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2013 REPORT OF AUDIT

Union County College

Transforming Our Community... One Student at a Time

FISCAL YEAR ENDED JUNE 30, 2013 • CRANFORD, NEW JERSEY

UNION COUNTY COLLEGE
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FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

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OTHER COLLEGE OFFICIALS

AS OF JUNE 30, 2013

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 / Assistant Vice President, Plainfield Campus

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

Dr. John R. Woznicki, Provost / Assistant Vice President Academic Affairs, Cranford Campus

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

Vacant, Executive Director, Assessment Planning & Research

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

Vacant, Executive Director of Union County College Foundation

James R. Reardon, Chief Information Officer

Financial Section

For the Fiscal Year Ended June 30, 2013

BOWMAN & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Union County College (the "College"), a component unit of the County of Union, State of New Jersey, as of and for the fiscal years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Union County College as of June 30, 2013 and 2012, and the respective results of their operations and cash flows, where applicable, for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2013, the College adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and *Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table on 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, on our consideration of Union County College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 5, 2013

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Union County College (the "College"), in the County of Union, State of New Jersey, as of and for the fiscal years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 5, 2013. The financial statements of the discretely presented component unit (Union County College Foundation) for the fiscal year ended June 30, 2013 and 2012 were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 5, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Union County College

Management's Discussion and Analysis

June 30, 2013 and 2012

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, 2013 and June 30, 2012. This analysis is designed to focus on current activities, resulting changes and currently known facts. Please read it in conjunction with the College's Basic Financial Statements, Notes to the Financial Statements and its Independent Auditors' Report. College management is responsible for the completeness and fairness of this information.

Overview of the Basic Financial Statements

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

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

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

				2013 vs. 2012	
Key Financial Data ($000)	**2013**	**2012**	**2011**	**Inc/(Dec)**	**% Change**
Operating Revenues	$ 64,442	$ 61,733	$ 63,380	2,709	4.4%
Educational and General Expense	91,162	88,829	89,163	2,333	2.6%
Operating (Loss)	(26,720)	(27,096)	(25,783)	376	1.4%
Non-Operating Revenues	23,644	23,329	23,439	315	1.4%
Capital Contributions and Grants	1,349	1,488	709	(139)	-9.3%
Increase (Decrease) in Net Position	(1,727)	(2,279)	(1,635)	552	24.2%
Net Position Beginning of Year	94,922	97,201	98,836		
Net Position End of Year	$ 93,195	$ 94,922	$ 97,201	(1,727)	-1.8%

The preceding table summarizes key financial data for fiscal years ended June 30, 2013 ("FY 2013"), June 30, 2012 ("FY 2012"), and June 30, 2011 ("FY 2011"). Comparisons represented above show FY 2013 contrasted with FY 2012 with dollar and percentage changes. This schedule is prepared from the College's Statements of Revenues, Expenses and Changes in Net Position, which are presented on an accrual basis of accounting, including depreciation.

				2013 vs. 2012	
Operating Revenues ($000)	**2013**	**2012**	**2011**	**Inc/(Dec)**	**% Change**
Tuition & Fees (net of Scholarship Allowance)	$ 28,610	$ 25,623	$ 28,971	2,987	11.7%
Federal Grants	27,735	27,736	26,224	(1)	0.0%
State Grants	4,409	4,650	5,219	(241)	-5.2%
Local Grants	1,382	1,548	910	(166)	-10.7%
Gifts and Contributions	468	291	381	177	60.8%
Other Operating Revenues	1,838	1,885	1,675	(47)	-2.5%
Total Operating Revenues	$ 64,442	$ 61,733	$ 63,380	2,709	4.4%

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

- Student Tuition and Fees revenues increased 2.75% from $109 per in county credit hour to $112 per in county credit hour. This accounted for $1.3 million of the increase year over year. The scholarship allowance for FY 2013 decreased $1.2 million which resulted from lower refunds issued to students to determine that portion of the student's aid that is an expense of the institution. In addition, bad debt expense which is now stated as a contra revenue account is down $1.0 million year over year since FY 2012 included an additional $800 thousand reserve for a late filing of a 2010-2011 PELL receivable.

- State grant revenue is down $241 thousand or 5.2% in FY 2013 as compared to FY 2012. This is due primarily from a decrease in State funded vocational education contracts with the County of Union which are part of Work First New Jersey. This decrease year over year was $395 thousand.

- Revenues from local grants decreased $166 thousand or 10.7%. $60 thousand was spent on furniture for the Library and the Commons and another $60 thousand was used to purchase computers and lab equipment for the allied health science programs. $42 thousand was used to furnish the media classrooms with equipment as well as purchase addition equipment for the maintenance of the college campus grounds.

- Gifts and contribution revenues increased $177 thousand year over year primarily from an increase of $83 thousand in the Kellogg scholarship award for FY 2013. In addition, there is an overall increase in outside scholarships of $117 thousand year over year.

Total Operating Revenues decreased $1.6 million in FY 2012 from FY 2011. The principal reasons for the decrease 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. In addition, bad debt expense, as restated, increased $1.5 million resulting from an $800 thousand reserve for 2010-2011 PELL coupled with

- ❖ 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 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.

Operating Expense ($000)	2013	2012	2011	2013 vs. 2012 Inc/(Dec)	2013 vs. 2012 % Change
Instructional	$ 36,050	$ 36,746	$ 37,248	(696)	-1.9%
Public Service	2,026	1,995	1,948	31	1.6%
Academic Support	5,431	5,166	5,176	265	5.1%
Student Services	6,944	6,512	5,928	432	6.6%
Institutional Support	10,546	10,926	11,263	(380)	-3.5%
Plant	10,917	10,525	9,653	392	3.7%
Student Aid	12,721	11,546	13,228	1,175	10.2%
Depreciation	5,722	5,024	4,625	698	13.9%
Total Operating Expenses	90,357	88,440	89,069	1,917	2.2%
Interest on Capital Asset Related Debt	805	389	94	416	106.9%
Total Operating Expenses	$ 91,162	$ 88,829	$ 89,163	2,333	2.6%

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

- Instructional Expenses decreased $696 thousand or 1.9%. Soft labor costs are down $309 thousand resulting from the ongoing effort of the Vice President of Academic Affairs to fully utilize classroom capacity and cancel low enrolled classes and maintain the faculty overload in accordance with the contract. Full time faculty costs have decreased $335 thousand year over year resulting from replacing vacancies with instructor level positions which have a lower starting salary since the full time faculty headcount year over year is virtually flat.

- Academic Support increased $ 265 thousand or 5.1% year over year. This variance is primarily a result of higher salary and benefit expenses partially resulting from the hiring of the Cranford Provost in early FY 2013 accounting for $113 thousand. In addition, there

- Student Services increased $432 thousand or 6.6% resulting primarily from filling four full time administrative positions that were vacant in the Financial Aid department for the majority of FY 2012. This cost increase including fringe benefits was approximately $230 thousand. In addition, there was an increase in costs of $173 thousand year over year in FY 2013 for Financial Aid Services that resulted from outsourcing the management of the financial aid department for a portion of FY 2012 and to act as transition management into FY 2013.

- Institutional Support decreased $380 thousand from $10.9 million in FY 2012 to $10.5 million in FY 2013. There were $406 thousand of Datatel consulting and travel costs that occurred in FY 2012 that were necessary for the ERP implementation, but not part of the initial project. These consulting expenses were primarily for the Admissions, Records and Registration areas as well as Financial Aid.

- Plant Costs increased $392 thousand or 3.7%. There was an increase in the custodial maintenance costs in the Kellogg Building of $96 thousand. In addition, there were increase in salaries and fringe costs of $273 thousand related primarily to six vacancies in the facilities department and public safety.

- Student Aid increase $1.2 million from $11.5 million in FY 2012 to $12.7 million in FY 2013. This results from the decrease in student refunds of $1.0 million used to determine that portion of financial aid that is truly an expense of the institution coupled with a decline in the PELL aid award year over year. The maximum PELL award has remained the same year over year at $5,550. However, with the increase in tuition costs of 2.75%, less PELL award funds are available for cost of living expenses.

- Increase in the Interest on Capital Asset Related Debt of $416 thousand results from first full year use and payment towards the Special Use Easement Agreement for the exclusive use of 600 parking spaces in the City of Elizabeth parking garage adjacent to the College's Lessner building on its Elizabeth campus.

Operating Expenses in FY 2012 decreased $334 thousand over the same period in FY 2011. The
major areas of change were:

- Instructional Expense decreased $502 thousand or 1.3%, 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 $872 thousand or 9.0% 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 as 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 fewer funds available toward the remaining components of the cost of attendance utilized in the financial aid calculation.

- Institutional Support decreased $337 thousand in FY 2012 over FY 2011 resulting from reimbursement for adjunct ABP and the college reimbursement for FY2012 was $175 thousand. Additionally, $180 thousand less was spent on advertising in FY 2012 as compared to FY 2011 resulting from a change in marketing strategy and the reduction in advertising mediums used by the College Relations department.

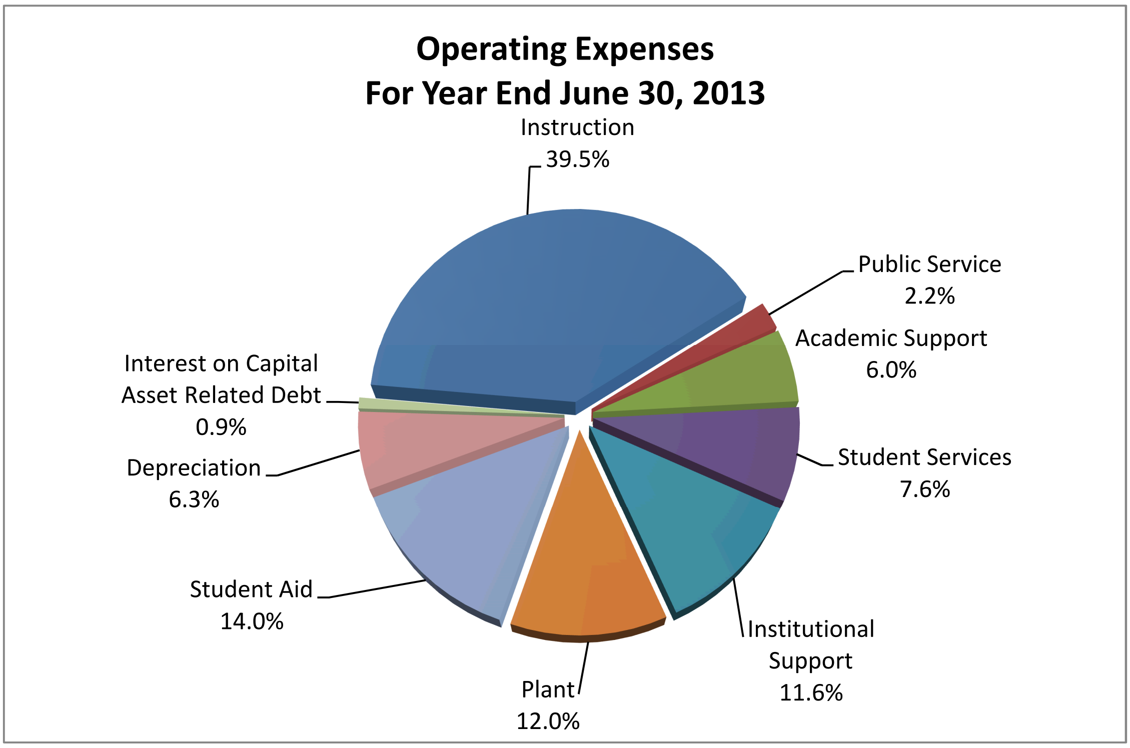
- Increase in the Interest on Capital Asset Related Debt of $295 thousand was the result of initiation of payments in 2012 under the Special Use Easement Agreement for the use of 600 parking spaces in the City of Elizabeth parking garage.

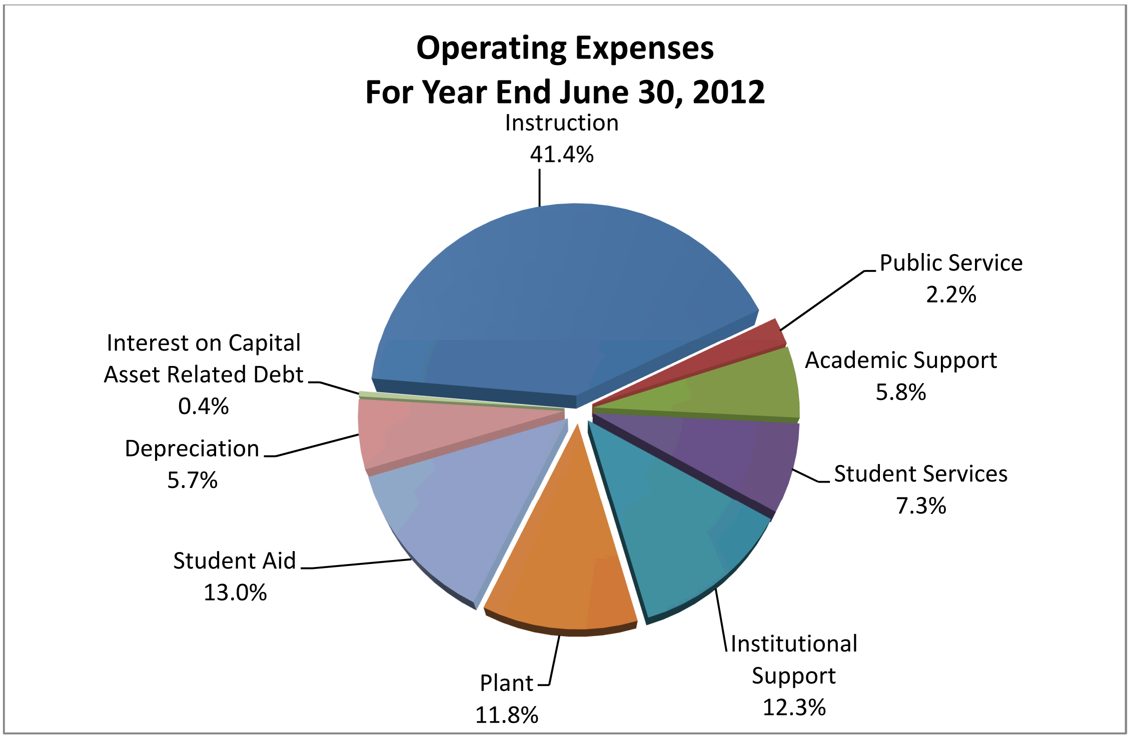
Union County College

Management's Discussion and Analysis

June 30, 2013 and 2012

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

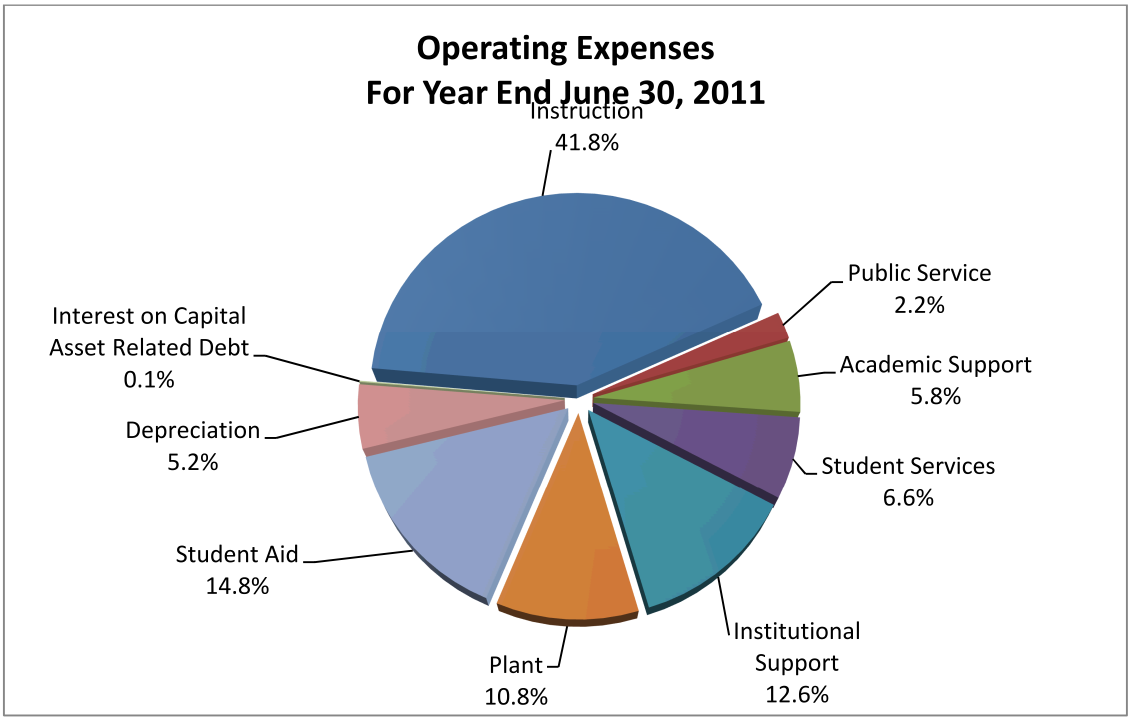




Union County College

Management's Discussion and Analysis

June 30, 2013 and 2012



Operating Loss

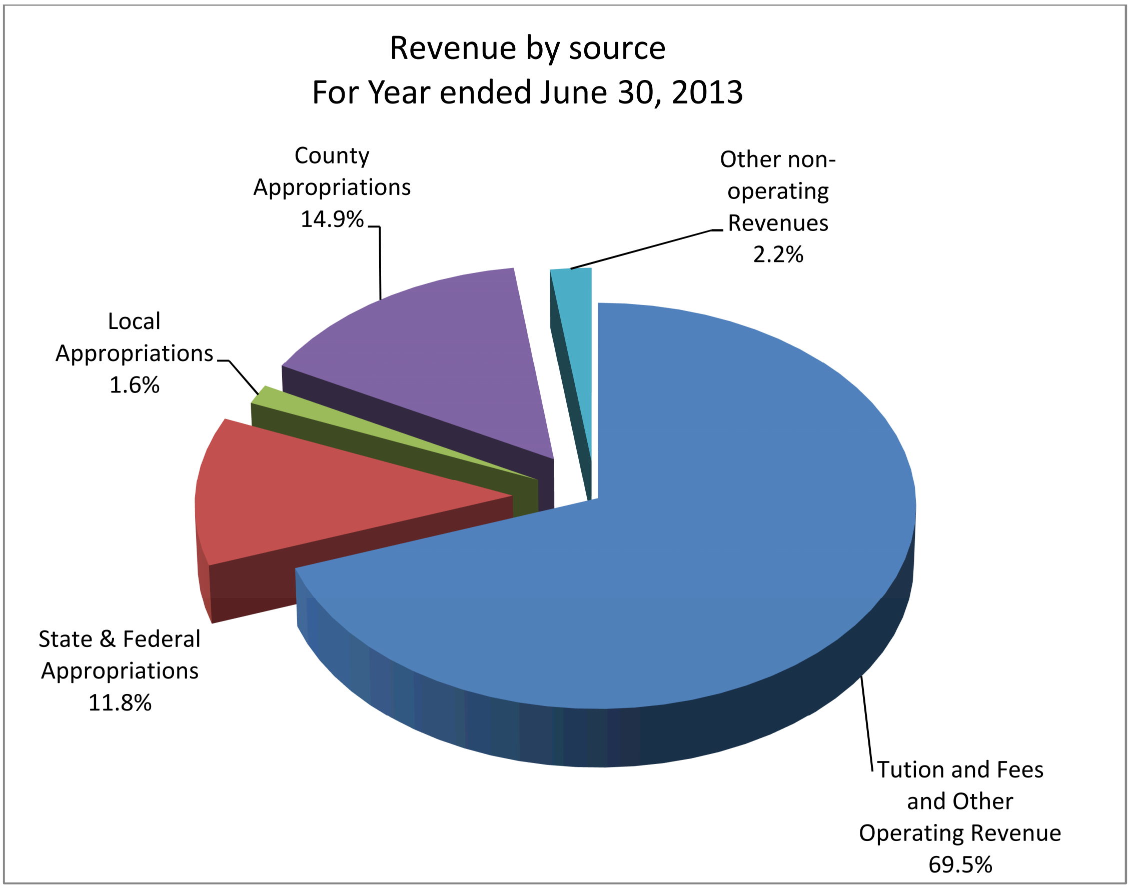
The College reported an operating loss of $25.9 million in FY 2013 as compared to a loss of $26.7 million in FY 2012. The continual magnitude of this loss reinforces the dependence and importance to the institution of two major components of non-operating revenue - the State and County Appropriations. 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.

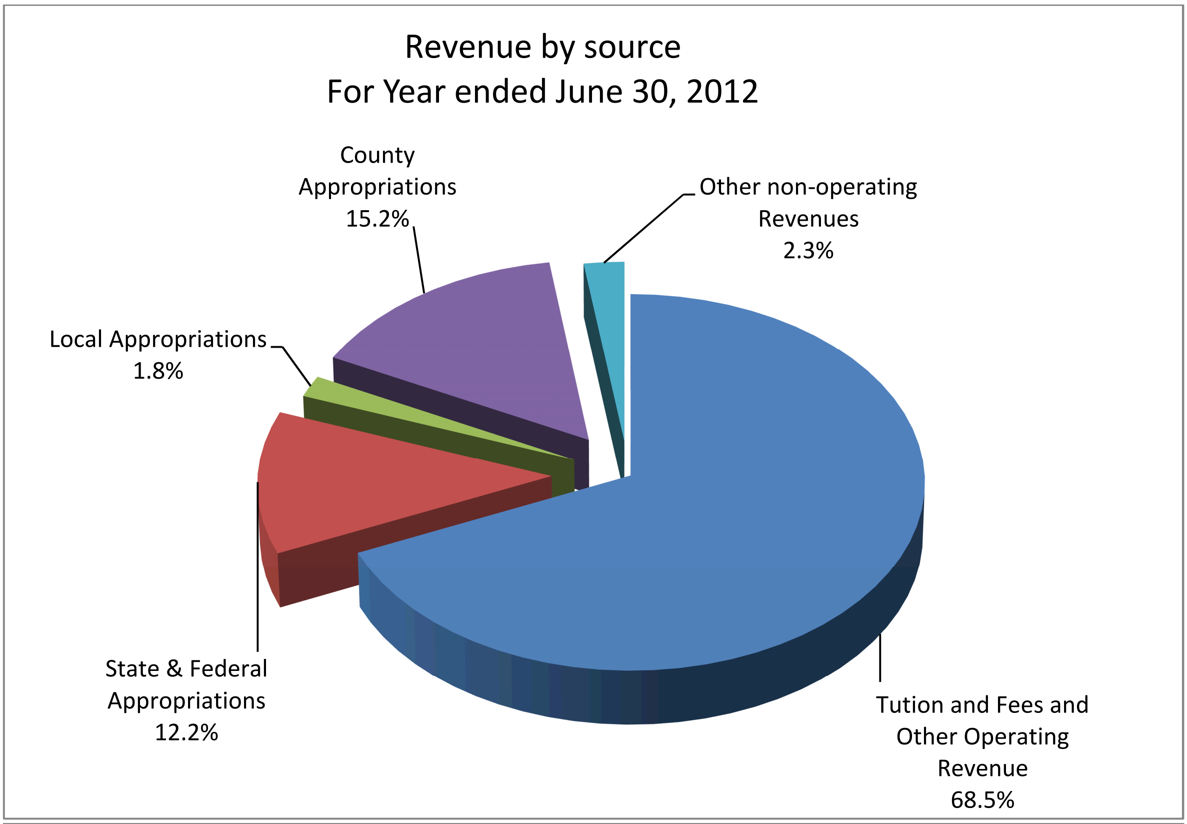
				2013 vs. 2012	
Non-Operating Revenues ($000)	**2013**	**2012**	**2011**	**Inc/(Dec)**	**% Change**
State Appropriations	$ 10,413	$ 10,355	$ 10,602	58	0.6%
Federal Appropriations	-	-	-	-	
State and Federal Appropriations	10,413	10,355	10,602	58	0.6%
County Appropriations	13,144	12,886	12,733	258	2.0%
Investment Income	87	88	104	(1)	-1.1%
Total Non-Operating Revenues	$ 23,644	$ 23,329	$ 23,439	315	1.4%

The College relies on non-operating revenue to subsidize the cost of education for its students. Chief among these revenues are the Appropriations of County and State aid. Funding from non-operating revenues increased $315 thousand, or 1.4%, in FY 2013. The impact of flat or little growth in Appropriations of State funds puts added pressure on the College's Tuition and Fee structure because income from students, inclusive of third party payments on their behalf, provides only 69% of the College's operating expense. The College received a 2% increase in aid from the County of Union.

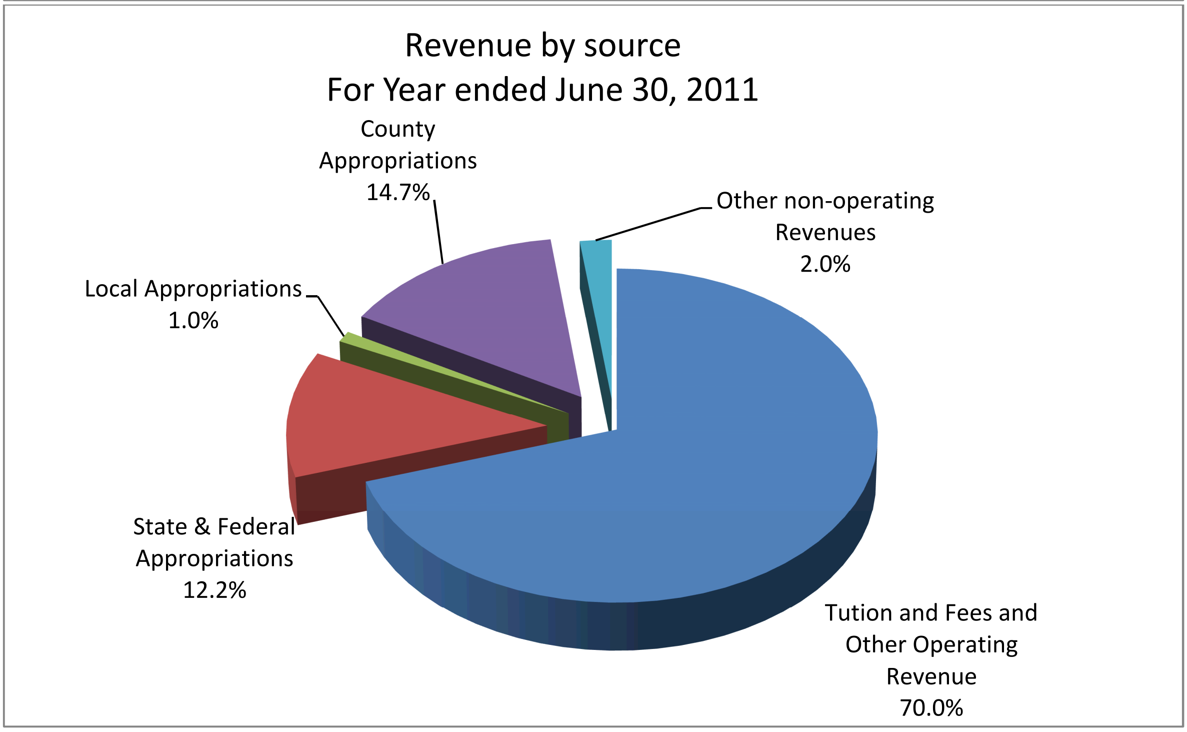
New Jersey State Appropriations for the Community College Sector has remained level between FY 2012 to FY 2011. State Appropriations are allocated among the State's community colleges based upon a formula that includes the preceding year's credit hours. The net decrease of $247 thousand in the College's 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.

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





Revenue by source
For Year ended June 30, 2012
County Appropriations 15.2%
Other non-operating Revenues 2.3%
Local Appropriations 1.8%
State & Federal Appropriations 12.2%
Tution and Fees and Other Operating Revenue 68.5%



Revenue by source
For Year ended June 30, 2011
County Appropriations 14.7%
Other non-operating Revenues 2.0%
Local Appropriations 1.0%
State & Federal Appropriations 12.2%
Tution and Fees and Other Operating Revenue 70.0%

Capital Contributions and Grants

Capital Contributions and Grants decreased $140 thousand in FY 2013 as compared to FY 2012. This resulted primarily from the replacement of 36 copiers in FY 2012 for $323 thousand. Capital contributions and grants increased $779 thousand when comparing FY 2012 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.

				2013 vs. 2012	
Net Position ($000)	**2013**	**2012**	**2011**	**Inc/(Dec)**	**% Change**
Current Assets	$ 31,065	$ 28,711	$ 27,450	2,354	8.2%
Non-current Assets:					
Capital assets, net of depreciation	89,686	94,035	97,370	(4,349)	-4.6%
Total Assets	120,751	122,746	124,820	(1,995)	-1.6%
Current Liabilities	11,342	11,445	11,125	(103)	-0.9%
Non-current Liabilities	16,214	16,379	16,494	(165)	-1.0%
Total Liabilities	27,556	27,824	27,619	(268)	-1.0%
Capital Assets - Net Position	72,924	77,273	80,608	(4,349)	-5.6%
Unrestricted - Net Position	20,271	17,649	16,593	2,622	14.9%
Total Net Position	$ 93,195	$ 94,922	$ 97,201	(1,727)	-1.8%

Current Assets increased $2.4 million or 8.2% year over year. This results from an increase in the cash balance at June 30, 2013 of $1.0 million. Coupled with this is the increase in the grants receivable balance of $1.4 million when comparing FY 2013 to FY 2012. This increase resulted from a late drawdown of financial aid for aid year 2012-2013 of $1.8 million for PELL. Net Capital Assets are down $2.0 million resulting from an additional $5.7 million in depreciation expense offset by additions of $1.4 million.

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.

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 2013 student enrollment decreased 2.2% and the Fall 2013 enrollment has decreased 1.0% compared to the preceding Fall semester. Further, the College instituted a flat rate fee for all college credits that a student enrolls in between 12 to 18. This is a means to encourage students to take possibly three more credits for the same price and thereby, complete their education timely leading towards graduation. Enrollment in FY 2013 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 2014. There is a noticeable increase of part time students versus full time students. This shift continues in FY 2014.

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 2013 along with class consolidation and higher utilization of classroom capacity. This will be an ongoing process throughout FY 2014. 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. In addition, multi- peril insurance premiums will increase 21% resulting from various claims that have taken place at the College, some of which have been storm related.

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 2014.

The College is planning a 36,000 square foot building to provide a comprehensive "One Stop" center for student services along with additional space for classrooms and faculty/staff offices on the Cranford campus. In addition, FY 2013 "Chapter 12" funds in the amount of $1.5 million will be used to rebuild and renovate the Plainfield campus along with approximately $700 thousand of anticipated insurance proceeds from a fire that occurred on that campus. $4.5 million of FY 2014 Chapter 12 will be utilized in a renovation of the first and lower floors of the Lessner building so as to reconfigure registration and counseling functions on the Elizabeth 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 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 Position
As of June 30, 2013 and 2012

	2013		2012	
	College	**Component Unit UCC Foundation**	**College**	**Component Unit UCC Foundation**
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 22,804,712	$ 233,113	$ 21,811,130	$ 132,045
Investments		3,880,151		3,072,877
Student Accounts Receivable, net	1,350,199		1,813,084	
Grants Receivable	4,184,111		2,770,518	
State of New Jersey Receivable:				
Alternative Benefit Program	384,608		583,463	
County of Union Receivable	111,910		509,009	
Other Receivables	2,221,911	28,826	1,198,430	44,799
Other Assets	7,233	162,263	25,439	148,583
	31,064,684	4,304,353	28,711,073	3,398,304
Non-Current Assets:				
Endowment Investments		8,586,712		8,420,737
Other Receivables		5,069		5,000
Capital Assets, net	89,685,704	584,361	94,035,369	588,317
	89,685,704	9,176,142	94,035,369	9,014,054
Total Assets	120,750,389	13,480,495	122,746,442	12,412,358
LIABILITIES				
Current Liabilities:				
Accounts Payable	4,500,020		4,427,608	
Accrued Expenses	5,693,027	288,345	5,953,807	168,102
Due to State of New Jersey	359,048		305,523	
Unearned Revenue:				
Student Tuition and Fee Revenue	455,678	8,200	204,995	3,500
Federal and State Grant Revenue	169,382		438,215	
Capital Lease, Current Portion	165,294		115,217	
	11,342,448	296,545	11,445,365	171,602
Non-Current Liabilities:				
Capital Lease, Non-Current Portion	16,213,788		16,379,049	
Gift Annuity Fund Payable		21,953		27,548
	16,213,788	21,953	16,379,049	27,548
Total Liabilities	27,556,237	318,498	27,824,414	199,150
NET POSITION				
Net Investment in Capital Assets	72,923,592	584,361	77,273,257	588,317
Restricted for:				
Non-Expendable:				
Program		837,813		849,063
Scholarships		7,748,899		7,571,674
Expendable:				
Program		21,001		11,999
Scholarships		1,052,696		187,698
Other		2,155,187		2,199,380
Unrestricted	20,270,559	762,040	17,648,771	805,077
Total Net Position	$ 93,194,152	$ 13,161,997	$ 94,922,028	$ 12,213,208

The accompanying notes to financial statements are an integral part of this statement.

UNION COUNTY COLLEGE
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2013 and 2012

	2013		2012	
	College	**Component Unit UCC Foundation**	**College**	**Component Unit UCC Foundation**
REVENUES				
Operating Revenues:				
Student Tuition and Fees	$ 43,487,465		$ 41,749,661	
Less Scholarship Allowances	(14,877,587)		(16,125,648)	
Net Student Tuition and Fees	28,609,878		25,624,013	
Federal Grants	27,734,690		27,702,414	
State Grants	4,409,161		4,649,581	
Local Grants	1,382,042		1,548,293	
Gifts and Contributions	468,022	$ 518,061	290,692	$ 356,327
Other	1,838,333		1,883,602	
Total Operating Revenue	64,442,126	518,061	61,698,595	356,327
EXPENSES				
Operating Expenses:				
Educational and General:				
Instructional	36,049,659		36,744,695	
Public Service	2,026,181		1,995,301	
Academic Support	5,431,344		5,166,876	
Student Services	6,944,047		6,512,149	
Institutional Support	10,546,001		10,926,229	
Operations and Maintenance of Plant	10,917,093		10,524,044	
Student Aid	12,720,594	510,337	11,545,753	300,719
Depreciation	5,722,340	3,956	5,023,716	3,956
Other Expenses		461,341		475,526
Total Operating Expenses	90,357,258	975,634	88,438,763	780,201
Operating (Loss)	(25,915,131)	(457,573)	(26,740,168)	(423,874)
NON-OPERATING REVENUES (EXPENSES)				
State Appropriations	10,412,720		10,355,157	
County Appropriations	13,143,618		12,885,900	
Federal Appropriations			34,250	
Investment Income	87,223	1,240,387	88,024	261,270
Interest on Capital Asset Related Debt	(804,817)		(389,495)	
Additions to Permanent Endowments		165,975		217,597
On-Behalf Payments - Alternate Benefit Program:				
Teachers Insurance Annuity Association (TIAA):				
Revenues	1,587,828		1,926,302	
Expenses - Faculty	(1,415,491)		(1,597,705)	
Expenses - Adjuncts	(172,337)		(328,597)	
Net Non-Operating Revenues (Expenses)	22,838,744	1,406,362	22,973,836	478,867
Income (Loss) before Other Revenues	(3,076,387)	948,789	(3,766,332)	54,993
CAPITAL GRANTS AND CONTRIBUTIONS	1,348,511		1,487,860	
Increase (Decrease) in Net Position	(1,727,876)	948,789	(2,278,472)	54,993
Net Position - Beginning of Year	94,922,028	12,213,208	97,200,500	12,158,215
Net Position - End of Year	$ 93,194,152	$ 13,161,997	$ 94,922,028	$ 12,213,208

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, 2013 and 2012

	2013 College	2012 College
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Student Revenue	$ 17,242,011	$ 15,483,455
Receipts from Government Grants	32,112,300	32,976,374
Payments to Suppliers	(17,523,064)	(18,346,029)
Payments for Employee Salaries and Benefits	(55,843,416)	(55,210,448)
Receipts from Gifts and Contributions	468,022	290,692
Other Receipts (Payments)	1,838,332	1,883,602
Net Cash Used in Operating Activities	(21,705,815)	(22,922,354)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	10,412,720	10,355,157
County Appropriations	13,143,618	12,885,900
Federal Appropriations		34,250
Net Cash Provided by Noncapital Financing Activities	23,556,338	23,275,307
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	1,348,511	1,487,860
Purchase of Capital Assets	(1,372,675)	(1,689,012)
Principal Paid on Debt	(115,183)	(110,505)
Interest Paid on Long-term Debt	(804,817)	(389,495)
Net Cash Used in Capital and Related Financing Activities	(944,164)	(701,152)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	87,223	88,024
Net Cash Provided by Investing Activities	87,223	88,024
Net Increase (Decrease) in Cash and Cash Equivalents	993,582	(260,175)
Cash and Cash Equivalents - Beginning of Year	21,811,130	22,071,305
Cash and Cash Equivalents - End of Year	$ 22,804,712	$ 21,811,130
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	$ (25,915,131)	$ (26,740,168)
Adjustment to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	5,722,340	5,023,716
Changes in Assets and Liabilities:		
Receivables, net	(1,360,030)	(1,521,611)
Accounts Payable and Accrued Expenses	(134,844)	897,131
Unearned Revenue:		
Student Tuition and Fees	250,683	(369,805)
Federal and State Grants	(268,833)	(211,617)
Net Cash Used in Operating Activities	$ (21,705,815)	$ (22,922,354)

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, 2013 and 2012

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 6,300 full-time and 11,400 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 when 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.

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.

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

Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D</u>

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

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

During the fiscal years ended June 30, 2013 and 2012, the Foundation distributed $510,337 and $300,719 respectively, to the College for both restricted and unrestricted purposes.

The individual report of audit of the Foundation for the fiscal year ended June 30, 2013 can be obtained at the Foundation offices; Union County College Foundation, 1033 Springfield Avenue Cranford, New Jersey 07016.

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

<u>Basis of Accounting and Measurement Focus</u> - 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.

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

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

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

Cash and Cash Equivalents and Investments (Cont'd)

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

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

Prepaid Expenses - Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

Tuition Each year the Board of Trustees sets tuition rates based upon full-time enrollment or part-time enrollment on a per credit hour rate or other basis. Rates vary based upon residence within Union County, out of county and out of state. Tuition revenue is earned in the fiscal year in which the classes begin.

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

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

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

Capital Assets - Capital Assets include property, plant equipment and infrastructure assets, such as roads and sidewalks. Capital Assets are defined by the College as assets with an initial unit cost of $2,500 or more and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Depreciation expense for the fiscal years ending June 30, 2013 and 2012 was $5,722,340 and $5,023,716 respectively.

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

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

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

Reclassifications – Certain expenses for fiscal year 2012 were reclassified to be comparable to fiscal year 2013.

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, 2013 and 2012 was $1,604,916 and $2,567,452 respectively.

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

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

Scholarship Discounts and Allowances - Student tuition and fee revenues are reported net of scholarship discount and allowances in the statement of revenues, expenses and changes in net position. Scholarship discount and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, as well as other federal grants and state grants, are recorded as 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, 2013 and 2012 was $14,877,587 and $16,125,648 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 Alternate Benefit Program.

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

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

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.

Net Position

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

Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

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

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

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements.* GASBS 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The College does not have any SCA's and therefore the adoption of GASBS 60 does not have any impact on the College's financial statements.

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

Impact of Recently Issued Accounting Principles (Cont'd)

Recently Issued and Adopted Accounting Pronouncements (Cont'd)

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34.* GASBS 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. The adoption of GASBS 61 does not have any impact on the College's financial statements.

In December 2010, the GASB issued Statement 62, C*odification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* GASBS 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011. The adoption of GASBS 62 does not have any impact on the College's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* GASBS 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. This Statement is effective for financial statements for periods beginning after December 15, 2011. The adoption of GASBS 63 does not have a material impact on the College's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities.* GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The College elected to early implement GASBS 65 effective for fiscal year 2013. The adoption of GASBS 65 does not have a material impact on the College's financial statements.

In March 2012, the GASB issued Statement 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62.* GASBS 66 is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Position and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. This Statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this Statement on the College's financial statements although no impact is expected.

Note 1: <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)</u>

<u>Impact of Recently Issued Accounting Principles (Cont'd)</u>

Recently Issued and Adopted Accounting Pronouncements (Cont'd)

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25.* GASBS 67 is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. This Statement is effective for periods beginning after June 15, 2013. The College does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the College's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27.* GASBS 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, this Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on the College's financial statements and expects the impact to be material.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASBS 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the College's financial statements although no impact is expected.

In April 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* GASBS 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the College's financial statements although no impact is expected.

Note 2: CASH AND CASH EQUIVALENTS

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

As of June 30, 2013 and 2012 the College's bank balances were exposed to custodial credit risk as follows:

	2013	2012
Insured	$ 1,028,595	$ 1,026,079
Collateralized under GUDPA	22,279,329	21,698,860
	$ 23,307,924	$ 22,724,939

Note 3: CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets by source at June 30, 2013 and 2012:

	Balance July 1, 2012	Increases	Decreases	Adjustments	Balance June 30, 2013
Capital Assets, Non-Depreciable:					
Land	$ 4,438,162				$ 4,438,162
Construction in Progress	447,975	$ 100,620		$ (430,481)	118,114
	4,886,137	100,620	-	(430,481)	4,556,276
Capital Assets, Depreciable:					
Building and Improvements	123,306,164	1,110,817		430,477	124,847,458
Intangible Asset - Easement	14,415,112				14,415,112
Equipment, Software and Vehicles	18,125,490	161,238	$ (850,109)	4	17,436,623
	155,846,766	1,272,055	(850,109)	430,481	156,699,193
Less Accumulated Depreciation for:					
Buildings and Improvements	(56,512,633)	(3,382,053)			(59,894,686)
Intangible Asset - Easement	(200,210)	(480,504)			(680,714)
Equipment, Software and Vehicles	(9,984,691)	(1,859,784)	850,109		(10,994,366)
	(66,697,534)	(5,722,340)	850,109	-	(71,569,765)
Total Capital Assets, Depreciable net	89,149,232	(4,450,285)	-	430,481	85,129,428
Capital Assets, net	$ 94,035,369	$ (4,349,665)	$ -	-	$ 89,685,704

Adjustments represent transfers of completed projects from Construction in Progress.

Note 3: CAPITAL ASSETS (CONT'D)

	Balance July 1, 2011	Increases	Decreases	Adjustments	Balance June 30, 2012
Capital Assets, Non-Depreciable:					
Land	$ 4,438,162				$ 4,438,162
Construction in Progress	3,272,594	$ 412,972		$ (3,237,591)	447,975
	7,710,756	412,972	-	(3,237,591)	4,886,137
Capital Assets, Depreciable:					
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
	151,545,855	1,239,266	(175,946)	3,237,591	155,846,766
Less Accumulated Depreciation for:					
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)
	(61,886,538)	(5,023,716)	212,720	-	(66,697,534)
Total Capital Assets, Depreciable net	89,659,317	(3,784,450)	36,774	3,237,591	89,149,232
Capital Assets, net	$ 97,370,073	$ (3,371,478)	$ 36,774	-	$ 94,035,369

Adjustments are correction of classification or transfers from Construction in Progress.

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, 2013 and 2012, the liabilities for accrued compensated absences consist of the following:

	2013	2012
Vacation:		
Balance Beginning of Fiscal Year	$ 1,175,684	$ 1,152,155
Increase	-	23,529
Balance End of Fiscal Year	$ 1,175,684	$ 1,175,684

Note 5: <u>PENSION PLANS</u>

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

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

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

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

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

Fiscal Year	Normal Contribution	Accrued Liability	Non-Contributory Group Life Insurance	Total Liability	Paid by College
Public Employees Retirement System					
2013	$ 292,076	$ 698,360	$ 58,948	$ 1,049,384	$ 1,049,384
2012	328,600	657,200	62,807	1,048,607	1,048,607
2011	364,742	581,192	71,843	1,017,777	1,017,777

Note 5: PENSION PLANS (CONT'D)

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

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

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

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

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

AXA Financial (Equitable), The Hartford/Gitterman & Associates Wealth Management, LLC., ING Life Insurance and Annuity Co., MetLife, Prudential Retirement Services, TIAACREF, and VALIC

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 2013 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 2013 and 2012, the State reimbursed $1,587,828 and $1,926,302 respectively to the College for the employer share of qualified employees. This amount is reflected in the accompanying financial statements as both revenues and expenditures.

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

Fiscal Year	Total Liability	Funded by State	Paid by College
Alternative Benefit Program			
2013	$ 2,071,975	$ 1,587,828	$ 484,147
2012	2,204,616	1,926,302	278,314
2011	1,905,465	1,448,575	456,890

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: RISK MANAGEMENT

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

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

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

The contributions to the fund, are payable in an annual premium that are based on actuarial assumptions determined by the fund's actuary. Contributions to the pool totaled $220,133 and $192,131 respectively for fiscal years ended 2013 and 2012.

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

Note 8: CAPITAL LEASE PAYABLE

Kellogg Building

On March 1, 2006, the College entered into Sublease Purchase Agreement ("Sublease"), a capital lease, with the County of Union ("County") for the Kellogg Building on the Elizabeth campus. The County obtained its rights under a capital lease agreement ("Master Lease") with the Union County Improvement Authority ("UCIA") who had acquired the property and constructed the Kellogg Building through the issuance of $48,626,000 County of Union General Obligation Lease Revenue Bonds, of which $36,097,620 was issued under the provisions of the College Bond Act, pursuant to which the State of New Jersey remits, on behalf of the County, 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, 2013:

Kellogg Building

Fiscal Year(s)	Principal	Interest	Total
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	141,970	58,030	200,000
2019-2023	805,993	194,008	1,000,000
2024-2026	503,833	29,501	533,333
	$ 1,963,937	$ 569,397	$ 2,533,334

Principal and interest payments for the above capital lease were $115,217 and $84,783 for fiscal year 2013 and $110,505 and $89,495 for fiscal year 2012.

Note 8: CAPITAL LEASE PAYABLE (CONT'D)

Easement (Parking Authority of the City of Elizabeth)

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

The following is a schedule of the future minimum lease payments at June 30, 2013:

Fiscal Year(s)	Principal	Interest	Total
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	183,801	608,199	792,000
2019-2023	1,096,190	3,249,910	4,346,100
2024-2028	1,791,988	3,135,374	4,927,362
2029-2033	2,771,159	2,754,354	5,525,513
2034-2038	4,112,517	2,081,504	6,194,021
2039-2042	4,065,683	887,601	4,953,284
	$ 14,415,112	$ 15,377,168	$ 29,792,280

Principal and interest payments for the above easement $0 and $720,000 for fiscal year 2013 and $0 and $300,000 for fiscal year 2012

Note 9: AUXILIARY OPERATIONS – BOOKSTORE

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

(1) Minimum Annual Guarantee $500,000 or

(2) 14.75% on all gross revenue from $ -0- to $4,000,000 plus15.75% on all gross revenue between $4,000,000 and 5,000,000 plus 16.75% in excess of $5,000,000 in any contract year.

(3) Also the contractor has agreed to provide capital facilities funding of $258,312 and equipment purchases funding of $331,000.

(4) The contractor has also agreed to provide an annual textbook scholarship of $10,000 and a tuition scholarship of $5,000.

Note 10: EDUCATION AND GENERAL EXPENSES BY FUNCTION

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

2013

	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Educational and General Expenditures							
Instruction	$ 31,970,976	$ 658,957	$ 3,419,726				$ 36,049,659
Public Service	1,821,800	92,908	111,473				2,026,181
Academic Support	3,147,241	117,526	2,166,577				5,431,344
Student Services	5,614,883	410,773	918,391				6,944,047
Institutional Support	7,744,685	729,362	2,071,953				10,546,000
Operation and Maintenance of Plant	5,719,386	350,932	2,827,434		$ 2,019,341		10,917,093
Scholarship Aid				$ 12,720,594			12,720,594
Depreciation						$ 5,722,340	5,722,340
	$ 56,018,971	$ 2,360,458	$ 11,515,554	$ 12,720,594	$ 2,019,341	$ 5,722,340	$ 90,357,258

2012

	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Educational and General Expenditures							
Instruction	$ 32,562,052	$ 792,797	$ 3,389,846				$ 36,744,695
Public Service	1,668,665		326,636				1,995,301
Academic Support	2,941,602	194,718	2,030,556				5,166,876
Student Services	5,035,778	459,700	1,016,671				6,512,149
Institutional Support	7,924,748	916,936	2,084,545				10,926,229
Operation and Maintenance of Plant	5,371,569	281,791	2,435,453		$ 2,435,231		10,524,044
Scholarship Aid				$ 11,545,753			11,545,753
Depreciation						$ 5,023,716	5,023,716
	$ 55,504,414	$ 2,645,942	$ 11,283,707	$ 11,545,753	$ 2,435,231	$ 5,023,716	$ 88,438,763

Note 11: OTHER RECEIVABLES

Other receivables as of June 30, 2013 and 2012 consist of the following amounts due to the College:

	2013	2012
Non-credit Corporate Sponsors	$ 193,004	$ 121,591
JFK Muhlenberg	266,589	324,623
Other Counties	82,559	112,128
Insurance Receivable	463,071	227,855
Union County Improvement Authority	450,000	350,000
Continuing Education	215,305	
Union County College Foundation	321,272	
Other	230,111	62,233
	$ 2,221,911	$ 1,198,430

Note 12: STATE POST-RETIREMENT MEDICAL BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2012, there were 97,661 retirees receiving 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 $146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

Note 13: LITIGATION

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

Note 14: COMMITMENTS -- PROJECT AT CRANFORD CAMPUS

On January 25, 2011 the Union County College Board of Trustees resolved that it was necessary for the College to construct a building on its Cranford campus which shall be used for classroom, student services and activities and office space by the College to accommodate needs resulting from significant enrollment growth.

The Treasurer of the State of New Jersey informed the College in 2011 that $8,500,000 of Chapter 12 bond funding had been approved for the project for which the State of New Jersey would be responsible for one-half of the debt service costs.

The College Board of Trustees approved a shared service agreement with the Union County Improvement Authority (UCIA) to provide funding of the project including the issuance of the Chapter 12 bonding thru the issuance of up to $15,000,000 lease revenue bonds. The College would enter into a ground lease with the UCIA for the UCIA to construct the project building on College owned land. The Authority would enter into a lease agreement with the County of Union The lease payments would be equal to the debt service requirements and would made by the County of Union supplemented with Chapter 12 funding from the State of New Jersey. The lease would be in effect until the final lease payment is made at which time the College would lease the County's right, title and interest in and to the project building in exchange for a nominal payment not to exceed $1,000 per annum.

The Bonds are expected to be issued in 2014 with construction of the project starting shortly thereafter.

Note 15: SUBSEQUENT EVENTS

Project at Plainfield Campus

To provide additional classroom and training space at the College's Plainfield campus the College purchased an existing commercial property for a contract price of $1,100,000.00 on November 20, 2013. Renovations to this building, not including classroom furnishings, are estimated to cost $3,000,000. The County of Union has committed to providing the funding for the purchase and renovation of building through the issue of County Bonds, with the resulting debt service being paid by the County. The College has title to the property and will be responsible for the future operating costs of the building.

Note 16: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

The Union County College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising entity that provides funding for scholarships and awards for qualifying students attending the College, that supplements funding provided by federal, state and other programs. The Foundation support comes primarily from special events and donations from public and private donors. Although the College does not control the timing or amount of the receipts from the Foundation, the assets of the Foundation are used for the benefit, support and the promotion of the College and its educational activities. The Foundation meets the criteria to be discretely presented in the College's financial statements. Complete financial statements for the Foundation, for the fiscal year ended June 30, 2013 can be obtained from the Foundation at 1033 Springfield Avenue Cranford, New Jersey 07016.

CASH AND INVESTMENTS

Cash

During the year the Foundation could have cash balances in excess of $250,000 in their banking institutions, which are insured by the Federal Deposit Insurance Corporation (F.D.I.C.) up to $250,000 per institution. At June 30, 2013 and 2012, the Foundation's uninsured balances were $33,956.74 and $0, respectively.

Investments

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

	June 30, 2013		
	Cost	FMV	Unrealized Appreciation (Depreciation
Common stock	$ 6,630,456	$ 7,869,917	$ 1,239,461
Bond-fixed income	4,279,012	4,286,908	7,897
Short-term investments	310,038	310,038	
	$ 11,219,506	$ 12,466,863	$ 1,247,358

	June 30, 2012		
	Cost	FMV	Unrealized Appreciation (Depreciation
Common stock	$ 6,102,160	$ 7,226,683	$ 1,124,523
Bond-fixed income	3,308,300	3,489,569	181,269
Short-term investments	777,461	777,361	(100)
	$ 10,187,922	$ 11,493,614	$ 1,305,692

Note 16: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)

FAIR VALUE MEASUREMENTS

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

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

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

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

For the fiscal year ended June 30, 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments at fair value.

Marketable Securities

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

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

Note 16: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)

FAIR VALUE MEASUREMENTS (CONT'D)

	June 30, 2013	June 30, 2012
Quoted Prices in Active Markets for Identical Assets (LEVEL 1)		
Stock:		
Consumer Discretionary	$ 1,033,440	$ 840,721
Consumer Staples	501,822	398,696
Convertible Preferred Stock	1,110	1,110
Emerging Markets	102,912	162,267
Energy	604,122	606,920
Financials	1,458,446	686,697
Foreign Stock	5,597	4,619
Healthcare	947,459	799,433
High Yield	7,152	4,571
Industrials	671,181	573,054
Information Technology	985,259	1,193,970
International Developed	113,915	520,941
International Equity	26,034	-
Large Cap Funds	352,065	287,776
Materials	121,701	184,761
Other Equity	653,220	662,840
Small Cap Funds	12,601	14,395
Telecommunications Services	130,615	98,096
Utilities	141,266	185,816
	7,869,917	7,226,683
Bond-fixed income:		
Funds	1,221,243	616,697
Individual Holding	3,046,949	2,851,446
Other	18,716	21,426
	4,286,908	3,489,569
	$ 12,156,825	$ 10,716,252

Not included above are short-term investments at June 30, 2013 and 2012 of $310,038 and $777,361, respectively. These assets have a fair value that approximates cost and are not subject to the above classification.

SINGLE AUDIT SECTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND STATE OF NEW JERSEY CIRCULAR 04-04-OMB

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal and State Program

We have audited Union County College's (the "College") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the College's major federal and state programs for the fiscal year ended June 30, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Union County College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, Union County College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Union County College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program 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. 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.

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

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 5, 2013

UNION COUNTY COLLEGE
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Grant Number	FY 2013 Expenditures
U.S. Department of Education:			
Student Financial Aid Cluster (Direct Funding):			
Federal Supplemental Educational Opportunity Grants	84.007	P007A112620	$ 190,340
Federal Direct Student Loans	84.268	P268K131820	10,530,731
Federal Pell Grant Program	84.063	P063P111820	23,206,621
Federal Work-Study Program	84.033	P033A112620	332,375
Total Student Financial Aid Cluster			34,260,067
Title V Funding (Direct Funding):			
Title V, Developing Hispanic Serving Institutions	84.031	Not Applicable	155,969
Learing Enhanced through Accelerated Paths (LEAP)	84.031	Not Applicable	403,851
Improving the Pipeline in Stem Education	84.031	Not Applicable	766,139
Total Title V Funding			1,325,959
Green Workforce Service - Curriculum Development (Direct Funding)	84.116	Not Applicable	100,346
Passed Through State of New Jersey Department of Treasury:			
Vocational Education - Perkins	84.048	PSF Consol 718511	548,820
Passed Through State Department of Labor and Workforce Development:			
Adult Education and Family Literacy:			
Adult Basic Skills (Includes $286,491 Matching Share)	84.002	ABS-FY10106	921,870
Department of Homeland Security			
Passed through Federal Emergency Management Agency, DHS			
Hurricane Sandy	97.036	PA-02-NJ-4086-PW-02035	67,895
U.S. Department National Science Foundation:			
Passed Through Stevens Institute of Technology:			
SFS Cybersecurity Scholars Program	47.076	2102081-01	28,618
U.S. Department of Health and Human Services:			
Passed Through Bergen County Community College:			
Northern New Jersey Health Professions Pathway Consortium	93.670	Not Applicable	660,009
Passed Through County of Union, NJ:			
WIA - Adult	17.258	Not Applicable	32,779
WIA - Dislocated Worker	17.260	Not Applicable	20,268
Total WIA Cluster			53,047
U.S. Department of Housing and Urban Development:			
Community Block Development Cluster:			
Passed through County of Union, N.J.:			
Community Block Development/Life Center	14.218	Not Applicable	15,000
Community Block Development/College for Teens	14.218	Not Applicable	75,000
Community Block Development/Senior Scholars	14.218	Not Applicable	80,915
Passed through City of Elizabeth, N.J.:			
Community Block Development/Life Center	14.218	Not Applicable	9,000
Total Community Development Block Grant			179,915
Total Federal Financial Assistance			$ 38,146,546

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, 2013

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	State GMIS Number	Program or Award Amount	Program Funds Received	Grant Period From	Grant Period To	FY 2013 Expenditures	Cumulative Expenditures
Student Financial Aid Cluster:							
N.J. Commision on Higher Education:							
Educational Opportunities Fund - Article III	100-074-2401-001	$ 199,430	$ 199,430	07/01/12	06/30/13	$ 197,321	$ 197,321
Educational Opportunities Fund - Summer	100-074-2401-001	107,856	107,856	07/01/12	06/30/13	107,638	107,638
N.J. Higher Education Student Assistance Authority:							
Tuition Aid Grants	100-074-2405-007	3,054,648	3,054,648	07/01/12	06/30/13	3,054,648	3,054,648
New Jersey Stars Program	100-074-2405-313	149,720	149,720	07/01/12	06/30/13	148,039	148,039
Urban Scholars Program	100-074-2405-278	1,000	1,000	07/01/12	06/30/13	1,000	1,000
NJ Class Loans	Not Available	30,505	30,505	07/01/12	06/30/13	30,505	30,505
Total Student Financial Aid Cluster						3,539,151	3,539,151
N.J. Commision on Higher Education:							
Educational Opportunities Fund - Article IV	100-074-2401-002	273,101	273,101	07/01/12	06/30/13	272,954	272,954
N.J. Commerce and Economic Growth Commission,							
Urban Entreprise Zone Authority:							
Passed though City of Elizabeth, NJ:							
Retail Skill Center	Not Available	297,900	221,974	09/01/12	08/31/13	221,974	221,974
N.J. Department of Labor and Workforce Development:							
Direct Funding:							
New Jersey Youth Corps	ACNY13N	324,178	264,904	07/01/12	06/30/13	264,904	264,904
Literacy4Jersey Consortium	L4J - FR13 - 012	150,000	22,762	01/01/12	12/31/12	22,762	22,762
Reemployment and Eligibility Assessment	Not Available	300,000	119,400	03/23/12	12/31/12	119,400	119,400
						407,066	407,066
Passed through Rutgers, The State University of New Jersey							
NJ Transportation Logistics - NJLWD	11129096	44,000	17,156	11/15/11	08/31/12	8,858	8,858
Heath Care Talent Network	Not Available	14,000	2,264	01/01/13	12/31/13	2,264	2,264
						11,122	11,122

(Continued)

UNION COUNTY COLLEGE
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2013

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	State GMIS Number	Program or Award Amount	Program Funds Received	Grant Period From	Grant Period To	FY 2013 Expenditures	Cumulative Expenditures
N.J. Department of Treasury - Vocational Education:							
Passed through County of Union, Department of Human Services:							
Work First New Jersey Cluster:							
Job Search/Job Readiness (JS/JR) Cluster:							
TANF	12 WFNJ 109	$ 12,700	$ 12,700	07/01/12	08/31/12	$ 12,700	$ 12,700
TANF	14 WFNJ 130	36,000	17,088	09/01/12	06/30/13	15,366	15,366
						28,066	28,066
AWEP Cluster:							
TANF	12 WFNJ 108	45,320	45,320	07/01/12	08/31/12	45,319	45,319
FS/GA/ABAWD	12 WFNJ 119	48,000	34,656	09/01/12	06/30/13	33,216	33,216
FS/GA/ABAWD	12 WFNJ 131	45,000	27,004	09/01/12	06/30/13	25,404	25,404
FS/GA/ABAWD	12 WFNJ 132	16,000	11,105	09/01/12	06/30/13	10,464	10,464
FS/GA/ABAWD	12 WFNJ 133	26,500	18,555	09/01/12	06/30/13	14,945	14,945
FS/GA/ABAWD	12 WFNJ 134	35,200	32,868	09/01/12	06/30/13	30,523	30,523
FS/GA/ABAWD	12 WFNJ 135	36,500	36,625	09/01/12	06/30/13	36,625	36,625
FS/GA/ABAWD	12 WFNJ 136	75,000	61,000	09/01/12	06/30/13	59,000	59,000
						255,496	255,496
Total Work First New Jersey Cluster						283,562	283,562
N.J. Department of Treasury - Higher Education Administration:							
Operational Costs - County Colleges	100-082-2155-015	10,412,720	10,412,720	07/01/12	06/30/13	10,412,720	10,412,720
Employer Contributions - Alternate Benefit Program - Faculty	100-082-2155-017	1,415,491	1,415,491	07/01/12	06/30/13	1,415,491	1,415,491
Employer Contributions - Alternate Benefit Program - Adjuncts	100-082-2155-017	172,337	172,337	07/01/12	06/30/13	172,337	172,337
FICA For Members of TPAF	100-082-2155-020	60,035	60,035	07/01/12	06/30/13	60,035	60,035
						12,060,583	12,060,583
Total State Financial Assistance						$ 16,796,411	$ 16,796,411

See accompanying notes to financial statements and notes to schedules of expenditures of federal awards and state financial assistance.

Union County College
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2013

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, 2013.

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 Ended June 30, 2013

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
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?	____ yes __X__ none reported
Type of auditor's report on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))?	____ yes __X__ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Aid Cluster:
84.007	Federal Suppl. Educational Opportunity Grant (FSEOG)
84.268	Federal Direct Student Loans (Direct Loans)
84.063	Federal Pell Grant Program (PELL)
84.033	Federal Work Study Program (FWS)

Dollar threshold used to determine Type A programs	$ 1,144,396.00
Auditee qualified as low-risk auditee?	____ yes __X__ no

UNION COUNTY COLLEGE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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? _____ yes __X__ none reported

Type of auditor's report on compliance for major programs: Unmodified

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

Identification of major programs:

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

Dollar threshold used to determine Type A programs: $ 503,892.00

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

UNION COUNTY COLLEGE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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

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.

No Current Year Findings

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

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

No Current Year Findings

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

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. 2012-1

Information on the Federal Program

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

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.

Current Status
This condition has been resolved.

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

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.

Current Status
This condition has been resolved.

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

STATE FINANCIAL ASSISTANCE PROGRAMS

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

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.

Current Status
This condition has been resolved.

28800

ACKNOWLEDGEMENT

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 AND COMPANY LLP
Certified Public Accountants
& Consultants