<u>\$ 1,325,592</u>

NOTE 13 LITIGATION

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

NOTE 14 SUBSEQUENT EVENTS

The College entered into a two-year agreement with Cengage Learning to provide ebook subscriptions to students utilizing their Cengage Unlimited product. Starting with Fall 2019, students would be able to purchase books for a twelve-month period at a total cost of \$130. This student success initiative would provide significant savings in book costs thereby eliminating a financial barrier that may exist.

Union County College took back occupancy of our Scotch Plains building on July 13, 2019 after twenty-five years of leasing to the University of Medicine and Dentistry of New Jersey and subsequently Rutgers University. The building is currently undergoing major renovation and modernization work. The site will be opened Fall 2020 as a University Center where new higher educational opportunities will be offered together with partner four-year institutions.

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 15 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 (IRS) 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, 2019 can be obtained from the Foundation at 1033 Springfield Avenue, Cranford, New Jersey 07016.

Cash and Investments

During the year, the Foundation could have cash balances in excess of \$250,000 in their banking institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At June 30, 2019 and 2018, the Foundation's uninsured balances were \$-0- and \$-0-, respectively.

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

	2019		
	Cost	Fair Market Value	Unrealized Appreciation
Common Stock	\$ 10,419,705	\$ 12,029,263	\$ 1,609,558
Bond Fixed Income	5,647,741	5,788,790	141,049
Short-Term Investments	246,357	246,357	-
Total	<u>\$ 16,313,803</u>	<u>\$ 18,064,410</u>	<u>\$ 1,750,607</u>
	2018		
	Cost	Fair Market Value	Unrealized Appreciation
Common Stock	\$ 10,740,070	\$ 12,426,408	\$ 1,686,338
Bond Fixed Income	5,782,409	5,670,389	(112,020)
Short-Term Investments	164,008	163,884	(124)
Total	<u>\$ 16,686,487</u>	<u>\$ 18,260,681</u>	<u>\$ 1,574,194</u>

**UNION COUNTY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 15 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Fair Value Measurements

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

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

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

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

For the fiscal year ended June 30, 2019, 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, 2019 AND 2018**

NOTE 15 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>2019</u>	<u>2018</u>
<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>		
Common Stock:		
Consumer Discretionary	\$ 1,175,239	\$ 1,475,513
Consumer Staples	826,279	640,809
Emerging Markets	124,017	193,086
Energy	538,551	747,715
Financials	1,652,855	1,812,418
Foreign Stock	16,438	13,536
Healthcare	1,463,341	1,345,618
Industrials	1,262,751	1,038,193
Information Technology	2,018,561	2,359,916
International Equity	-	67,162
Large Cap Funds	272,649	424,027
Materials	217,114	455,252
Other Equity	673,519	976,575
Real Estate	453,244	326,784
Small Cap Funds	-	25,242
Telecommunications Services	890,176	242,691
Utilities	444,528	281,871
Total Common Stock	<u>12,029,262</u>	<u>12,426,408</u>
Bond Fixed Income:		
Funds	3,987,918	3,912,794
Individual Holding	1,800,873	1,743,532
Other	-	14,063
Total Bond Fixed Income	<u>5,788,791</u>	<u>5,670,389</u>
Total	<u>\$ 17,818,053</u>	<u>\$ 18,096,797</u>

Not included above are short-term investments at June 30, 2019 and 2018 of \$246,357 and \$163,884, respectively. These assets are recorded at cost that approximates fair value and are not subject to the above classification.

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY COLLEGE
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND CONTRIBUTIONS
JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

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

Measurement Date	College's Proportion	College's Proportion Share	College's Covered Employee Payroll	College's Proportionate Share of NPL as a Percent of Covered-Employee Payroll	PERS Fiduciary Net Position as a % of Total Pension Liability
2018	0.1278795100%	\$ 25,509	\$ 9,110	280.01 %	46.40 %
2017	0.1341361313%	31,225	9,175	340.33	48.10
2016	0.1363010432%	40,368	9,743	414.33	40.14
2015	0.1425842332%	32,007	10,051	318.45	47.94
2014	0.1422470301%	26,633	9,665	275.56	52.08

Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent of Covered-Employee Payroll
2019	\$ 1,211	\$ 1,289	\$ (78)	\$ 9,110	14.15 %
2018	1,295	1,242	53	9,175	13.54
2017	1,261	1,210	51	9,743	12.42
2016	1,210	1,226	(16)	10,051	12.20
2015	1,226	1,223	3	9,665	12.65

UNION COUNTY COLLEGE
SCHEDULES OF PROPORTIONATE SHARE OF OPEB LIABILITY
AND CONTRIBUTIONS
JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>2019</u>	<u>2018</u>
College's Proportion of the OPEB Liability	0.0%	0.0%
College's Proportionate Share of the OPEB Liability	\$ -	\$ -
State's Proportionate Share of the OPEB Liability of the College	<u>59,828,577</u>	<u>69,935,001</u>
Total	<u>\$ 59,828,577</u>	<u>\$ 69,935,001</u>
College's Covered Employee Payroll	\$ 5,559,861	\$ 5,522,049
College's Proportionate Share of the OPEB Liability as a Percentage of its Covered Employee Payroll	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%

SEHBP - LOCAL EDUCATION GROUP:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 4,444,569	\$ 6,339,731	\$ 7,049,922
Contributions in Relation to the Contractually Required Contribution	(4,444,569)	(6,339,731)	(7,049,922)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's Covered-Employee Payroll	\$ 5,559,861	\$ 5,522,049	\$ 5,087,590
Contributions as a Percentage of Covered-Employee Payroll	79.94%	114.81%	138.57%

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

SUPPLEMENTARY INFORMATION

**UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number or Grant Number, if Applicable	Passed Through to Subrecipients	FY 2019 Expenditures
U.S. Department of Education:				
Student Financial Aid Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	P007A112620	\$	383,515
Federal Direct Student Loans	84.268	P268K131820		8,047,301
Federal Pell Grant Program	84.063	P063P111820		18,213,881
Federal Work-Study Program	84.033	P033A112620		340,582
Total Student Financial Aid Cluster				<u>26,985,279</u>
Title V Funding:				
STEMpact	84.031	P031S140197-16	\$	210,296
Total Title V Funding				<u>756,501</u>
Passed Through Bergen County Community College:				
Alternative Math Placement, an Unprecedented Program	84.116E	P116F150138		208,897
Passed Through State of New Jersey Department of Treasury:				
Vocational Education - Perkins	84.048	PSF Consol 7185-039		525,599
Passed Through State Department of Labor and Workforce Development:				
Adult Education and Family Literacy:				
Adult Basic Skills	84.002	ASB - FY2014-009	432,428	<u>1,188,042</u>
Total U.S. Department of Education				29,664,318

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

**UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number or Grant Number, if Applicable	Passed Through to Subrecipients	FY 2019 Expenditures
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		\$ 782
NJ Health Professions Pathway to Regional Excellence Project	17.282	TC-26459-14-60-A-34		26,413
NJ Trade Relocation Act Contracts	17.245	N/A		33,657
Total U.S. Department of Employment and Training				<u>60,852</u>
Passed Through County of Union, NJ:				
WIOA - Adult	17.258	N/A		62,258
WIOA - Dislocated Worker	17.278	N/A		109,521
WIOA - Workforce Innovation Business Center	17.258	N/A		250,201
Total WIA Cluster				<u>421,979</u>
Total U.S. Department of Labor				482,831
National Science Foundation:				
Cyber Service!	47.076	1601060		99,560
Infusing Research as Pedagogy	47.076	1832425		89,041
Total National Science Foundation - Direct				<u>188,601</u>
Passed Through Passaic County Community College:				
Northern New Jersey Bridges to the Baccalaureate Degree Program	47.070	1410389		27,124
Total National Science Foundation				215,725
Total Federal Financial Assistance			<u>\$ 642,724</u>	<u>\$ 30,362,874</u>

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

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2019

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	State GMIS Number or Grant Account Number, if Applicable	Program or Award Amount	Program Funds Received	Grant Period		FY 2019 Expenditures	Cumulative Expenditures
				From	To		
N.J. Commission of Higher Education:							
Educational Opportunities Fund - Article III	10-100-074-2401-001	\$ 174,480	\$ 174,480	07/01/18	06/30/19	\$ 174,480	\$ 174,480
Educational Opportunities Fund - Article III Summer	10-100-074-2401-001	129,124	104,984	07/01/18	06/30/19	126,422	126,422
Educational Opportunities Fund - Winter	10-100-074-2401-001	26,500	21,523	07/01/18	06/30/19	21,523	21,523
Educational Opportunities Fund - Article IV	10-100-074-2401-002	310,721	310,721	07/01/18	06/30/19	309,011	309,011
N.J. Higher Education Student Assistance Authority:							
Tuition Aid Grants	10-100-074-2405-007	2,723,863	2,726,970	07/01/18	06/30/19	2,723,863	2,723,863
New Jersey Stars Program	10-100-074-2405-313	302,886	302,886	07/01/18	06/30/19	302,886	302,886
Community College Opportunity Grant (CCOG)	Not Applicable	672,885	672,885	07/01/18	06/30/19	672,885	672,885
NJ Class Loans	10-100-074-2405-332	94,678	94,678	07/01/18	06/30/19	94,678	94,678
Total N.J. Commission on Higher Education						4,425,748	4,425,748
N.J. Office of the Secretary of Higher Education:							
CCOG Planning Grant	Not Applicable	250,000	250,000	07/01/18	06/30/19	197,350	197,350
CCOG Innovation Challenge-Special Project	Not Applicable	10,000	10,000	07/01/18	06/30/19	10,000	10,000
Total NJ Office of the Secretary of Higher Education - Direct						207,350	207,350
Passed Through NJ Council of County Colleges:							
College Readiness Now	Not Applicable	58,766	4,420	07/01/18	06/30/19	52,903	52,903
NJ Best/Gear-Up	Not Applicable	-	-	07/01/18	06/30/19	250	250
Total Passed through NJ Council of County Colleges						53,153	53,153
Total NJ Office of the Secretary of Higher Education						260,503	260,503
N.J. Department of Labor and Workforce Development:							
New Jersey Youth Corps	ACNY16N	450,000	398,776	07/01/18	06/30/19	438,428	438,428
TDL - Workforce Partnership	TDC-P-FY16003	-	-	07/01/18	06/30/19	28,488	28,488
Opportunity Partnership Grant	OPGFY1801011	120,000	81,300	12/01/17	12/01/18	38,682	82,344
Total N.J. Department of Labor						505,598	549,260
N.J. Department of Children and Family							
Sandy Displaced Homemaker	10-100-016-1630-014	848,541	25,018	05/01/14	06/30/19	143,185	757,855

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

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2019

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	State GMIS Number or Grant Account Number, if Applicable	Program or Award Amount	Program Funds Received	Grant Period		FY 2019 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	17 WFNJ 100/101	\$ 300,000	\$ 235,950	07/01/18	12/31/19	\$ 205,112	\$ 205,112
N.J. Department of Treasury -							
Higher Education Administration:							
Operational Costs - County Colleges	10-100-082-2155-015	9,994,995	9,994,995	07/01/18	6/30/2019	9,994,995	9,994,995
Employer Contributions - Alternate Benefit Program - Faculty	10-100-082-2155-017	1,048,547	1,048,547	07/01/18	6/30/2019	1,048,547	1,048,547
Employer Contributions - Alternate Benefit Program - Adjuncts	10-100-082-2155-017	238,878	238,878	07/01/18	6/30/2019	238,878	238,878
Building Our Future Bond Act	5860742400080	3,961,671	-	09/01/16	Open	1,063,043	1,132,340
Total N.J. Department of Treasury						<u>12,345,463</u>	<u>12,414,760</u>
Total State Financial Assistance						<u>\$ 17,885,609</u>	<u>\$ 18,613,238</u>

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

**UNION COUNTY COLLEGE
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2019**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 4 RELATIONSHIP TO FINANCIAL STATEMENTS

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

NOTE 5 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6 STUDENT LOAN PROGRAMS

The College is responsible only for the performance of certain administrative duties with respect to Federal Direct Student Loans; accordingly, these loan balances are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under this program as of June 30, 2019. The amount reported on the schedules of expenditures of federal awards is the amount of loans awarded in the current year.



**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, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 17, 2019. The financial statements of the discretely presented component unit, Union County College Foundation, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with Union County College Foundation.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 17, 2019



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

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

Report on Compliance for Each Major Federal and State Program

We have audited Union County College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the fiscal year ended June 30, 2019. The College's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal and State Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and the State of New Jersey Circular 15-08 and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. 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 are described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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

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



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 17, 2019

**UNION COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? X yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Part 200 of the Uniform Guidance or NJ OMB 15-08? X yes _____ no

**UNION COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section I – Summary of Auditors’ Results (Continued)

Identification of Major Federal Programs

CFDA Number(s)/State Account Number	Name of Federal/State Program or Cluster
--	---

Federal:

84.007, 84.003, 84.038 84.063, 84.268	Student Financial Assistance Cluster
17.258, 17.278	Workforce Innovation and Opportunity Act

State:

10-100-085-2155-015	Operational Costs - County Colleges
586074240080	Building Our Future Bond Act
N/A	Community College Opportunity Grant (CCOG)
10-100-082-2155-017	Alternate Benefit Program

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

Federal	\$ <u>750,000</u>
State	\$ <u>750,000</u>

Auditee qualified as low-risk auditee? X yes _____ no

**UNION COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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

2019 – 001

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.268, 84.063, 84.033

Award Period: 7/1/18 – 6/30/19

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The Code of Federal Regulations, 34 CFR 685.309 requires that enrollment status changes for students be reported to NSLDS within 30 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. Regulations require the status include an accurate effective date.

In addition, regulations require that when a student receiving Title IV aid is determined an unofficial withdrawal, a school must determine the withdrawal date within 30 calendar days from the earlier of (1) the end of the payment period or period of enrollment, as applicable, (2) the end of the academic year, or (3) the end of the student's enrollment program. A school must develop a mechanism for determining whether a student who began attendance and received or could have received an initial disbursement of Title IV funds unofficially withdrew during a payment period or period of enrollment, as applicable. Section 34 CFR 668.22(j)(2) requires that a school have a mechanism in place for identifying and resolving instances where a student's attendance through the end of the period cannot be confirmed.

Condition: During our testing of 40 students, we noted two instances whose enrollment status was not timely reported. The sample size tested was a statistically valid sample.

Questioned costs: None.

Context: During our testing, it was noted that one student was not reported within the prescribed timeframe and one student was reported with the incorrect status.

Cause: The College did not have a process in place at the end of the term to determine whether or not the student stopped attending.

Effect: The College did not determine unofficial withdrawals in a timely manner and did not report the student status changes within the timeframe defined by Federal regulations.

**UNION COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Repeat Finding: No.

Recommendation: We recommend the College review its policies and procedures on reporting of enrollment status changes to NSLDS to ensure that all status changes are being reported timely and accurately to be in compliance with regulations.

Views of responsible officials: See corrective action plan attached.



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Union County College respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2018.

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

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

FINDINGS—FINANCIAL STATEMENT AUDIT

2018 – 001 Capital Asset Activity

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

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

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

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

Condition: For one of forty R2T4s tested, incorrect calculation inputs were utilized that caused incorrect payment period start and end dates.

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

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

Condition: For one of forty R2T4 calculations tested, incorrect calculation inputs were utilized incorrect institutional charges.

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

2018 – 004 Pell Disbursement

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

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

UNION COUNTY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019

FINDINGS— STATE AWARD PROGRAMS AUDITS

2018 – 005 Performance and Financial Reporting

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

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

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



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Union County College (the College) respectfully submits the following corrective action plan for the year ended June 30, 2019.

Audit period: July 1, 2018 – June 30, 2019

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

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the current year.

FINDINGS — FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF EDUCATION

2019-001 Student Financial Aid – CFDA No. 84.007, 84.268, 84.063, 84.033

Recommendation: We recommend the College review its policies and procedures on reporting of enrollment status changes to NSLDS to ensure that all status changes are being reported timely and accurately to be in compliance with regulations.

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

Action taken in response to finding: Union County College will increase the frequency and expand the timeline for running enrollment file reporting to ensure all grades are captured and submitted to the National Student Clearinghouse timely. The graduate data files will be run more frequently as well to ensure all data is captured and reported in compliance with regulations. In addition, a reconciliation report file will be developed with IT to ensure that the data in the graduate file agrees to the data exchanged between the National Student Clearinghouse and NSLDS.

Name of the contact person responsible for corrective action: Nina Hernandez, Registrar at 908-709-7127.

If the Department of Education has questions regarding this plan, please contact the appropriate individual outlined above.