



2012



REPORT OF AUDIT

FISCAL YEAR ENDED JUNE 30, 2012 • CRANFORD, NEW JERSEY



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

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2012**

**UNION COUNTY COLLEGE**

**MEMBERS OF THE BOARD OF TRUSTEES**

**AS OF JUNE 30, 2012**

<b><u>NAME</u></b>	<b><u>TERM EXPIRES</u></b>
Victor M. Richel, Chair	2014
James R. Perry, Vice Chair	2012
Frank A. Bolden, Esq.	2014
George A. Castro, II	2010 (Holdover)
Edward J. Hobbie, Esq.	2015
Wilson Londono	2011(Holdover)
Eric G. Mason	2013
Philip J. Morin, III, Esq.	2014
Roderick Spearman	2012
Mary M. Zimmermann	2013
Melinda Ayala, Student representative	2012
Dr. Margaret M. McMenamin, President	Ex-officio

**MEMBERS OF THE BOARD OF GOVERNORS**

**AS OF JUNE 30, 2012**

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

**UNION COUNTY COLLEGE**  
**OTHER COLLEGE OFFICIALS**

**AS OF JUNE 30, 2012**

Dr. Margaret M. McMenamin, President  
Dr. Maris Lown - Vice President of Academic Affairs  
Dr. Stephen Nacco, Vice President of Administrative Services and Executive Assistant to the President  
Dr. Ralph L. Ford, Vice President of Student Services  
Dr. Negar Farakish, Provost / Associate Vice President, Plainfield Campus  
Dr. Barbara Gaba, Provost / Associate Vice President, Elizabeth Campus  
Bernard F. Lenihan, Vice President of Financial Affairs and Treasurer  
Dr. Patricia S. Biddar, Executive Director, Assessment Planning & Research  
Ellen Dotto, Secretary to the Boards and Executive Director of College Relations  
Beth R. Gorin, Interim, Executive Director of Union County College Foundation  
Thomas Cherubino, Chief Information Officer

# **FINANCIAL SECTION**

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2012**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the business-type activities of Union County College, State of New Jersey, a component unit of the County of Union, State of New Jersey, as of and for the fiscal years ended June 30, 2012 and 2011, which collectively comprise the College's basic financial statements as listed in the table of contents and the financial statements of the discretely presented component unit (Union County College Foundation) for the fiscal years ended June 30, 2012 and 2011. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Department of Treasury, State of New Jersey. The financial statements of the discretely presented component unit (Union County College Foundation) were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Union County College, State of New Jersey, and the discretely presented component unit, as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2012 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance Programs are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
December 14, 2012



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

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

We have audited the accompanying basic financial statements of the business-type activities of Union County College, State of New Jersey, a component unit of the County of Union, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Department of Treasury, State of New Jersey. The financial statements of the discretely presented component unit (Union County College Foundation) were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with Government Auditing Standards.

**Internal Control Over Financial Reporting**

Management of Union County College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

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

Respectfully submitted,

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

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
December 14, 2012

## **REQUIRED SUPPLEMENTARY INFORMATION**

# Union County College

## Management's Discussion and Analysis

June 30, 2012 and 2011 (Unaudited)

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, 2012 and June 30, 2011. This analysis is designed to focus on current activities, resulting change and currently known facts. Please read it in conjunction with the College's Basic Financial Statements, Notes to the Financial Statements and its Independent Auditors' Report. College management is responsible for the completeness and fairness of this information.

### Overview of the Basic Financial Statements

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

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

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

Key Financial Data (\$000)	2012	2011	2010	2012 vs. 2011	
				Inc/(Dec)	% Change
Operating Revenues	\$ 63,779	\$ 63,930	\$ 63,247	(151)	-0.2%
Educational and General Expense	90,909	89,713	87,817	1,196	1.3%
Operating (Loss)	(27,130)	(25,783)	(24,570)	(1,347)	5.2%
Non-Operating Revenues	23,363	23,439	23,656	(76)	-0.3%
Capital Contributions and Grants	1,488	709	49,320	779	109.9%
Increase (Decrease) in Net Assets	(2,279)	(1,635)	48,406	(644)	39.4%
Net Assets Beginning of Year	97,201	98,836	50,430		
<b>Net Assets End of Year</b>	<b>\$ 94,922</b>	<b>\$ 97,201</b>	<b>\$ 98,836</b>	<b>(2,279)</b>	<b>-2.3%</b>



# Union County College

## Management's Discussion and Analysis

June 30, 2012 and 2011 (Unaudited)

The preceding table summarizes key financial data for fiscal years ended June 30, 2012 ("FY 2012"), June 30, 2011 ("FY 2011"), and June 30, 2010 ("FY 2010"). Comparisons represented above show FY 2012 contrasted with FY 2011 with dollar and percentage changes. This schedule is prepared from the College's Statements of Revenues, Expenses and Changes in Net Assets, which are presented on an accrual basis of accounting, including depreciation.

Operating Revenues (\$000)	2012	2011	2010	2012 vs. 2011	
				Inc/(Dec)	% Change
Tuition & Fees (net of Scholarship Allowance)	\$ 27,703	\$ 29,521	\$ 27,358	(1,818)	-6.2%
Federal Grants	27,702	26,224	25,274	1,478	5.6%
State Grants	4,650	5,219	6,066	(569)	-10.9%
Local Grants	1,548	910	1,649	638	70.1%
Gifts and Contributions	291	381	1,186	(90)	-23.6%
Other Operating Revenues	1,885	1,675	1,714	210	12.5%
<b>Total Operating Revenues</b>	<b>\$ 63,779</b>	<b>\$ 63,930</b>	<b>\$ 63,247</b>	<b>(151)</b>	<b>-0.2%</b>

Total Operating Revenues decreased \$151 thousand in FY 2012 from FY 2011. The principal reasons for the increase were:

- ❖ Student Tuition and Fee revenues reflected a 9.0% tuition rate increase in FY 2012 offset by a 2.3% decline in student enrollment, net of a \$2.9 million or 21.9% increase in Scholarship Allowances. Scholarship Allowances are tuition and fee payments by third parties, principally through Federal, State and local grants. The increased payments in FY 2012 over FY 2011 included \$1.1 million of student refunds representing cost of attendance in excess of tuition and fees.
- ❖ Revenue from Federal grants increased \$1.5 million, or 5.6%, primarily from an increase in the Federal Pell Grant, under the Higher Education Act of 1965 Title IV, ("Pell") as compared to FY 2011. The amount of a Pell award is based on cost of attendance, enrollment status, the student's expected family contribution and the student's full-time or part-time status. Pell Grants are considered a foundation of federal financial aid, to which aid from other federal and non-federal sources may be added. While the maximum Pell grant award for the 2011-12 award year was \$5,550, identical to that in the 2010-11 award year, increased student participation likely from worsening economic conditions, was the principal factor in the increase in Pell grants.
- ❖ Revenues from State grants decreased \$569 thousand or 10.9% resulting from a decrease in Workforce New Jersey contract funding of \$241 thousand as well as \$113 thousand in funding for the Retail Skills Center via the Urban Enterprise Zone Authority. In addition, there was \$170 thousand decrease in grants under the State of NJ Tuition Aid Grant ("TAG") financial aid program despite worsening economic conditions from the prior fiscal year. In addition to the federally used Free Application for Federal Student Aid ("FAFSA"), the State of NJ requires other information to determine student eligibility for its TAG program, which may contribute to the underutilization of this grant by students.
- ❖ Local Grants increased \$638 thousand from \$910 thousand in FY 2011 to \$1.5 million in FY 2012. These grants were utilized to fund acquisition of laptops, computers and furniture to technologically upgrade many computer labs and classrooms during FY 2012. In addition, \$257 thousand was incurred for furniture upgrades throughout the college as

# ***Union County College***

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

**June 30, 2012 and 2011 (Unaudited)**

part of an overall strategy to improve student retention rates and improve administrative productivity by improving process flows.

- ❖ Other Operating Revenues increased \$210 thousand or 12.5% because the State of NJ agreed to reimburse Alternate Benefit Plan (ABP) retirement contributions for fiscal years 2009, 2010 and 2011 for teaching adjuncts that had been expensed by the College in those years.

Total Operating Revenues increased \$683 thousand to \$63.9 million in FY 2011 from \$63.2 million in FY 2010. The principal reasons for the increase were:

- ❖ Student Tuition and Fee revenues reflected a 6.4% tuition rate increase in FY 2011 and a 2.3% increase in student enrollment, net of a \$931 thousand or 2.7% increase in Scholarship Allowances. Scholarship Allowances are tuition and fee payments by third parties, principally through Federal, State and local grants. The increased payments in FY 2011 over FY 2010 included \$477 thousand of student refunds representing cost of attendance in excess of tuition and fees.
- ❖ Revenue from Federal grants increased \$950 thousand or 3.8%, primarily from the increase in Federal Pell Grant. The maximum Pell grant award for the 2010-11 award year was \$5,550, an increase of \$200 from the 2009-10 award year. The combination of increased award availability and increased eligibility resulting from diminished economic conditions accounted for a \$1.4 million year-over-year growth in Pell grants. In addition, US Department of Education awards for the Adult Basic Skills program decreased \$276 thousand from FY 2010 to FY 2011.
- ❖ Revenues from State grants decreased \$847 thousand or 14.0% from an approximate decrease of \$1.0 million under TAG, despite worsening economic conditions from the prior fiscal year. In addition to the federally used FAFSA, the State of NJ requires other information to determine student eligibility for its TAG program, which may contribute to the underutilization of this grant by students. In other cases, students who applied for State aid were impacted by decreased eligibility from prior years.
- ❖ Local Grants and Other Operating Revenues decreased \$778 thousand from \$3.4 million in FY 2010 to \$2.6 million in FY 2011. \$562 thousand of this decrease resulted from a diminution of local grants corresponding to a reduction of minor capital institutional projects during FY 2011 compared to FY 2010. In addition, FY 2010 had additional revenues from the Prisoner Reentry Initiative Program (\$100 thousand) and the Project Inside Program (\$77 thousand) as well as various small local grants that did not occur in FY 2011.
- ❖ Foundation scholarships were formerly reflected on the College's records as a Student Aid expense with a like amount reflected as Gifts and Contributions. In FY 2011, this pass through bookkeeping was eliminated with Foundation scholarships being solely reflected on the Foundation's records. Consequently, the FY 2011 variance within Gifts and Contributions from FY 2010 of \$805 thousand includes approximately \$404 thousand of Gifts and Contributions received in FY 2010 under the former methodology. The variance also reflects that these revenue sources are not necessarily recurring and FY 2010 included revenue of \$375 thousand for Kellogg equipment and supplies received during the Kellogg Building opening.

# Union County College

## Management's Discussion and Analysis

June 30, 2012 and 2011 (Unaudited)

Operating Expense (\$000)	2012	2011	2010	2012 vs. 2011	
				Inc/(Dec)	% Change
Instructional	\$ 37,485	\$ 37,891	\$ 35,870	(406)	-1.1%
Public Service	1,256	1,305	1,451	(49)	-3.8%
Academic Support	4,237	4,471	4,276	(234)	-5.2%
Student Services	6,512	5,928	5,786	584	9.9%
Institutional Support	13,557	12,122	12,658	1,435	11.8%
Plant	10,903	10,049	9,717	854	8.5%
Student Aid	11,546	13,228	14,208	(1,682)	-12.7%
Depreciation	5,024	4,625	3,802	399	8.6%
Total Operating Expenses	90,520	89,619	87,768	901	1.0%
Interest on Capital Asset Related Debt	389	94	49	295	313.8%
<b>Total Operating Expenses</b>	<b>\$ 90,909</b>	<b>\$ 89,713</b>	<b>\$ 87,817</b>	<b>1,196</b>	<b>1.3%</b>

Operating Expenses in FY 2012 increased \$1.2 million over the same period in FY 2011. The major areas of change were:

- ❖ Instructional Expense decreased \$406 thousand or 1.1%, partially resulting from a 2.3% enrollment decline and better utilization of classroom facilities, partially offset by a contractual 4.6% faculty salary increase.
- ❖ Student Services increased \$584 thousand from \$5.9 million in FY 2011 to \$6.5 million in FY 2012. \$405 thousand of this increase resulted from the use of outside services for assistance in the implementation of Admissions, Records and Registration modules of the College's Enterprise Resource Planning ("ERP") project and to provide outside managed service to act as the interim Financial Aid management team. The remaining \$134 thousand of the change resulted from salary and benefit cost increase year over year including those from filled positions that were vacant in FY 2011.
- ❖ Plant costs increased \$854 thousand or 8.5% year over year. A fire occurred at the Plainfield campus during FY 2012 and the College incurred \$186 thousand in costs for work performed at that campus whose recovery under insurance is doubtful. There was a total of \$550 thousand expended for minor capital projects as well other ongoing maintenance expenses. Furniture renewals in student and administrative areas accounted for \$257 thousand of the year-over-year variance.
- ❖ Student Aid decreased \$1.7 million, or 12.7% primarily resulting from a decrease in student financial aid refunds of \$1.1 million. The maximum Pell grant award for the 2011-2012 award year was \$5,550 which is the same amount as the 2010-11 award year. However, the College's tuition increased 9% year-over-year leaving less funds available toward the remaining components of the cost of attendance utilized in the financial aid calculation.
- ❖ Institutional Support increased \$1.4 million or 11.8% in FY 2012 over FY 2011 due an increase in bad debt provision of \$1.2 million year-over-year. Included in this amount is a reserve of \$800 thousand for a prior year Pell receivable due to a late filing for 2010-2011 Financial Aid reimbursement.

# ***Union County College***

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

**June 30, 2012 and 2011 (Unaudited)**

- ❖ Increase in the Interest on Capital Asset Related Debt of \$295 thousand results from the initiation of payments in 2012 under the Special Use Easement Agreement for exclusive use of 600 parking spaces in the City of Elizabeth parking garage adjacent to the College's Lessner building on its Elizabeth campus.

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

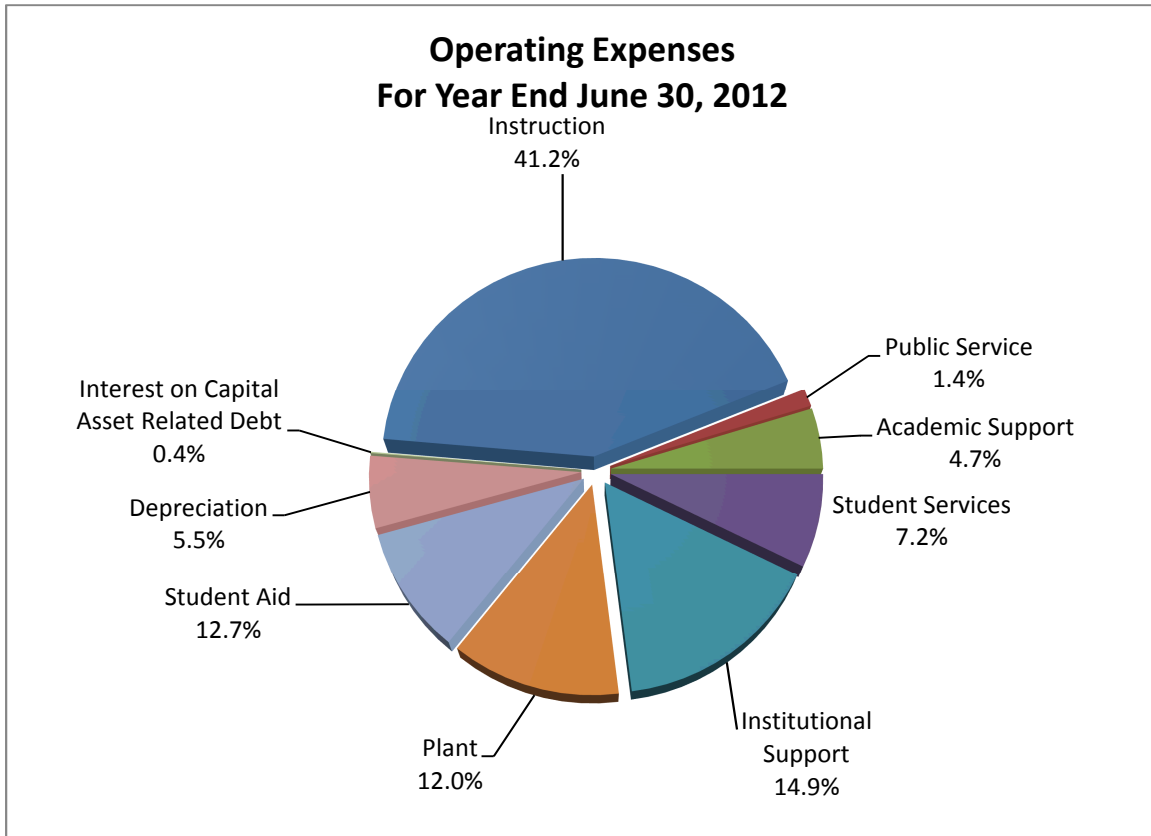
- ❖ Instructional Expense increased \$2.0 million or 5.6%, as a result of 2.7% enrollment growth requiring additional instructional staff with a corresponding increase in benefits costs and requiring an increase in instructional material and service expenses to support the enrollment increase. In addition, bargaining units' increases approximating 3.25% contributed to the FY 2011 increase.
- ❖ Student Aid decreased \$980 thousand or 6.9% primarily as a result of the significant deductions in the Tuition Aid Grant ("TAG"). The TAG decreased approximately \$970 thousand from \$4.1 million in FY 2010 to \$3.1 million in FY 2011.
- ❖ Institutional Support decreased \$536 thousand or 4.2% in FY 2011 over FY 2010 partially due to \$188 thousand of additional initial implementation costs for the Enterprise Resource Planning ("ERP") system incurred in FY 2010. Minor capital institutional project costs decreased approximately \$392 thousand in FY 2011. In addition, there were several vacancy and staff reductions that occurred in FY 2011.



# ***Union County College***

## **Management's Discussion and Analysis June 30, 2012 and 2011 (Unaudited)**

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

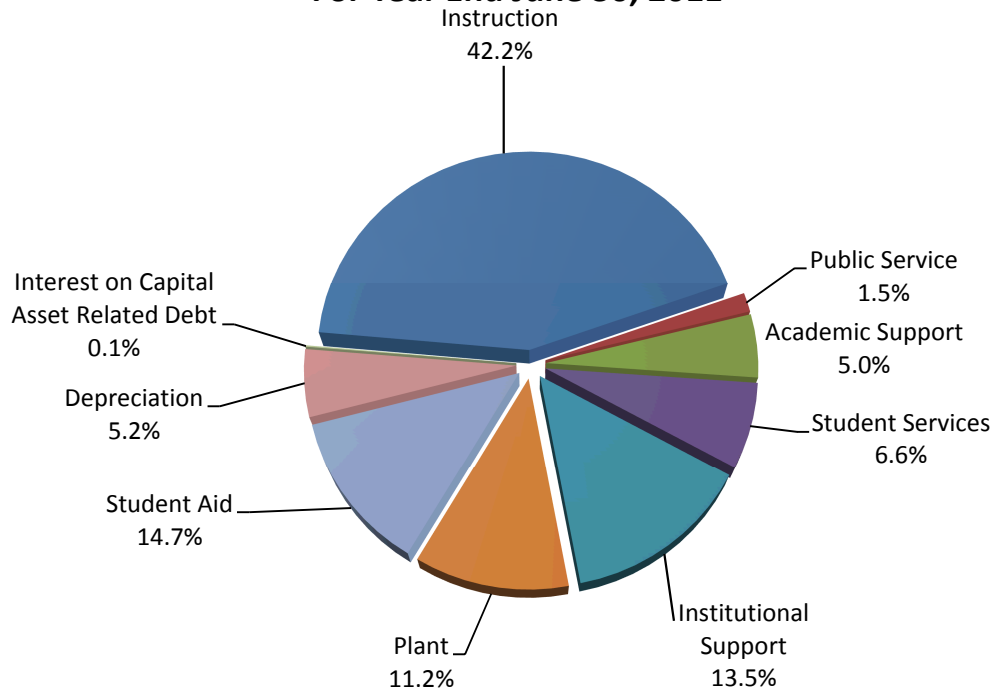


# Union County College

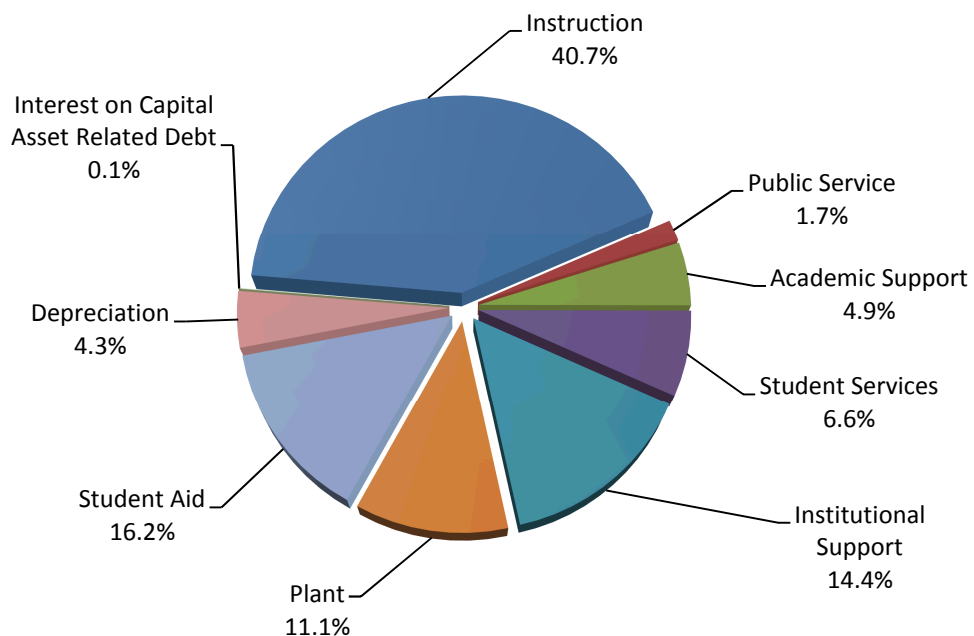
## Management's Discussion and Analysis

June 30, 2012 and 2011 (Unaudited)

### Operating Expenses For Year End June 30, 2011



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



# Union County College

## Management's Discussion and Analysis

June 30, 2012 and 2011 (Unaudited)

### Operating Loss

The College reported an operating loss of \$26.7 million in FY 2012 as compared to a loss of \$25.7 million in FY 2011. The continual magnitude of this loss reinforces the dependence and importance to the institution of two major components of non-operating revenue - the State and County Appropriations. Were it not for this aid to the College, the attainment of a two year college education would not be a realistic goal for many students.

Non-Operating Revenues (\$000)	2012	2011	2010	2012 vs. 2011	
				Inc/(Dec)	% Change
State Appropriations	\$ 10,355	\$ 10,602	\$ 10,473	(247)	-2.3%
Federal Appropriations	34	-	518	34	
State and Federal Appropriations	10,389	10,602	10,991	(213)	-2.0%
County Appropriations	12,886	12,733	12,523	153	1.2%
Investment Income	88	104	142	(16)	-15.4%
<b>Total Non-Operating Revenues</b>	<b>\$ 23,363</b>	<b>\$ 23,439</b>	<b>\$ 23,656</b>	<b>(76)</b>	<b>-0.3%</b>

The College relies on non-operating revenue to subsidize the cost of education of its students. Chief among these revenues are the Appropriations of County and State aid. Funding from non-operating revenues decreased \$76 thousand, or 0.3%, in FY 2012. The impact of flat or little growth in Appropriations of County and State funds puts added pressure on the College's Tuition and Fee structure because income from students, inclusive of third party payments on their behalf, provides only 69% of the College's operating expense.

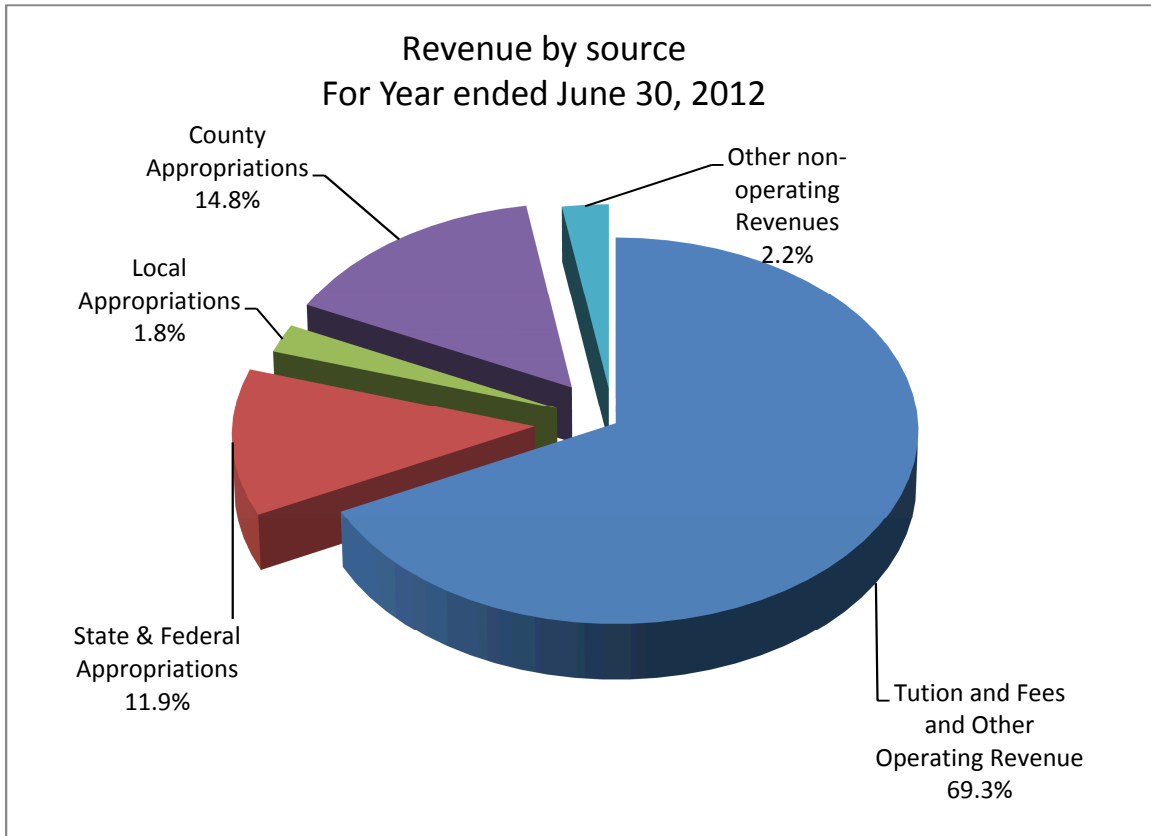
New Jersey State Appropriations for the Community College Sector remained level between FY 2012 and FY 2011. State Appropriations are allocated among the State's community colleges based upon a formula that includes the preceding year's credit hours. The net decrease of \$247 thousand in the College's FY 2012 State Appropriations from FY 2011 levels resulted from a decrease in the College's fundable credit hours as compared to the community college sector's fundable credit hours taken as a whole.

During FY 2011, New Jersey State Appropriations for the Community College Sector decreased 7.2% from Appropriations granted in FY 2010. The net increase of \$129 thousand in the College's FY 2011 State Appropriations from FY 2010 levels resulted as a consequence of the reduction in State Appropriations to the sector, offset by no Federal ARRA in FY 2011 and further offset by a 0.5% increase in fundable credit hours for the College relative to the rest of the sector.

# ***Union County College***

## **Management's Discussion and Analysis June 30, 2012 and 2011 (Unaudited)**

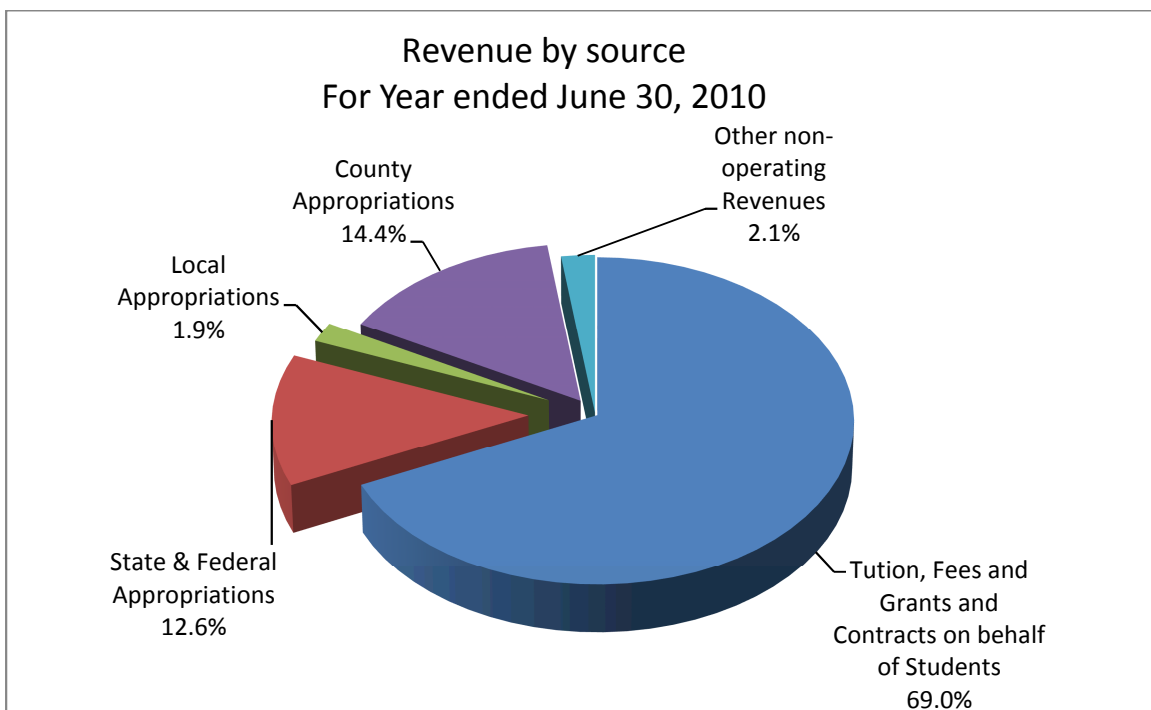
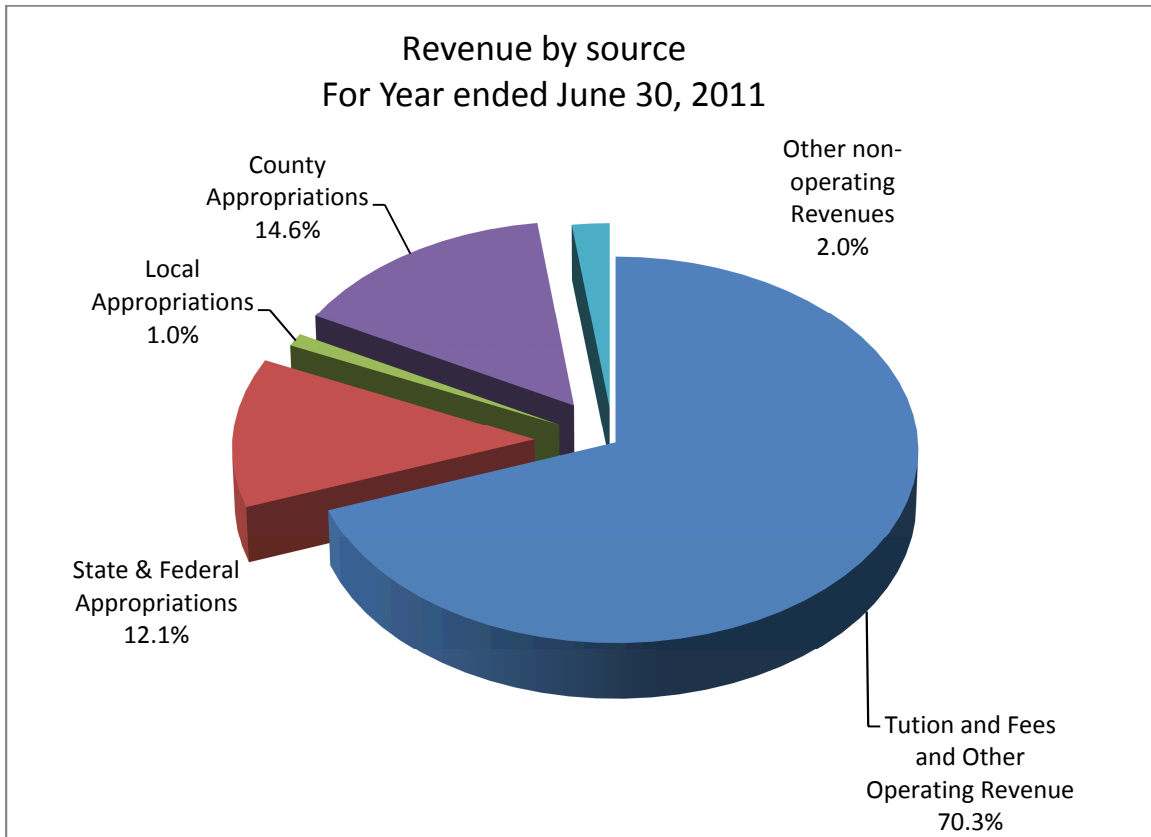
The following are graphic illustrations of revenue by source for each fiscal year:





# Union County College

## Management's Discussion and Analysis June 30, 2012 and 2011 (Unaudited)



# Union County College

## Management's Discussion and Analysis

June 30, 2012 and 2011 (Unaudited)

### Capital Contributions and Grants

Capital Contributions and Grants increased \$779 thousand in FY 2012 as compared to FY 2011. \$305 thousand was spent on HVAC control work on all campuses. In addition, \$333 thousand was spent on photocopier replacements as well as \$181 thousand for a service walkway for safe access to rooftop equipment in the Kellogg building in Elizabeth. In FY 2011, there was a decrease of \$48.6 million as compared to FY 2010, reflecting the capital contribution made in August 2009 by the County of Union ("County") for the Kellogg Building on the College's Elizabeth Campus. The value of the contribution represents the difference between the value of the College's lease payments and the value of the building at contribution date.

Net Assets (\$000)	2012	2011	2010	2012 vs. 2011	
				Inc/(Dec)	% Change
Current Assets	\$ 28,711	\$ 27,450	\$ 26,118	1,261	4.6%
Non-current Assets:					
Capital assets, net of depreciation	94,035	97,370	100,379	(3,335)	-3.4%
Total Assets	122,746	124,820	126,497	(2,074)	-1.7%
Current Liabilities	11,445	11,125	11,057	320	2.9%
Non-current Liabilities	16,379	16,494	16,604	(115)	-0.7%
Total Liabilities	27,824	27,619	27,661	205	0.7%
Total Net Assets	\$ 94,922	\$ 97,201	\$ 98,836	(2,279)	-2.3%

Current Assets increased \$1.3 million or 4.6% when comparing FY 2012 and FY 2011. This is a result of a \$1.0 million increase in the grants receivable, of which \$489 thousand is due to the Health Profession Pathway Consortium Grant and \$795 thousand is due to receivables for Pell, Federal Work-study and Federal Direct Student Loans. Net Capital Assets are down \$3.3 million or 3.4% resulting from depreciation expense of \$5.0 million offset by capital additions of \$1.7 million.

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

# ***Union County College***

## *Management's Discussion and Analysis*

*June 30, 2012 and 2011 (Unaudited)*

### **Summary and Outlook**

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

Looking forward begins with student enrollment growth which is dependent on an array of factors including population growth rate, unemployment rate, and the number of high school graduates in Union County and the surrounding areas. During FY 2012 student enrollment decreased 2.3%, and the Fall 2012 enrollment has remained flat compared to the preceding Fall semester. Further, the College Tuition and Fee credit hour rates for FY 2013 will increase \$3.00 (2.0%). Enrollment in FY 2012 did not grow at the rate that was previously anticipated. This is not unique to the College and has been experienced throughout the New Jersey community college sector. It is expected that this trend will continue throughout FY 2013. There is a noticeable increase of part time students versus full time students. This shift continues in FY 2013.

As mentioned above, management continues to place great emphasis on cost containment to mitigate rising costs and to minimize tuition increases. Concerted efforts have been made to utilize part time instructors where feasible to control instructional spending. The institution has realized the benefits of this initiative in FY 2012 along with class consolidation and higher utilization of classroom capacity. This will be an ongoing process throughout FY 2013. On average, health insurance premiums will increase 15% effective January 2013. However, it is expected that the State mandated increase in employee premium cost sharing effective July 1, 2012 will offset a good portion of this.

The College continues to maintain most of its liquid assets in cash. At fiscal year-end the cash position of the College is seasonally high to prepare for payment of continued operating expenses during the months before the next significant influx of tuition and grant monies. Interest rates on the cash position have decreased significantly and we do not expect a turnaround during FY 2013.

Additional capital projects planned in FY 2013 include roadway realignment and reconfiguration on the Cranford campus which will be funded by County Capital. In addition, the College is planning a 32,600 square foot raised construction building maintaining existing parking underneath on the Cranford campus. This expansion will allow for future growth and ongoing capacity issues for Student Services. \$8.5 million of "Chapter 12" will be utilized to fund this project. Any costs in excess of this amount will be funded by the County of Union. Is it the expectation that part of this increased facility will be utilized to provide enhanced student services in a reconfigured design that will provide improved services to students. FY 2013 "Chapter 12" funds in the amount of \$1.5 million will be used to rebuild and renovate the Plainfield campus.

With ongoing cost considerations paramount and continued support from the State and County of Union, the College expects that it will be able to continue to provide an affordable, high quality

# **Union County College**

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

**June 30, 2012 and 2011 (Unaudited)**

education to its students. With the plan for enhanced facilities coupled with the self-service tools that the new ERP system offers, the College will continue to assure that the quality and extent of services provided to students will meet their needs and expectations.

### **Union County College Foundation**

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

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



# **BASIC FINANCIAL STATEMENTS**

**UNION COUNTY COLLEGE**  
**Statements of Net Assets**  
**As of June 30, 2012 and 2011**

	<b>2012</b>		<b>2011</b>	
	<b><u>College</u></b>	<b><u>Component Unit UCC Foundation</u></b>	<b><u>College</u></b>	<b><u>Component Unit UCC Foundation</u></b>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 21,811,130	\$ 132,045	\$ 22,071,305	\$ 265,155
Investments		2,516,676		2,389,466
Student Accounts Receivable, net	1,813,084		1,719,710	
Grants Receivable	2,770,518		1,846,604	
State of New Jersey Receivable:				
Alternative Benefit Program	583,463		227,725	
County of Union Receivable	509,009		777,454	
Other Receivables	1,198,430	44,799	806,839	72,125
Other Assets	25,439	148,583		141,202
	<u>28,711,073</u>	<u>2,842,103</u>	<u>27,449,637</u>	<u>2,867,948</u>
Non-Current Assets:				
Endowment Investments		8,976,938		8,770,585
Other Receivables		5,000		11,253
Capital Assets, net	94,035,369	588,317	97,370,073	594,173
	<u>94,035,369</u>	<u>9,570,255</u>	<u>97,370,073</u>	<u>9,376,011</u>
Total Assets	<u>122,746,442</u>	<u>12,412,358</u>	<u>124,819,710</u>	<u>12,243,959</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	4,427,608		2,829,675	
Accrued Expenses	5,953,807	168,102	6,690,928	52,421
Due to State of New Jersey	305,523		269,204	
Deferred Revenue:				
Student Tuition, Fees and Other	204,995	3,500	574,800	
Federal and State Grants	438,215		649,832	
Capital Lease, Current Portion	115,217		110,505	
	<u>11,445,365</u>	<u>171,602</u>	<u>11,124,944</u>	<u>52,421</u>
Non-Current Liabilities:				
Capital Lease, Non-Current Portion	16,379,049		16,494,266	
Gift Annuity Fund Payable		27,548		33,323
	<u>16,379,049</u>	<u>27,548</u>	<u>16,494,266</u>	<u>33,323</u>
Total Liabilities	<u>27,824,414</u>	<u>199,150</u>	<u>27,619,210</u>	<u>85,744</u>
<b>NET ASSETS</b>				
Investment in Capital Assets, net of related debt	77,273,257	588,317	80,607,958	594,173
Restricted for:				
Non-Expendable:				
Program		849,064		777,357
Scholarships		8,139,648		7,993,228
Debt Service Reserve				
Expendable:				
Program		11,999		10,555
Scholarships		193,643		238,636
Other		2,430,537		2,544,266
Unrestricted	17,648,771		16,592,542	
Total Net Assets	<u>\$ 94,922,028</u>	<u>\$ 12,213,208</u>	<u>\$ 97,200,500</u>	<u>\$ 12,158,215</u>

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

**UNION COUNTY COLLEGE**  
 Statements of Revenues, Expenses and Changes in Net Assets  
 For the Fiscal Years Ended June 30, 2012 and 2011

	<b>2012</b>		<b>2011</b>	
	<u>College</u>	<u>Component Unit UCC Foundation</u>	<u>Restated College</u>	<u>Component Unit UCC Foundation</u>
<b>REVENUES</b>				
Operating Revenues:				
Student Tuition and Fees	\$ 43,829,651		\$ 42,749,855	
Less Scholarship Allowances	(16,125,648)		(13,228,535)	
Net Student Tuition and Fees	27,704,003		29,521,320	
Federal Grants	27,702,414		26,223,874	
State Grants	4,649,581		5,218,672	
Local Grants	1,548,293		909,845	
Gifts and Contributions	290,692	\$ 355,797	380,886	\$ 421,693
Other	1,883,602		1,675,707	
Total Operating Revenue	63,778,586	355,797	63,930,304	421,693
<b>EXPENSES</b>				
Operating Expenses:				
Educational and General:				
Instructional	37,483,707		37,892,988	
Public Service	1,256,288		1,304,681	
Academic Support	4,237,204		4,470,578	
Student Services	6,512,149		5,927,517	
Institutional Support	13,557,304		12,121,528	
Operations and Maintenance of Plant	10,902,631		10,048,631	
Student Aid	11,545,753	300,719	13,228,559	410,517
Depreciation	5,023,716	3,956	4,625,333	3,956
Other Expenses		528,845		484,746
Total Operating Expenses	90,518,753	833,520	89,619,815	899,219
Operating (Loss)	(26,740,168)	(477,723)	(25,689,511)	(477,526)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State Appropriations	10,355,157		10,602,035	
County Appropriations	12,885,900		12,733,103	
Federal Appropriations	34,250			
Investment Income	88,024	314,589	104,036	1,895,045
Interest on Capital Asset Related Debt	(389,495)		(94,015)	
Additions to Permanent Endowments		218,127		229,667
On-Behalf Payments - Alternative Benefit Program:				
Teachers Insurance Annuity Association:				
Revenues	1,597,705		1,448,575	
Expenses	(1,597,705)		(1,448,575)	
Net Non-Operating Revenues	22,973,836	532,716	23,345,159	2,124,712
Income (Loss) before Other Revenues	(3,766,332)	54,993	(2,344,352)	1,647,186
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>				
Increase (Decrease) in Net Assets	(2,278,472)	54,993	(1,635,121)	1,647,186
Net Assets - Beginning of Year	97,200,500	12,158,215	98,835,621	10,511,029
Net Assets - End of Year	\$ 94,922,028	\$ 12,213,208	\$ 97,200,500	\$ 12,158,215

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

**UNION COUNTY COLLEGE**  
**Statements of Cash Flows**  
For the Fiscal Years Ended June 30, 2012 and 2011

	<b>2012</b>	<b>2011</b>
	<b><u>College</u></b>	<b><u>College</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Student Revenue	\$ 17,563,446	\$ 14,039,258
Government Grants	32,976,374	33,177,273
Payments to Suppliers	(19,612,985)	(15,020,411)
Payments for Employee Salaries and Benefits	(56,023,482)	(55,485,279)
Gifts and Contributions	290,692	380,886
Other Receipts (Payments), net	1,883,602	2,450,661
	<u>                    </u>	<u>                    </u>
Net Cash Used in Operating Activities	<u>(22,922,354)</u>	<u>(20,457,612)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	10,355,157	10,983,035
County Appropriations	12,885,900	12,733,103
Federal Appropriations	34,250	
	<u>                    </u>	<u>                    </u>
Net Cash Provided by Noncapital Financing Activities	<u>23,275,307</u>	<u>23,716,138</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants	1,487,860	709,231
Purchase of Capital Assets	(1,689,012)	(1,615,981)
Principal Paid on Debt	(110,505)	(105,985)
Interest Paid on Long-term Debt	(389,495)	(94,015)
	<u>                    </u>	<u>                    </u>
Net Cash Used in Capital and Related Financing Activities	<u>(701,152)</u>	<u>(1,106,750)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturity of Investments		11,000,000
Interest on Investments	88,024	141,584
	<u>                    </u>	<u>                    </u>
Net Cash Provided by Investing Activities	<u>88,024</u>	<u>11,141,584</u>
 Net Increase in Cash and Cash Equivalents	(260,175)	13,293,360
Cash and Cash Equivalents - Beginning of Year	<u>22,071,305</u>	<u>8,777,945</u>
 Cash and Cash Equivalents - End of Year	<u><u>\$ 21,811,130</u></u>	<u><u>\$ 22,071,305</u></u>
 <b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO</b>		
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	\$ (26,740,168)	\$ (25,689,511)
Used in Operating Activities:		
Depreciation Expense	5,023,716	4,625,333
Changes in Assets and Liabilities:		
Receivables, net	(1,521,611)	543,288
Accounts Payable and Accrued Expenses	897,131	682,567
Deferred Revenue:		
Student Tuition and Fees	(369,805)	(704,584)
Federal and State Grants	(211,617)	85,295
	<u>                    </u>	<u>                    </u>
Net Cash Used in Operating Activities	<u><u>\$ (22,922,354)</u></u>	<u><u>\$ (20,457,612)</u></u>

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

**UNION COUNTY COLLEGE**  
Notes to Financial Statements  
For the Fiscal Years Ended June 30, 2012 and 2011

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

**Description of Reporting Entity** - Union County College (the College), was established in 1933 as a private college. In 1982, with the merger of then Union College and Union County Vocational Technical Institute, Union County College was established as a public comprehensive community college pursuant to N.J.S. 18A: 64A-50 et seq. It is a member of New Jersey's system of nineteen county colleges and is a component unit of the County of Union. The College operates campuses in Cranford, Elizabeth, Plainfield, and Scotch Plains. It enrolls approximately 6,500 full-time and 10,900 part-time students. The College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools.

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

In addition to the Board of Trustees, Union County College also has a Board of Governors. The Board Governors is vested with specific areas of authority. It is authorized to give advice and consent to the Board of Trustees in connection with the appointment, compensation and term of office of the President of the College, act in an overall advisory capacity and control properties, funds and trusts vested as of the date Union College, a two year private College, began functioning as Union County College. The Board of Governors are appointed as follows; the President of the College who serves in an ex officio capacity without a vote; three Alumni Governors nominated by the Union County College Alumni Association; three county residents nominated by the Union County Board of Chosen Freeholders; and all remaining Governors up to a maximum of 30 are appointed by the existing Board of Governors. The College currently has 27 Board of Governors. The term of a member of the Board of Governors is three years.

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

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

Union County College Foundation (the "Foundation") is a New Jersey nonprofit corporation organized in December 1977. Its purpose is to support Union County College by providing scholarships and awards to qualifying students. The Foundation solicits public and private contributions to carry out its objectives. The board of trustees of the Foundation, which consist of at least 15 and no more than 25 persons, is self-perpetuating and consists of qualified persons elected by majority vote of the board of trustees of the Foundation.



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

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

During the fiscal years ended June 30, 2012 and 2011, the Foundation distributed \$300,719 and \$405,516 respectively, to the College for both restricted and unrestricted purposes.

The individual reports of audit for the Foundation for the fiscal years end June 30, 2012 and 2011 can be obtained at the Foundation offices at the following address during normal business hours:

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

**Basis of Presentation** - The College financial statements are presented in accordance with GASB Statement No. 35 – *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows and replaces the fund-group perspective previously required.

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

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

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

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

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

**Prepaid Expenses** - Prepaid expenses (if any) represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

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

**State Aid** - The New Jersey Department of Treasury, Office of Management and Budget (OMB) allocates the annual appropriation for community college operating aid according to credit hour enrollments as prescribed by N.J.S.A.18A:64A-22.

**County Aid** - N.J.S.A. 18A:64A-22 states that each county which operates a county college shall continue to provide moneys for the support of college in an amount no less than 25% of the operational expense in the base State Fiscal year.

**Deferred Revenue** - Deferred revenue represents tuition revenue that has been received before June 30, 2012 for classes that are scheduled in fall 2012 as well as some end of summer semesters of 2012. It also includes cash, which has been received for grants, but not yet earned.

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

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

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

Depreciation expense for the fiscal years ending June 30, 2012 and 2011 was \$5,023,716 and \$4,625,333 respectively.

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

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

**Reclassifications** - Certain data for fiscal year 2011 was reclassified to be comparable to fiscal year 2012.

**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, 2012 and 2011 was \$2,567,452 and \$1,507,541 respectively.

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

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

**Federal Financial Assistance Programs** - The College participates in the following federally funded financial assistance programs; Federal Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Work-Study Grants and Federal Direct Loan Program (FDL). Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the OMB A-133 Compliance Supplement.

**Scholarship Discounts and Allowances** - Student tuition and fee revenues are reported net of scholarship discount and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discount and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, as well as other federal grants and state grants, are recorded as either operating or non-operating revenue in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the College has recorded a scholarship discount and allowance. The amount of scholarship discount and allowances for the fiscal years ending June 30, 2012 and 2011 was \$16,125,648 and \$13,228,535 (as restated) respectively.

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

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

**Classification of Revenue** – The College has classified its revenues as either operating or non-operating revenues in accordance with GASB Statement No. 33 – *Accounting and Financial Reporting for Non-exchange Transactions*.

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

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

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

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

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

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

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

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

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. Although the College does not have a formal policy regarding custodial credit risk, as described in Note 1, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. As of June 30, 2012 and 2011 the College's bank balances were exposed to custodial credit risk as follows:

	<b><u>2012</u></b>	<b><u>2011</u></b>
Insured	\$ 1,026,079	\$ 1,000,000
Collateralized under GUDPA	<u>21,698,860</u>	<u>21,935,347</u>
	<u><u>\$ 22,724,939</u></u>	<u><u>\$ 22,935,347</u></u>

**Note 3: CAPITAL ASSETS**

The following schedule is a summarization of the changes in capital assets by source at June 30, 2012 and 2011:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Capital Assets, Non-Depreciable:</b>					
Land	\$ 4,438,162				\$ 4,438,162
Construction in Progress	3,272,594	\$ 412,972		\$ (3,237,591)	447,975
	<u>7,710,756</u>	<u>412,972</u>	<u>-</u>	<u>(3,237,591)</u>	<u>4,886,137</u>
<b>Capital Assets, Depreciable:</b>					
Building and Improvements	123,056,030	220,820		29,314	123,306,164
Intangible Asset - Easement	14,415,112				14,415,112
Equipment, Software and Vehicles	14,074,713	1,018,446	\$ (175,946)	3,208,277	18,125,490
	<u>151,545,855</u>	<u>1,239,266</u>	<u>(175,946)</u>	<u>3,237,591</u>	<u>155,846,766</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Improvements	(53,210,467)	(3,302,166)			(56,512,633)
Intangible Asset - Easement		(200,210)			(200,210)
Equipment, Software and Vehicles	(8,676,071)	(1,521,340)	212,720		(9,984,691)
	<u>(61,886,538)</u>	<u>(5,023,716)</u>	<u>212,720</u>	<u>-</u>	<u>(66,697,534)</u>
<b>Total Capital Assets, Depreciable net</b>	<u>89,659,317</u>	<u>(3,784,450)</u>	<u>36,774</u>	<u>3,237,591</u>	<u>89,149,232</u>
<b>Capital Assets, net</b>	<u>\$ 97,370,073</u>	<u>\$ (3,371,478)</u>	<u>\$ 36,774</u>	<u>-</u>	<u>\$ 94,035,369</u>

Adjustments represent transfers of completed projects from Construction in Progress.

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2011</u>
<b>Capital Assets, Non-Depreciable:</b>					
Land	\$ 4,901,037			\$ (462,875)	\$ 4,438,162
Construction in Progress	2,743,615	\$ 528,979			3,272,594
	<u>7,644,652</u>	<u>528,979</u>	<u>-</u>	<u>(462,875)</u>	<u>7,710,756</u>
<b>Capital Assets, Depreciable:</b>					
Buildings and Improvements	121,881,059	712,096		462,875	123,056,030
Intangible Asset - Easement	14,415,112				14,415,112
Equipment, Software and Vehicles	14,399,558	379,434	\$ (704,279)		14,074,713
	<u>150,695,729</u>	<u>1,091,530</u>	<u>(704,279)</u>	<u>462,875</u>	<u>151,545,855</u>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Improvements	(49,779,850)	(3,430,617)			(53,210,467)
Equipment, Software and Vehicles	(8,181,106)	(1,194,716)	699,751		(8,676,071)
	<u>(57,960,956)</u>	<u>(4,625,333)</u>	<u>699,751</u>	<u>-</u>	<u>(61,886,538)</u>
<b>Total Capital Assets, Depreciable net</b>	<u>92,734,773</u>	<u>(3,533,803)</u>	<u>(4,528)</u>	<u>462,875</u>	<u>89,659,317</u>
<b>Capital Assets, net</b>	<u>\$ 100,379,425</u>	<u>\$ (3,004,824)</u>	<u>\$ (4,528)</u>	<u>-</u>	<u>\$ 97,370,073</u>

Adjustments are correction of classification.



**Note 4: ACCRUED COMPENSATED ABSENCES**

It is the College policy to reimburse employees upon termination for accrued vacation at their current rate of pay. Physical Plant employees can accrue up to 192 hours of accrued vacation and all other employees can accrue up to 168 hours of accrued vacation. An employee may request to carry forward additional hours, however, in no event shall they carry forward more than 240 hours and 210 hours respectively. As of June 30, 2012 and 2011, the liabilities for accrued expenses consist of the following:

	<u>2012</u>	<u>2011</u>
<b>Vacation:</b>		
Balance Beginning of Fiscal Year	\$ 1,152,155	\$ 1,120,410
Increase	<u>23,529</u>	<u>31,745</u>
Balance End of Fiscal Year	<u>\$ 1,175,684</u>	<u>\$ 1,152,155</u>

**Note 5: PENSION PLANS**

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

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

**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 will be increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. 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.

**Note 5: PENSION PLANS (CONT'D)**

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

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Non- Contributory Group Life Insurance</u>	<u>Total Liability</u>	<u>Paid by College</u>
<b>Public Employees Retirement System</b>					
2012	\$ 328,600	\$ 657,200	\$ 62,807	\$ 1,048,607	\$ 1,048,607
2011	364,742	581,192	71,843	1,017,777	1,017,777
2010	403,776	393,971		797,747	797,747

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

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

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

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

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

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

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 2012 Employer's share was 8.0% of annualized wages. The College pays the employer's share and is reimbursed by the State of New Jersey. During fiscal years 2012 and 2011, the State reimbursed \$1,597,705 and \$1,448,575 respectively to the College for the employer share of qualified employees. This amount is reflected in the accompanying financial statements as both revenues and expenditures.

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

<u>Fiscal Year</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by College</u>
<b>Alternative Benefit Program</b>			
2012	\$ 1,876,019	\$ 1,597,705	\$ 278,314
2011	1,905,465	1,448,575	456,890
2010	1,874,483	1,460,248	414,235

**Note 6: DEFERRED COMPENSATION**

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

**403(b)**

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

**457(b)**

TIAA-CREF

**Note 7: DESIGNATION OF UNRESTRICTED NET ASSETS**

The following is a summary of the designations of unrestricted net assets at June 30, 2012 and 2011:

	<u><b>2012</b></u>	<u><b>2011</b></u>
<b>Designated:</b>		
Designated for Plant Fund	\$ 9,576	\$ 9,576
Renewal and Replacement	<u>16,241,086</u>	<u>15,184,857</u>
	<u>16,250,662</u>	<u>15,194,433</u>
<b>Undesignated:</b>		
Operational	638,405	638,405
Plant	<u>759,704</u>	<u>759,704</u>
	<u>1,398,109</u>	<u>1,398,109</u>
	<u><u>\$ 17,648,771</u></u>	<u><u>\$ 16,592,542</u></u>

**Note 8: RISK MANAGEMENT**

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

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

**Joint Insurance Pool** - Union County College is a member of the New Jersey Community College Insurance Pool for Workman's Compensation Insurance.

Contributions to the Fund, are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. Contributions to the pool totaled \$192,131 and \$200,686 respectively for fiscal years ended 2012 and 2011.

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

**Note 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, 2012:

<b><u>Fiscal Year(s)</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2013	\$ 115,217	\$ 84,783	\$ 200,000
2014	120,130	79,870	200,000
2015	125,253	74,747	200,000
2016	130,594	69,406	200,000
2017	136,163	63,837	200,000
2018-2022	773,028	226,972	1,000,000
2023-2026	678,767	54,566	733,333
	<u>\$ 2,079,154</u>	<u>\$ 654,180</u>	<u>\$ 2,733,334</u>

Principal and interest payments for the above capital lease were \$110,505 and \$89,495 for fiscal year 2012 and \$105,985 and \$94,015 for fiscal year 2011.

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

On November 5, 2009 the college entered into a Special Use Easement Agreement ("Agreement") with the Parking Authority of the City of Elizabeth (the "Parking Authority"). Under the terms of the Agreement, the College is to receive the irrevocable right to exclusive use, twenty-four (24) hours per day, seven days per week, of 600 parking spaces ("The Easement") in a 1515 parking space garage ("the Facility") located between the Lessner and Kellogg buildings on the College's Elizabeth Campus in the City of Elizabeth. The Easement expires thirty years subsequent to the issuance to the Parking Authority of a temporary certificate of occupancy for the Facility. In exchange for the Easement, the County contributed \$2,500,000 funded through Chapter 12, and the College has an obligation of annual payments at an initial annual rate of \$720,000 escalating ten percent (10%) after the first three years and ten percent (10%) after each subsequent four year period. The annual payments have a present value of \$14,415,112 assuming the cost of debt of the Facility, and the first monthly payment began February 1, 2012. The Easement expires upon expiration of the Agreement, and the 600 parking spaces are to be returned to the Parking Authority.

The following is a schedule of the future minimum lease payments at June 30, 2012:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 720,000	\$ 720,000
2014	45,123	674,877	720,000
2015	106,791	643,209	750,000
2016	103,181	688,819	792,000
2017	138,678	653,322	792,000
2018-2022	1,007,749	3,222,851	4,230,600
2023-2027	1,660,529	3,120,181	4,780,710
2028-2032	3,174,860	3,404,805	6,579,665
2033-2037	4,112,517	2,081,504	6,194,021
2038-2042	4,065,683	887,601	4,953,284
	<u>\$ 14,415,112</u>	<u>\$ 16,097,168</u>	<u>\$ 30,512,280</u>

Principal and interest payments for the above easement were \$0 and \$300,000 for fiscal year 2012 and no payments were made for fiscal year 2011.

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

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

<b>2012</b>	<b>Salaries &amp; Benefits</b>	<b>Supplies &amp; Materials</b>	<b>Services</b>	<b>Scholarships</b>	<b>Utilities</b>	<b>Depreciation</b>	<b>Total</b>
Educational and General Expenditures							
Instruction	\$ 34,099,574	\$ 1,952,111	\$ 1,432,023				\$ 37,483,707
Public Service	944,378	41,148	270,763				1,256,288
Academic Support	2,941,601	194,718	1,100,884				4,237,204
Student Services	5,035,778	459,700	1,016,671				6,512,149
Institutional Support	7,924,748	916,936	4,715,620				13,557,304
Operation and Maintenance of Plant	5,371,569	281,791	2,814,039		\$ 2,435,231		10,902,631
Scholarship Aid				\$ 11,545,753			11,545,753
Depreciation						\$ 5,023,716	5,023,716
	<u>\$ 56,317,648</u>	<u>\$ 3,846,404</u>	<u>\$ 11,350,001</u>	<u>\$ 11,545,753</u>	<u>\$ 2,435,231</u>	<u>\$ 5,023,716</u>	<u>\$ 90,518,753</u>

<b>2011</b>	<b>Salaries &amp; Benefits</b>	<b>Supplies &amp; Materials</b>	<b>Services</b>	<b>Scholarships</b>	<b>Utilities</b>	<b>Depreciation</b>	<b>Total</b>
Educational and General Expenditures							
Instruction	\$ 34,091,223	\$ 1,404,840	\$ 2,396,925				\$ 37,892,988
Public Service	1,053,272	51,658	199,751				1,304,681
Academic Support	3,253,514	187,819	1,029,245				4,470,578
Student Services	5,077,711	175,230	674,576				5,927,517
Institutional Support	6,855,386	282,237	4,403,158		\$ 580,747		12,121,528
Operation and Maintenance of Plant	5,228,343	504,952	2,088,315		2,227,021		10,048,631
Scholarship Aid				\$ 13,228,559			13,228,559
Depreciation						\$ 4,625,333	4,625,333
	<u>\$ 55,559,449</u>	<u>\$ 2,606,736</u>	<u>\$ 10,791,970</u>	<u>\$ 13,228,559</u>	<u>\$ 2,807,768</u>	<u>\$ 4,625,333</u>	<u>\$ 89,619,815</u>

**Note 11: OTHER RECEIVABLES**

Other receivables as of June 30, 2012 and 2011 consist of the following amounts due to the College:

	<b>2012</b>	<b>2011</b>
Non-credit Corporate Sponsors	\$ 121,591	\$ 221,143
JFK Muhlenberg	324,623	67,938
Trinitas School of Nursing		64,180
Due from Other Counties	112,128	130,821
Insurance Receivable	227,855	170,000
Union County Improvement Authority	350,000	
Other	62,233	152,757
	<u>\$ 1,198,430</u>	<u>\$ 806,839</u>



**Note 12: OTHER POSTEMPLOYMENT BENEFITS**

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

**Note 13: RESTATEMENT OF FISCAL YEAR 2011 REVENUE AND EXPENSES**

The College changed its method of calculating the estimate of the scholarship allowance in FY 2012. The previous method included tuition waivers in the total of the scholarship allowance and the scholarship allowance reduces tuition; however the waivers already were applied to reduce gross tuition revenue. The FY 2011 amount was restated to use the new method. This resulted in a decrease in the scholarship allowance that results in an increase in net student tuition and fees revenue and an increase in student aid expense all in the amount of \$2,356,726 from previously reported amounts.

**Note 14: LITIGATION**

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

**Note 15: SUBSEQUENT EVENTS**

The College administers student financial aid programs under Title IV of the Higher Education Act 1965 and under the New Jersey Tuition Aid Grant Program and the New Jersey Educational Opportunities Fund. As noted within the Single Audit section of this Report of Audit, the College did not perform the return of federal Title IV funds completed, correctly or timely for all students as required in the FSA Handbook. In addition, notification to students of their federal and/or state awards was not documented in the financial aid system or the student files, nor was verification documentation maintained in the financial aid system or student files.

On October 22, 2012, the Department of Education (DOE) conducted an on-site Program Review of the College's administration of Title IV. The on-site Reviewer also reported that several returns of Title IV funds were not timely or accurate. The processes and procedures that led to the findings have been changed for the 2012-2013 financial aid year and the causes and resolutions have been documented to the DOE Program Reviewers. Their final written report is expected to be completed by January 31, 2013. The College believes that any penalties pertaining to these findings would be limited to interest on amounts not timely returned rather than loss of Title IV funding. Accordingly, it has reserved \$100 thousand for such potential. However, the College received \$33.2 million of Federal Title IV funding in Fiscal Year 2011-2012. If for any reason access to these funds was lost, a substantial burden would be placed on the institution because the College is reliant on this aid for the continued support of its students.

# **SINGLE AUDIT SECTION**

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2012**

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

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

**Compliance**

We have audited the Union County College's (the College) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the College's major federal and state programs for the fiscal year ended June 30, 2012. The College's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Department of the Treasury, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the Union County College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and New Jersey Circular 04-04-OMB and which are described in the accompanying Schedule of Findings and Questioned Costs as findings no.: 2012-1 and 2012-2.

**Internal Control Over Compliance**

Management of the Union County College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

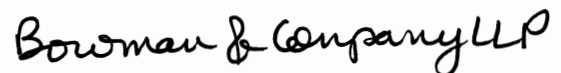
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as findings 2012-1 and 2012-2. 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 Union County College's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the College's response and, accordingly, we express no opinion on the response.

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
December 14, 2012

**UNION COUNTY COLLEGE**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>FY 2012 Expenditures</u>
<b>U.S. Department of Education:</b>			
<b>Student Financial Aid Cluster (Direct Funding):</b>			
Federal Supplemental Educational Opportunity Grants	84.007	P007A112620	\$ 259,275
Federal Direct Student Loans	84.268	P268K131820	9,308,106
Federal Pell Grant Program	84.063	P063P111820	23,320,900
Academic Competitiveness Grant	84.375	P375A101820	16,965
Federal Work-Study Program	84.033	P033A112620	255,213
Total Student Financial Aid Cluster			<u>33,160,459</u>
<b>Title V Funding (Direct Funding):</b>			
Title V, Developing Hispanic Serving Institutions	84.031	Not Applicable	482,386
Improving the Pipeline in Stem Education	84.031	Not Applicable	674,549
Total Title V Funding			<u>1,156,935</u>
Green Workforce Service - Curriculum Development (Direct Funding)	84.116	Not Applicable	170,143
<b>Passed Through State of New Jersey Department of Treasury:</b>			
Vocational Education - Perkins	84.048	PSF Consol 718511	670,479
<b>Passed Through State Department of Labor and Workforce Development:</b>			
<b>Adult Education and Family Literacy:</b>			
Adult Basic Skills (Includes \$248,731 Matching Share)	84.002	ABS-FY10106	905,699
<b>U.S. Department National Science Foundation:</b>			
<b>Passed Through Stevens Institute of Technology:</b>			
SFS Cybersecurity Scholars Program	47.076	2102081-01	38,654
<b>U.S. Department of Labor:</b>			
<b>Passed Through State of New Jersey Department of Education:</b>			
Community Based Job Training	17.269	CB-17360-08-60-A-34	80,747
<b>U.S. Department of Health and Human Services:</b>			
<b>Passed Through Bergen County Community College:</b>			
Northern New Jersey Health Professions Pathway Consortium	93.670	Not Applicable	644,125
<b>Passed Through County of Union, NJ:</b>			
WIA - Adult	17.258	Not Applicable	47,080
WIA - Dislocated Worker	17.260	Not Applicable	71,404
Total WIA Cluster			<u>118,484</u>
<b>U.S. Department of Housing and Urban Development:</b>			
<b>Community Block Development Cluster:</b>			
<b>Passed through County of Union, N.J.:</b>			
Community Block Development/Life Center	14.218	Not Applicable	11,603
Community Block Development/College for Teens	14.218	Not Applicable	75,000
Community Block Development/Senior Scholars	14.218	Not Applicable	94,901
<b>Passed through City of Elizabeth, N.J.:</b>			
Community Block Development/Life Center	14.218	Not Applicable	12,000
Total Community Development Block Grant			<u>193,504</u>
<b>Corporation for National and Community Service (Direct Funding):</b>			
AmeriCorps	94.006	Not Applicable	48,198
Total Federal Financial Assistance			<u>\$ 37,187,426</u>

See accompanying notes to financial statements and notes to schedules of expenditures of Federal Awards and State Financial Assistance.

**UNION COUNTY COLLEGE**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2012

<u>State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>State GMIS Number</u>	<u>Program or Award Amount</u>	<u>Program Funds Received</u>	<u>Grant Period From To</u>	<u>FY 2012 Expenditures</u>	<u>Cumulative Expenditures</u>
<b>Student Financial Aid Cluster:</b>						
<b>N.J. Commission on Higher Education:</b>						
Educational Opportunities Fund - Article III	100-074-2401-001	\$ 199,523	\$ 199,523	07/01/11 06/30/12	\$ 197,066	\$ 197,066
Educational Opportunities Fund - Summer	100-074-2401-001	107,856	107,856	07/01/11 06/30/12	106,879	106,879
<b>N.J. Higher Education Student Assistance Authority:</b>						
New Jersey Stars Program	100-074-2405-313	138,505	138,505	07/01/11 06/30/12	138,505	138,505
Tuition Aid Grants	100-074-2405-007	2,960,674	2,960,674	07/01/11 06/30/12	2,960,674	2,960,674
Garden State Scholars Program	100-074-2405-278	1,511	1,511	07/01/11 06/30/12	1,511	1,511
Urban Scholars Program	100-074-2405-278	4,069	4,069	07/01/11 06/30/12	4,069	4,069
NJ Class Loans	Not Available	193,513	193,513	07/01/11 06/30/12	193,513	193,513
<b>Total Student Financial Aid Cluster</b>					<u>3,602,217</u>	<u>3,602,217</u>
<b>N.J. Commission on Higher Education:</b>						
Educational Opportunities Fund - Article IV	100-074-2401-002	273,101	273,101	07/01/11 06/30/12	264,152	264,152
<b>N.J. Commerce and Economic Growth Commission, Urban Enterprise Zone Authority:</b>						
Passed through City of Elizabeth, NJ: Retail Skill Center	Not Available	297,900	262,355	09/01/11 08/31/12	210,072	210,072
<b>N.J. Department of Labor and Workforce Development:</b>						
Customized Training	CT110004	124,800	77,460	09/08/10 09/08/11	16,320	93,780
Passed through Rutgers, The State University of New Jersey	11129096	44,000	8,242	11/15/11 08/31/12	17,156	17,156
NJ Transportation Logistics - NJLWD						

(Continued)



## UNION COUNTY COLLEGE

Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2012

<u>State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>State GMIS Number</u>	<u>Program or Award Amount</u>	<u>Program Funds Received</u>	<u>Grant Period From To</u>	<u>FY 2012 Expenditures</u>	<u>Cumulative Expenditures</u>
<b>N.J. Department of Treasury - Vocational Education:</b> <b>Passed through County of Union, Department of Human Services:</b> <b>Work First New Jersey Cluster:</b> Job Search/Job Readiness (JS/JR) Cluster: TANF	11-WFNJ-111	\$ 98,208	\$ 98,208	07/01/11 09/30/11	\$ 98,208	\$ 98,208
AWEP Cluster:						
TANF	11-WFNJ-138	180,900	180,900	10/01/11 06/30/12	180,900	180,900
FS/GA/ABAWD - 09-WFNJ-123	11-WFNJ-122	71,400	71,400	07/01/11 09/30/11	71,440	71,440
FS/GA/ABAWD - 09-WFNJ-132	11-WFNJ-137	327,940	327,940	10/01/11 06/30/12	327,940	327,940
Total Work First New Jersey Cluster					580,280	580,280
					678,488	678,488
<b>N.J. Department of Human Services:</b> <b>Division of Workforce Development:</b> Workforce Learning Link Project - GED Fast Track Workforce Learning Link Project - GED Testing Center	11-WLL-100 11-WLL-101	31,500 32,000	31,500 32,000	07/01/11 06/30/12 07/01/11 06/30/12	31,500 32,000	31,500 32,000
					63,500	63,500
<b>N.J. Department of Treasury - Higher Education Administration:</b> Operational Costs - County Colleges Employer Contributions - Alternative Benefit Program FICA For Members of TPAF	100-082-2155-015 100-082-2155-017 100-082-2155-020	10,355,157 1,597,705 66,160	10,355,157 1,597,705 66,160	07/01/11 06/30/12 07/01/11 06/30/12 07/01/11 06/30/12	10,355,157 1,597,705 66,160	10,355,157 1,597,705 66,160
Total State Financial Assistance					12,019,023	12,019,023
					\$ 16,870,928	\$ 16,948,388

See accompanying notes to financial statements and notes to schedules of Federal Awards and State Financial Assistance.

**Union County College**  
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2012

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Note 1: **GENERAL**

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

Note 2: **BASIS OF ACCOUNTING**

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

Note 3: **RELATIONSHIP TO FINANCIAL STATEMENTS**

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

Note 4: **RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

Note 5: **STUDENT LOAN PROGRAMS**

The College is responsible only for the performance of certain administrative duties with respect to Federal Direct Student Loans; accordingly, these loans balances are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under this program as of June 30, 2012.

Note 6: **MAJOR PROGRAMS**

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

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ending June 30, 2012

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

**Financial Statements**

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   X   no

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

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over compliance:

Material weaknesses identified?        yes   X   no

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007</u>	<b>Student Financial Aid Cluster:</b> <u>Federal Suppl. Educational Opportunity Grant (FSEOG)</u>
<u>84.268</u>	<u>Federal Direct Student Loans (Direct Loans)</u>
<u>84.063</u>	<u>Federal Pell Grant Program (PELL)</u>
<u>84.033</u>	<u>Federal Work Study Program (FWS)</u>
<u>84.375</u>	<u>Academic Competitiveness Grant (ACG)</u>
<u>84.031</u>	<b>Title V Funding:</b> <u>Title V, Developing Hispanic Serving Institutions</u>
<u>84.031</u>	<u>Improving the Pipeline in Stem Education</u>

Dollar threshold used to determine Type A programs \$ 1,115,623.00

Auditee qualified as low-risk auditee?   X   yes        no

**UNION COUNTY COLLEGE**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ending June 30, 2012

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

**State Financial Assistance**

Internal control over compliance:

Material weaknesses identified?        yes   X   no

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

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

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

Identification of major programs:

<b><u>GMIS Numbers</u></b>	<b><u>Name of State Program</u></b>
<u>Unknown</u>	<b>Student Financial Aid Cluster:</b>
<u>100-074-2401-001</u>	<u>New Jersey College Loans to Assist State Students</u>
<u>100-074-2405-007</u>	<u>Educational Opportunity Fund (EOF) - Article III</u>
<u>100-074-2405-313</u>	<u>Tuition Aid Grant (TAG)</u>
<u>100-074-DS10-278</u>	<u>New Jersey Stars Program</u>
<u>100-074-US10-278</u>	<u>Distinguished Scholarship Program</u>
<u>100-082-2155-015</u>	<u>New Jersey Urban Scholarship Program</u>
<u>100-082-2155-017</u>	<u>Operational Costs - County Colleges</u>
	<u>Alternate Benefit Program</u>

Dollar threshold used to determine Type A programs \$ 506,128.00

Auditee qualified as low-risk auditee?   X   yes        no

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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

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

**No Current Year Findings**

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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

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

**Finding No. 2012-1**

**Information on the Federal Program**

Federal Direct Student Loans – CFDA 84.268

Federal PELL Grant Program – CFDA 84.063

**Criteria or Specific Requirement**

2011-12 FSA Handbook – Volume 4 – Overawards, Overpayments & Withdrawal Calculations, Chapter 2 – Withdrawals and Return of Title IV Funds

**Condition**

The Return of Title IV Funds calculations were not performed completely, correctly or timely for all students as required in the FSA Handbook and the refund of funds was not made timely.

**Questioned Costs**

None

**Context**

There were numerous personnel changes in the financial aid office during the audit year. The College engaged a financial aid consultant (also appointed as the Interim Financial Aid Director) to assist in this office during the year. The Interim Director determined certain items for the Return of Title IV Fund calculations were not completed correctly. During the testing of various Return of Title IV Fund calculations as well as examining student files, these items noted above were confirmed.

**Effect**

The College was not in compliance with the Return of Title IV Funds calculation requirements and the costs are subject to disallowance and refund.

**Cause**

Financial Aid office personnel did not follow the appropriate procedures and perform the calculations for all applicable students requiring Return of Title IV Funds calculations.

**Recommendation**

That the College develop and implement internal controls to assure that the Return of Title IV Funds calculations are performed for students as required in the FSA Handbook, that the required calculations are completed correctly and timely for all students as required and that refunds are made timely.

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

The responsible officials accept the recommendation.

**Corrective Action:**

A report that identifies all withdrawn students is generated on a weekly basis. This report is used to complete the Return to Title IV calculation in the College's Enterprise Planning Resource ("ERP") system. Once the return calculation is performed, it is determined what Financial Aid needs to be refunded to the Department of Education. Transmittal is run on a weekly basis and this process takes the appropriate amount of funds from the students account so that it can be returned.

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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

**Finding No. 2012-2**

**Information on the Federal Program**

Federal Direct Student Loans – CFDA 84.268

Federal PELL Grant Program – CFDA 84.063

Federal Supplemental Education Opportunity Grants (SEOG) – CFDA 84.007

Federal Work-Study Program (FWS) – CFDA 84.033

**Criteria or Specific Requirement**

2011-12 FSA Handbook – Volume 4 – Processing Aid and Managing Federal Student Aid Funds, Chapter 1 – Disbursing Federal Student Aid Funds

2011-12 Application and Verification Guide –Chapter 4 – Verification

**Condition**

During the test of eligibility the following items were noted: (a) Award letters sent to the students to inform them of their financial aid for the school year was not documented in the financial aid system or the student files to show they were notified and (b) Documentation for verification, in accordance with the guide, was not maintained in the financial aid system or the student files.

**Questioned Costs**

None

**Context**

A sample of 48 students was selected for the test of eligibility. The test found that award letter notification was not documented for 21 students. In addition, the test found that two out of sixteen students selected for verification did not have any documentation that it was completed in the student's file.

**Effect**

The financial aid received is subject to disallowance and refund to the appropriate federal or state agency.

**Cause**

Financial Aid office personnel did not follow the appropriate procedures for maintaining documentation of notification of aid awarded and for student verification. This was the first year of implementation for a new financial aid system, procedures were not updated and the financial aid office staff was not adequately trained. Along with these items, there were numerous personnel changes in the financial aid office which made it more difficult to locate files.

**Recommendation**

That the College establishes procedures and internal controls to assure that the notification of aid award letter sent to students is documented in the financial aid system and that proper verification is completed for all students and documentation is maintained in their files as required.

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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

**Finding No. 2012-2 (Cont'd)**

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

The responsible officials accept the recommendation.

**Corrective Action:**

The Financial Aid Office has a systematic process for packaging and notifying students of their Financial Aid award. The award is completed in the system and the student is notified of their Financial Aid award through an email message sent to their College email account. The email message is tracked on a screen in the ERP system so it can be determined that an award notification was made. In addition, there is an error report that identifies students that the Department of Education is unable to pay due to incomplete verification and this report is reviewed on a weekly basis. If a student is identified with incomplete verification, then their Financial Aid is cancelled and a request is sent to the student for additional items to complete their file. They are not re-awarded until their verification items have been submitted and file is deemed accurate. Submitted verification materials are retained in student files. There will be electronic student files of these verification materials as part of the College's imaging project.



**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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

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

**Finding No. 2012-2**

**Information on the State Program**

New Jersey Tuition Aid Grant Program (TAG) – GMIS 100-074-2405-007

New Jersey Educational Opportunities Fund – Article III (EOF) – GMIS 100-074-240-001

**Criteria or Specific Requirement**

N.J.A.C. Title 9A. Chapter 9 Subchapter 2.5: Student Notification - TAG

N.J.A.C. Title 9A. Chapter 9 Subchapter 2.7: Verification of family financial data - TAG

N.J.A.C. Title 9A. Chapter 11 Subchapter 6.5: Article III student grant notification and payment – EOF

**Condition**

During the test of eligibility the following items were noted: (a) Award letters sent to the students to inform them of their financial aid for the school year was not documented in the financial aid system or the student files to show they were notified and (b) Documentation for verification, in accordance with the guide, was not maintained in the financial aid system or the student files.

**Questioned Costs**

None

**Context**

A sample of 48 students was selected for the test of eligibility. The test found that award letter notification was not documented for 21 students. In addition, the test found that two out of sixteen students selected for verification did not have any documentation that it was completed in the student's file.

**Effect**

The financial aid received is subject to disallowance and refund to the appropriate federal or state agency.

**Cause**

Financial Aid office personnel did not follow the appropriate procedures for maintaining documentation of notification of aid awarded and for student verification. This was the first year of implementation for a new financial aid system, procedures were not updated and the financial aid office staff was not adequately trained. Along with these items, there were numerous personnel changes in the financial aid office which made it more difficult to locate files.

**Recommendation**

That the College establishes procedures and internal controls to assure that the notification of aid award letter sent to students is documented in the financial aid system and that proper verification is completed for all students and documentation is maintained in their files as required.

**UNION COUNTY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

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***Section 4- Schedule of State Financial Assistance Findings and Questioned Costs (Cont'd)***

**Finding No. 2012-2 (Cont'd)**

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

The responsible officials accept the recommendation.

**Corrective Action:**

The Financial Aid Office has a systematic process for packaging and notifying students of their Financial Aid award. The award is completed in the system and the student is notified of their Financial Aid award through an email message sent to their College email account. The email message is tracked on a screen in the ERP system so it can be determined that an award notification was made. In addition, there is an error report that identifies students that the Department of Education is unable to pay due to incomplete verification and this report is reviewed on a weekly basis. If a student is identified with incomplete verification, then their Financial Aid is cancelled and a request is sent to the student for additional items to complete their file. They are not re-awarded until their verification items have been submitted and file is deemed accurate. Submitted verification materials are retained in student files. There will be electronic student files of these verification materials as part of the College's imaging project.

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

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

**FINANCIAL STATEMENT FINDINGS**

No Prior Year Findings

**FEDERAL AWARDS**

**Finding No. 2011-1**

**Programs**

Federal Direct Student Loans – CFDA 84.268

Federal PELL Grant Program – CFDA 84.063

**Condition**

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

**Current Status**

This condition has not been resolved. (See Finding 2012-1)

**STATE FINANCIAL ASSISTANCE PROGRAMS**

No Prior Year Findings

28800

**ACKNOWLEDGEMENT**

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

Respectfully submitted,

*Bowman & Company LLP*

Bowman & Company LLP  
Certified Public Accountants  
& Consultants

