STUDENTS ARE #1 at UNION COUNTY COLLEGE
CRANFORD • ELIZABETH • PLAINFIELD • SCOTCH PLAINS

REPORT OF AUDIT

2016

FISCAL YEAR ENDED JUNE 30, 2016
CRANFORD, NEW JERSEY

Union County College
Transforming Our Community… One Student at a Time

UNION COUNTY COLLEGE
TABLE OF CONTENTS
YEAR ENDED June 30, 2016

INTRODUCTORY SECTION

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

UNION COUNTY COLLEGE

MEMBERS OF THE BOARD OF TRUSTEES

AS OF JUNE 30, 2016

MEMBERS OF THE BOARD OF GOVERNORS

AS OF JUNE 30, 2016

UNION COUNTY COLLEGE

OTHER COLLEGE OFFICIALS

AS OF JUNE 30, 2016

Dr. Margaret M. McMenamin, President
Dr. Maris Lown – Vice President of Academic Affairs
Dr. Stephen Nacco, Vice President of Administrative Services and Executive Assistant to the President
Mrs. Helen Brewer, Vice President of Student Development
Dr. Regina Riccioni, Dean of the Plainfield Campus and Allied Sciences
Dr. Barbara Gaba, Provost / Associate Vice President, Elizabeth Campus
Dr. Negar Farakish, Associate Vice President of Academic Affairs/Dean of American Honors
Bernard F. Lenihan, Vice President of Financial Affairs and Treasurer
Elizabeth A. Cooner, Executive Director, Assessment Planning & Research
Ellen M. Dotto, Secretary of the Boards and Executive Director of College Relations
Douglas E. Rouse, Executive Director of Union County College Foundation
Inder V. Singh, Chief Information Officer

FINANCIAL SECTION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Union County College (the "College"), a component unit of the County of Union, State of New Jersey, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Union County College as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 8 through 19 and the Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, on our consideration of Union County College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 6, 2016

REQUIRED SUPPLEMENTARY INFORMATION

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, 2016 and 2015 and its changes in financial position for the fiscal years then ended with FY 2014 data presented for comparative purposes. This analysis is designed to focus on current activities, resulting changes and currently known facts. Please read it in conjunction with the College's Basic Financial Statements, Notes to the Financial Statements and its Independent Auditors' Report. College management is responsible for the completeness and fairness of this information.

Overview of the Basic Financial Statements

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

The College implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, in FY 2015. These new statements establish standards for measuring and recognizing on each participating public employers' financial statements their allocated share of the plan's net pension liability (NPL), deferred inflows and outflows, and pension expense. Each participating public employer must begin disclosing the information required under GASB 68 and 71 in their financial statements for reporting periods beginning after June 15, 2014. The College is required to report on its Statement of Net Position the difference between the College's allocated share of the total Public Employees Retirement System (PERS) pension liabilities and the funding set aside to pay the benefits. As a result, the opening fund balance for FY 2015 was restated in total by $24.5 million. This adjustment created a deficit in the unrestricted net position of the College. A negative balance in net position essentially means that the College does not currently have all of the resources needed to satisfy its liabilities. However, it is not necessarily a sign that a College is in dire financial difficulties. In addition, as a result of this change in reporting for pensions, annual pension expense increased $1.8 million for FY 2016. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Correspondingly, there is $6.6 million for deferred outflows as well as a $515 thousand for deferred inflows in FY 2016.

The Statements of Net Position presents all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net assets for 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 deferred outflows of resources and total liabilities and deferred inflows of resources 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.

			2016 vs. 2015			2015 vs. 2014	
Key Financial Data ($000)	**2016**	**2015**	**Inc/(Dec)**	**% Change**	**2014**	**Inc/(Dec)**	**% Change**
Operating Revenues	$ 59,422	$ 63,024	$ (3,602)	-5.7%	$ 62,907	$ 117	0.2%
Educational and General Expense	87,786	88,610	(824)	-0.9%	89,588	(978)	-1.1%
Operating (Loss)	(28,364)	(25,586)	(2,778)	10.9%	(26,681)	1,095	-4.1%
Non-Operating Revenues	23,678	23,428	250	1.1%	24,105	(677)	-2.8%
Capital Contributions and Grants	5,095	4,868	227	4.7%	4,661	207	4.4%
Increase (Decrease) in Net Positio	409	2,710	(2,301)	-84.9%	2,085	625	30.0%
Net Position - Beginning of Year	72,832	94,668	(21,836)	-23.1%	92,583	2,085	2.3%
GASB 68 Adjustment	-	(24,546)	24,546	0.0%	-	(24,546)	0.0%
Net Position - Beginning of Year	72,832	70,122	2,710	3.9%	92,583	(22,461)	-24.3%
Net Position - End of Year	$ 73,241	$ 72,832	$ 409	0.6%	$ 94,668	$ (21,836)	-23.1%

The preceding table summarizes key financial data for fiscal years ended June 30, 2016 ("FY 2016"), June 30, 2015 ("FY 2015"), and June 30, 2014 ("FY 2014"). Comparisons represented above show FY 2016 contrasted with FY 2015 and FY 2015 contrasted with FY 2014 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.

			2016 vs. 2015			2015 vs. 2014	
Operating Revenues ($000)	**2016**	**2015**	**Inc/(Dec)**	**% Change**	**2014**	**Inc/(Dec)**	**% Change**
Tuition & Fees (net of Scholarship Allowance)	$ 27,945	$ 27,908	$ 37	0.1%	$ 27,390	$ 518	1.9%
Federal Grants	24,383	26,231	(1,848)	-7.0%	27,571	(1,340)	-4.9%
State Grants	5,200	6,815	(1,615)	-23.7%	5,247	1,568	29.9%
Local Grants	140	85	55	64.7%	43	42	97.7%
Gifts and Contributions	285	289	(4)	-1.4%	264	25	9.5%
Other Operating Revenues	1,469	1,696	(227)	-13.4%	2,392	(696)	-29.1%
Total Operating Revenues	$ 59,422	$ 63,024	$ (3,602)	-5.7%	$ 62,907	$ 117	0.2%

Total Operating Revenues decreased $3.6 million or 5.7% in FY 2016 as compared to FY 2015. The major areas of change were as follows:

- Federal grants decreased $1.8 million from FY 2015. PELL decreased $2.2 million year over year. This is directly related to a decline in enrollment in FY 2016 coupled with more stringent Satisfactory Academic Progress requirements. In addition, there was a net increase of $355 thousand in the US Department of Labor Grants primarily NJ Health Professions Pathway to Excellence and the TAACCCT grant.

- State grant revenues decreased $1.6 million or 23.7% as compared to FY 2015. GO BOND revenues for the construction of the science labs in the Lessner Building in Elizabeth are down $1.2 million which, similar to the previous year, is directly related to the spending for this construction project.

Additionally, NJ TAG revenues decreased by $500 thousand year over year. This is primarily attributed to the decline in enrollment.

- ❖ Other operating revenue decreased by $227 thousand from $1.5 million in FY 2016 as compared to $1.7 million in FY2015. Bookstore commissions decreased by $82 thousand compared to FY 2015. The decrease is a result of the decline in enrollment as well as a change in sales mix where students are choosing to rent textbooks whenever possible. Library fees decreased by $42 thousand as a result of retroactive adjustments in library fines. Additionally, grants receivable from prior years was adjusted by $100 thousand in the current year.

Total Operating Revenues increased $117 thousand or 0.2% in FY 2015 as compared to FY 2014. The major areas of change were as follows:

- ❖ Net student tuition and fee revenue increased $518 thousand or 1.9% resulting from a decline in enrollment of 4.0% offset by the increase in total tuition for full and part time students by 3%. In FY 2015, students were no longer able to add during the first week of class, which resulted in a decline in the number of courses dropped that first week since there were no courses to add. Fall 2014 was the first semester that the College went live with the American Honors program with 69 students. The flat rate full time tuition rate for American Honors is $1,155 higher than the College's full time rate. The increase in the Scholarship Allowance of $411,000 results from a higher amount of financial aid applied to tuition and fees versus refunds paid to students for living costs. This is directly proportional to the decrease in PELL year over year of $802 thousand. It is PELL that covers living expenses that generate the refund due to the student.

- ❖ Federal grants decreased $1.3 million from FY 2014. As previously mentioned, PELL has decreased $802 thousand year over year. In addition to this, revenues from the Adult Basic Skills (ABLE) grant are down $572 thousand due to a reduction in the grant allocation year over year. This grant is funded by the US Department of Education through the New Jersey State Department of Labor and Workforce Development.

- ❖ State grant revenues increased $1.6 million or 29.9% as compared to FY 2014. GO BOND revenues for the construction of the science labs in the Lessner Building in Elizabeth is up $1.0 million year over year which is directly relational to spending for this construction project. In addition, Workforce New Jersey (WFNJ) revenues are up $609,000 when comparing FY 2015 to FY 2014. The 2014 WFNJ contract was received and implemented late into FY 2014, thereby generating the majority of the revenues in FY 2015.

- ❖ Local grant revenue has increased $42 thousand or 97.7% year over year. This variance in FY 2015 results from the addition of two new local grants: the Robert Wood Johnson Foundation LPN to BS grant and the WIBC – Soft Skills Training program.

- ❖ Gift and contribution revenues increased $25 thousand from FY 2015 as compared to FY 2014. $18 thousand in scholarships has been funded by Quad Learning for American Honors students which was a new scholarship and program for FY 2015.

- Other operating revenue decreased by $696 thousand from $1.7 million in FY 2015 as compared to $2.4 million in FY 2014. The FY 2014 recording of $222 thousand of revenue related to the adjustment of Trinitas payables for tuition and the recording of $200 thousand related to a legal settlement accounted for most of this unfavorable variance.

			2016 vs. 2015			2015 vs. 2014	
Operating Expense ($000)	**2016**	**2015**	**Inc/(Dec)**	**% Change**	**2014**	**Inc/(Dec)**	**% Change**
Instructional	$ 33,679	$ 34,946	$ (1,267)	-3.6%	$ 35,473	$ (527)	-1.5%
Public Service	2,628	2,627	1	0.0%	2,289	338	14.8%
Academic Support	7,574	6,345	1,229	19.4%	5,919	426	7.2%
Student Services	7,366	7,406	(40)	-0.5%	6,642	764	11.5%
Institutional Support	12,434	9,703	2,731	28.1%	9,693	10	0.1%
Plant	10,696	10,747	(51)	-0.5%	10,790	(43)	-0.4%
Student Aid	8,310	11,285	(2,975)	-26.4%	12,191	(906)	-7.4%
Depreciation	5,099	5,551	(452)	-8.1%	5,836	(285)	-4.9%
Total Operating Expenses	87,786	88,610	(824)	-0.9%	88,833	(223)	-0.3%
Interest on Capital Asset Related De	747	718	29	4.0%	755	(37)	-4.9%
Total Expenses	$ 88,533	$ 89,328	$ (795)	-0.9%	$ 89,588	$ (260)	-0.3%

Operating expenses in FY 2016 decreased $.8 million or 0.9% over the same period in FY 2015. The major areas of change were:

- Instructional expenses decreased $1.3 million from $34.9 million in FY 2015 to $33.7 million in FY 2016. Enrollment declined 2.8% in FY 2016 compared to FY 2015. Additionally, faculty retirements in FY 2016 contributed to the overall decrease in instructional expenses. These positions were not replaced. Part time labor was used when there was an instructional need.

- Academic support increased $1.2 million or 19.4% resulting from the reorganization of Academic Affairs. In FY 2016, Academic Affairs implemented a new Dean structure which provided oversight to the four major academic areas. This resulted in the addition of a Dean, Assistant Dean and Dean Secretary position in each division and an increase of a little over $1 million including benefits.

- Institutional support increased by $2.7 million or 28.1%. The pension expense related to GASB 68 resulted in an increase of $1.8 million. Additionally, there was an increase of $903 thousand for the replenishment of desktops and several non-capital network upgrades which included set-up costs and maintenance fees.

- Student aid decreased almost $3 million or 26.4% from $11.3 million in FY 2015 to $8.3 million in FY 2016. Federal financial aid decreased $2.4 million. As previously mentioned, PELL decreased by $2.2 million in FY 2016 and has been greatly impacted by the decline in enrollment along with stricter Federal guidelines concerning Student Academic Progress. Additionally, State financial aid decreased $600 thousand.

Operating expenses in FY 2015 decreased $260 thousand or 0.3% over the same period in FY 2014. The major areas of change were:

- Instructional expenses decreased $527 thousand from $35.5 million in FY 2014 to $34.9 million in FY 2015. There was a $561 thousand decrease in the Adult Basic Skills grant resulting from a lower allocation to the College year over year. In addition, there was $164 thousand reduction in STEM/Stempact spending when comparing the years resulting from salary slippage from vacancies in FY 2015.

- Public service costs have increased $338 thousand or 14.8% from FY 2014. The major reason for this was the a two year WFNJ contract was received and implemented very late into FY 2014, thereby generating the majority of the expenses in FY 2015.

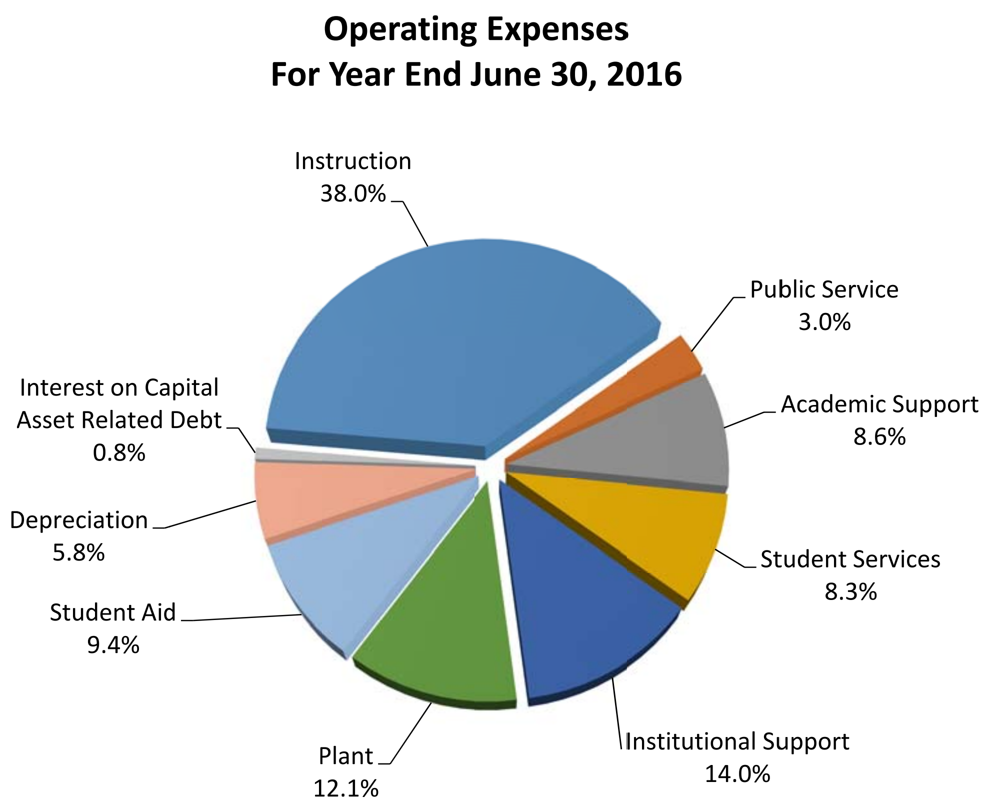
- Academic support increased $426 thousand or 7.2% resulting from the revenue sharing agreement that the College has with Quad Learning for American Honors as the program developed and expanded during FY 2015 for a total increase of $292 thousand.

- Student services have increased $764 thousand or 11.5% year over year as a result of vacancies being filled in FY 2015 for $92 thousand. There was a $134 thousand increase in costs to assist students with disabilities. A total increase of $99 thousand occurred in varsity athletics as sports programs were further developed and expanded. This included $57 thousand for certified training. $203 thousand of the increase is related to a rise in advising salaries and fringe benefits year over year. The department increased their use of part time advisors to support retention and graduation initiatives. The College expanded the use of Accuplacer testing in county high schools as well as offering additional math boot camps for pre-and post- testing of students in FY 2015. This doubled the cost of Accuplacer testing year over year.

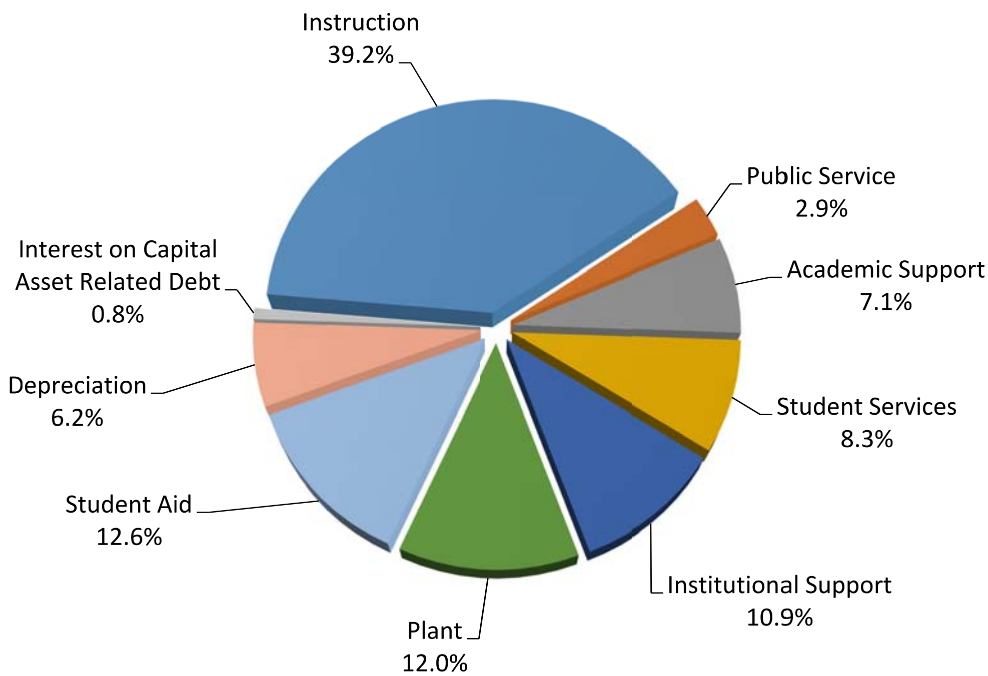
- Institutional support increased by $10 thousand over FY 2014. An increase related to the recording of $450 thousand of pension expense related to GASB 68 was offset by a legal expense decrease of $88 thousand year over. There were several vacancies in the Information Technology area particularly for some business analyst positions for a reduction in costs of $152 thousand when comparing years. Additionally, there was reduced spending towards smaller, non-capital expenses such as PCs and printers in FY 2015 as compared to FY 2014. Information technology replacements for such equipment as PCs are based upon a defined End of Life cycle so that these expenses are not comparable year to year.

- Student aid decreased $906K or 7.4% from $12.2 million in FY 2014 to $11.3 million in FY 2015. There was a reduction of PELL expenses of $802 thousand year over year. There was also a higher amount of financial aid for FY 2015 used to pay tuition as discussed when comparing the change in the Scholarship Allowance year over year.

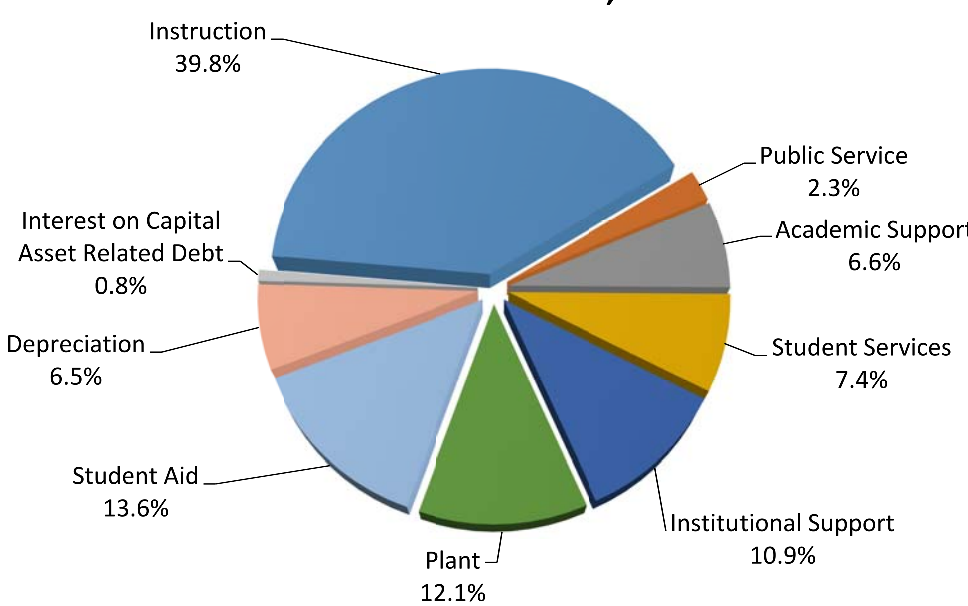
The following are graphic illustrations of operating expenses by categories for each fiscal year:



Operating Expenses For Year End June 30, 2015



Operating Expenses For Year End June 30, 2014



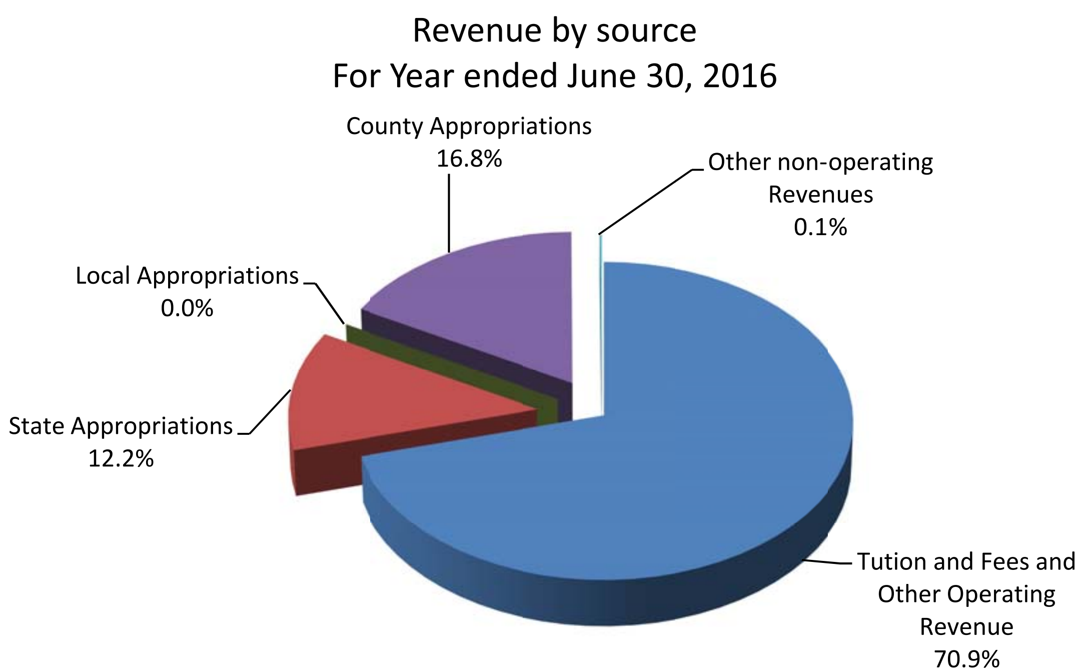
Operating Loss

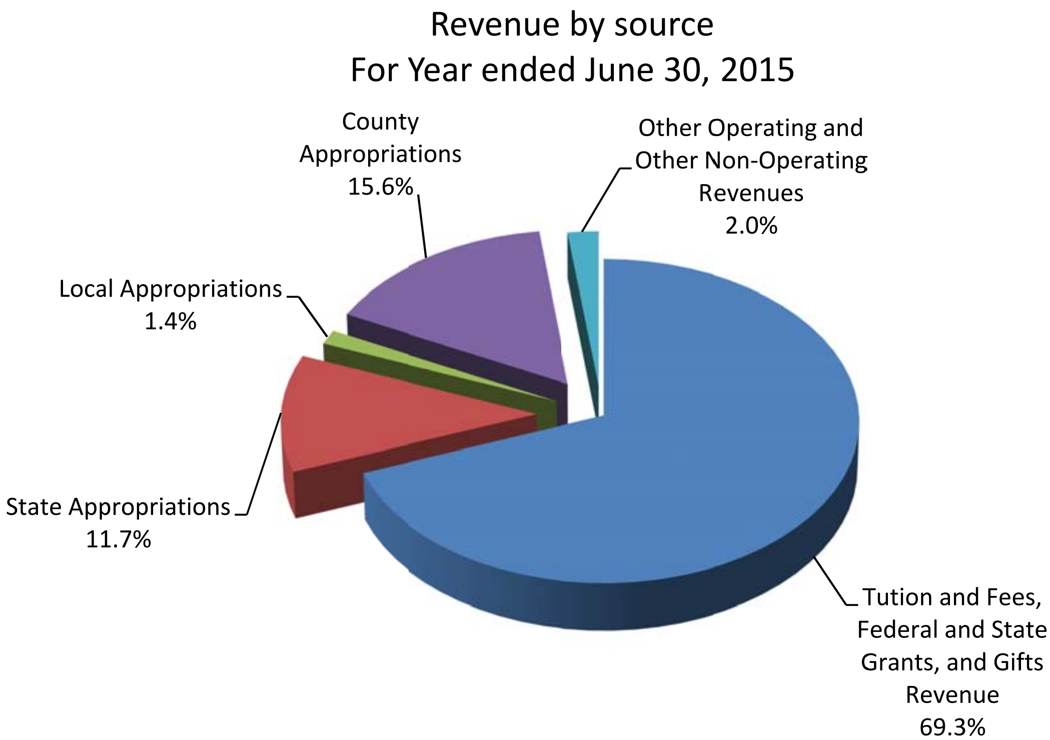
The College reported an operating loss of $28.4 million in FY 2016 as compared to a loss of $25.6 million in FY 2015. The continual magnitude of this loss reinforces the dependence and importance to the institution of two major components of non-operating revenue – the State and County Appropriations. 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.

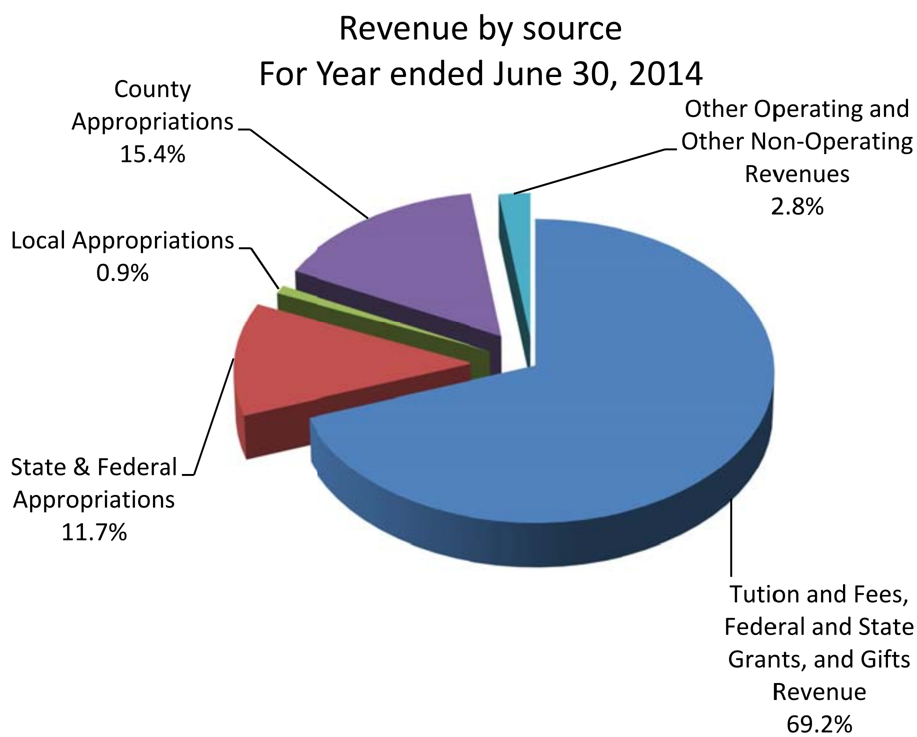
			2016 vs. 2015			2015 vs. 2014	
Non-Operating Revenues ($000)	**2016**	**2015**	**Inc/(Dec)**	**% Change**	**2014**	**Inc/(Dec)**	**% Change**
State Appropriations	$ 10,196	$ 10,306	$ (110)	-1.1%	$ 10,256	$ 50	0.5%
County Appropriations	14,117	13,741	376	2.7%	13,471	270	2.0%
Gain on Fixed Asset Disposal	-	-	-	0.0%	289	(289)	0.0%
Investment Income	112	98	14	14.3%	89	9	10.1%
Total Non-Operating Revenues	$ 24,425	$ 24,145	$ 280	1.2%	$ 24,105	$ 40	0.2%

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 $280 thousand, or 1.2 % in FY 2016. Any decrease in Appropriations of State funds puts added pressure on the College's Tuition and Fee structure because income from students, inclusive of third party payments on their behalf, provides only 70.9% of the College's operating expense. The College received a 2.7% increase from the County of Union in FY 2016. The increase was due in part to an additional $100 thousand for an initiative to strengthen math skills in high schools throughout the County.

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




Revenue by source
For Year ended June 30, 2015
County Appropriations 15.6%
Other Operating and Other Non-Operating Revenues 2.0%
Local Appropriations 1.4%
State Appropriations 11.7%
Tution and Fees, Federal and State Grants, and Gifts Revenue 69.3%


Revenue by source
For Year ended June 30, 2014
County Appropriations 15.4%
Other Operating and Other Non-Operating Revenues 2.8%
Local Appropriations 0.9%
State & Federal Appropriations 11.7%
Tution and Fees, Federal and State Grants, and Gifts Revenue 69.2%

Capital Contributions and Grants

Capital Contributions and Grants increased $227 thousand in FY 2016 as compared to FY 2015. This resulted from several Student Services initiatives requiring IT software and hardware, such as the Student Planning Module and Qnomy kiosks for the new Student Development Building.

Capital Contributions and Grants increased $206 thousand in FY 2015 as compared to FY 2014. The increase is due to timing with respect to expenses related to building improvements including renovations of science labs in the Lessner Building.

			2016 vs. 2015			2015 vs. 2014	
Net Position ($000)	**2016**	**2015**	**Inc/(Dec)**	**% Change**	**2014**	**Inc/(Dec)**	**% Change**
Current Assets	$ 37,290	$ 35,899	$ 1,391	3.9%	$ 34,556	$ 1,343	3.9%
Non-Current Assets:			-				
Capital Assets, Net of Depreciation	90,775	89,614	1,161	1.3%	86,906	2,708	3.1%
Total Assets	128,065	125,513	2,552	2.0%	121,462	4,051	3.3%
Deferred Outflows of Resources	6,591	3,309	3,282	99.2%	-	3,309	0.0%
Current Liabilities	13,420	11,882	1,538	12.9%	10,812	1,070	9.9%
Non-Current Liabilities	47,480	42,381	5,099	12.0%	15,982	26,399	165.2%
Total Liabilities	60,900	54,263	6,637	12.2%	26,794	27,469	102.5%
Deferred Inflows of Resources	515	1,727	(1,212)	-70.2%	-	1,727	0.0%
Capital Assets - Net Position	75,027	73,632	1,395	1.9%	70,993	2,639	3.7%
Unrestricted - Net Position	(1,786)	(800)	(986)	123.3%	23,675	(24,475)	-103.4%
Total Net Position	$ 73,241	$ 72,832	$ 409	0.6%	$ 94,668	(21,836)	-23.1%

Current Assets in FY 2016 increased $1.4 million or 3.9% year over year. The County of Union receivable increase stems from various projects, as well as purchases of equipment, invoiced at the end of the fiscal year. Net Capital Assets increased by $1.2 million or 1.3% as a result of $6.2 million in additions for various construction projects such as HVAC replacement in the Science Building, fire alarm replacements, Plainfield Annex, Logos and Lessner first floor renovations, and the Student Development Building fit up costs which is offset by $5 million in depreciation expense.

Current Assets in FY 2015 increased $1.3 million or 3.9% year over year. This resulted primarily from an increase in the cash balance at June 30, 2015 of $3.2 million offset by a decrease in grants receivable of $1.8 million resulting from lower Federal financial aid to be drawn down at fiscal yearend. Net Capital Assets were up $2.7 million or 3.1% resulting from $5.5 million in depreciation expense offset by additions of $8.1 million. The College implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. These new statements establish standards for measuring and recognizing on each participating public employers' financial statements their allocated share of the plan's net pension liability (NPL), deferred inflows and outflows, and pension expense.

Summary and Outlook

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

Looking forward begins with student enrollment which is dependent on an array of factors including population growth rate within the State, unemployment rate, and the number of high school graduates in Union County and the surrounding areas. During FY 2016 student academic credit hours decreased 2.8% from FY 2015 and the Fall 2016 enrollment has decreased 9.6% compared to the preceding Fall semester. It is expected that this trend will continue throughout FY 2017.

As mentioned above, management continues to place great emphasis on cost containment to mitigate rising costs and to minimize tuition increases which for FY 2017 are 3.8%. Ongoing concerted efforts have been made to utilize part time instructors where feasible to control instructional spending. This has been coupled with class consolidation and higher utilization of classroom capacity. In fact, there will be seven computer classrooms in the Nomahegan Building that will be renovated and expanded to 24 seats with computers from 18 seats. Starting with the Fall of 2017, the College looks to start hiring academic specialists which are 12 month positions that require both instructional as well as administrative responsibilities.

The College continues to expand, renovate and improve facilities and this will continue throughout the up and coming fiscal years. The 30,000 square foot Student Development Building in Cranford opened on August 10, 2016. Part of the first floor, known as the Helen E. Chaney Student Services Center, provides a "One Stop" multi-purpose space to meet student service needs. The second floor provides thirteen new classrooms as well as administrative rooms and office areas. The Logos Building on the Plainfield campus was completed in September 2016. The lower level space within Logos has been repurposed for academic programs. Renovation is under way for the first floor and lower levels at the Lessner Building in Elizabeth. The first floor will run a "One Stop" Center offering a range of services such as advisement, registration, student accounts and financial aid all in one centralized area. The lower level will provide service delivery to the College's Center for Economic and Workforce Development programs such as occupational and job-readiness training as well as job placement services. The facility is expected to be available for use before the start of the Fall 2017 semester. Finalization of plans for the renovation of Phase II of the Health Sciences Building in Plainfield is currently underway. This additional space, once complete, will provide more classrooms and computer labs on the Plainfield Campus. This project is expected to be complete by the summer of 2018.

The College continues to maintain most of its liquid assets in cash. The next significant influx of tuition, financial aid and grant monies starts to come in around August and September. Interest rates have started to climb and the College looks to take advantage of these money market and certificate of deposit rates as its average yield is steadily increasing month to month in the Fall of 2017.

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 a "One Stop" student service facility on the Cranford, Plainfield and Elizabeth campuses, the College will continue to assure that the quality and extent of services provided to students will meet their needs and expectations. This is evident by the expected 2016 graduation rate of 18.01% as compared to 15.7% for 2015.

Union County College Foundation

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

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

BASIC FINANCIAL STATEMENTS

UNION COUNTY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016		2015	
	College	Component Unit UCC Foundation	College	Component Unit UCC Foundation
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 27,044,371	$ 59,327	$ 29,481,576	$ 98,546
Investments	-	5,713,575	-	6,520,286
Student Accounts Receivable, Net of Allowance of $2,202,267 in 2016 and $1,757,306 in 2015	1,416,440	-	1,461,750	-
Grants Receivable	3,082,255	-	2,213,338	-
State of New Jersey Receivable:				
Alternative Benefit Program	367,684	-	327,596	-
County of Union Receivable	3,747,536	-	1,089,274	-
Other Receivables	1,604,826	30,244	1,308,618	36,762
Other Assets	26,931	204,796	16,667	204,530
Total Current Assets	37,290,043	6,007,942	35,898,819	6,860,124
NON-CURRENT ASSETS				
Endowment Investments	-	10,063,136	-	9,304,078
Other Receivables	-	3,835	-	3,735
Capital Assets, Net	90,775,675	591,993	89,614,160	576,449
Total Non-Current Assets	90,775,675	10,658,964	89,614,160	9,884,262
DEFERRED OUTFLOWS OF RESOURCES	6,591,147	-	3,309,375	-
Total Assets and Deferred Outflows of Resources	$ 134,656,865	$ 16,666,906	$ 128,822,354	$ 16,744,386
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	$ 4,773,734	$ -	$ 3,405,604	$ -
Accrued Expenses	5,683,779	287,370	5,215,593	58,134
Due to State of New Jersey	279,118	-	312,978	-
Unearned Revenue	-	4,537	-	517,305
Unearned Student Tuition and Fee Revenue	1,767,697	-	2,016,977	-
Unearned Federal and State Grant Revenue	641,111	-	696,796	-
Capital Lease, Current Portion	274,841	-	233,775	-
Total Current Liabilities	13,420,280	291,907	11,881,723	575,439
NON-CURRENT LIABILITIES				
Capital Lease, Non-Current Portion	15,473,169	-	15,748,010	-
Gift Annuity Fund Payable	-	-	-	1,004
Net Pension Liability	32,007,303	-	26,633,132	-
Total Non-Current Liabilities	47,480,472	-	42,381,142	1,004
Total Liabilities	60,900,752	291,907	54,262,865	576,443
DEFERRED INFLOWS OF RESOURCES	514,615	-	1,727,042	-
NET POSITION				
Net Investment in Capital Assets	75,027,665	591,993	73,632,376	576,449
Restricted for:				
Non-Expendable:				
Program	-	573,017	-	566,141
Scholarships	-	9,490,119	-	8,737,938
Expendable:				
Program	-	33,372	-	29,176
Scholarships	-	1,845,011	-	1,598,588
Other	-	2,755,756	-	3,821,999
Unrestricted (Deficit)	(1,786,167)	1,085,731	(799,929)	837,652
Total Net Position	73,241,498	16,374,999	72,832,447	16,167,943
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 134,656,865	$ 16,666,906	$ 128,822,354	$ 16,744,386

See accompanying Notes to Financial Statements.

UNION COUNTY COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	College	Component Unit UCC Foundation	College	Component Unit UCC Foundation
REVENUES				
Operating Revenues				
Student Tuition and Fees	$ 43,573,018	$ -	$ 43,469,058	$ -
Less Scholarship Allowances	(15,627,458)	-	(15,561,354)	-
Net Student Tuition and Fees	27,945,560	-	27,907,704	-
Federal Grants	24,382,619	-	26,231,331	-
State Grants	5,199,854	-	6,814,546	-
Local Grants	139,739	-	85,142	-
Gifts and Contributions	285,005	1,363,236	288,953	823,027
Other	1,469,463	-	1,696,853	-
Total Operating Revenue	59,422,240	1,363,236	63,024,529	823,027
EXPENSES				
Operating Expenses				
Educational and General				
Instructional	33,679,103	-	34,946,560	-
Public Service	2,627,996	-	2,626,682	-
Academic Support	7,574,248	-	6,345,021	-
Student Services	7,366,274	-	7,406,115	-
Institutional Support	12,434,041	-	9,702,684	-
Operations and Maintenance of Plant	10,695,376	-	10,746,871	-
Student Aid	8,309,724	1,085,305	11,285,812	868,545
Depreciation	5,098,923	3,956	5,549,624	3,956
Other Expenses	-	465,723	-	352,576
Total Operating Expenses	87,785,685	1,554,984	88,609,369	1,225,077
OPERATING LOSS	(28,363,445)	(191,748)	(25,584,840)	(402,050)
NON-OPERATING REVENUES (EXPENSES)				
State Appropriations	10,195,707	-	10,306,432	-
County Appropriations	14,116,846	-	13,741,651	-
Investment Income (Loss)	111,866	(362,251)	97,999	700,208
Interest on Capital Asset Related Debt	(747,133)	-	(717,956)	-
Gain on Capital Asset Disposal	-	-	-	-
Additions to Permanent Endowments	-	761,055	-	479,967
On-Behalf Payments - Alternate Benefit Plan:				
Revenues	1,396,239	-	1,409,623	-
Expenses - Faculty	(1,211,611)	-	(1,279,148)	-
Expenses - Adjuncts	(184,628)	-	(130,475)	-
Net Non-Operating Revenues	23,677,286	398,804	23,428,126	1,180,175
INCOME (LOSS) BEFORE OTHER REVENUES	(4,686,159)	207,056	(2,156,714)	778,125
CAPITAL GRANTS AND CONTRIBUTIONS	5,095,210	-	4,867,491	-
INCREASE IN NET POSITION	409,051	207,056	2,710,777	778,125
Net Position - Beginning of Year	72,832,447	16,167,943	70,121,670	15,389,818
Net Position - End of Year	$ 73,241,498	$ 16,374,999	$ 72,832,447	$ 16,167,943

See accompanying Notes to Financial Statements.

UNION COUNTY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Student Revenue	$ 20,788,890	$ 17,103,423
Receipts from Government Grants	28,853,297	34,915,618
Payments to Suppliers	(16,726,471)	(12,699,924)
Payments for Employee Salaries and Benefits	(59,385,668)	(57,951,765)
Receipts from Gifts and Contributions	285,005	288,953
Other Receipts	1,469,463	1,696,853
Net Cash Used by Operating Activities	(24,715,484)	(16,646,842)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	10,195,707	10,306,432
County Appropriations	14,116,846	13,741,651
Loan Program Receipts	10,272,291	10,347,389
Loan Program Disbursements	(10,272,291)	(10,347,389)
Net Cash Provided by Noncapital Financing Activities	24,312,553	24,048,083
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	5,095,209	4,867,493
Purchase of Capital Assets	(6,260,441)	(8,257,983)
Principal Paid on Debt	(233,775)	(232,044)
Interest Paid on Long-Term Debt	(747,133)	(717,956)
Net Cash Used by Capital and Related Financing Activities	(2,146,140)	(4,340,490)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	111,866	97,999
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,437,205)	3,158,750
Cash and Cash Equivalents - Beginning of Year	29,481,576	26,322,826
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 27,044,371	$ 29,481,576
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (28,363,445)	$ (25,584,840)
Adjustment to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	5,098,923	5,549,624
Changes in Assets and Liabilities:		
Receivables, Net	(3,828,429)	2,320,773
Accounts Payable and Accrued Expenses	1,802,456	619,276
Net Pension Liability	879,972	-
Unearned Revenue:		
Student Tuition and Fees	(249,280)	318,267
Federal and State Grants	(55,681)	130,058
Net Cash Used by Operating Activities	$ (24,715,484)	$ (16,646,842)

See accompanying Notes to Financial Statements.

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. The College's enrollment for Fall 2015 was 4,853 full time students and 6,367 part time students. The College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Reporting Entity (Continued)

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

Component Unit

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit (Continued)

During the fiscal years ended June 30, 2016 and 2015, the Foundation distributed $1,085,305 and $868,545, 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, 2016 can be obtained at the Foundation offices; Union County College Foundation, 1033 Springfield Avenue, Cranford, New Jersey 07016.

Basis of Presentation

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

Basis of Accounting and Measurement Focus

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

Cash and Cash Equivalents and Investments

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Investments (Continued)

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

Accounts Receivable

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

Prepaid Expenses

Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

Tuition

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

State Aid

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

County Aid

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

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

Capital Assets

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

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

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

Depreciation expense for the fiscal years ending June 30, 2016 and 2015 was $5,098,823 and $5,549,624, respectively.

Financial Dependency

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

Compensated Absences

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

Reclassifications

Certain revenues in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no impact on total assets, liabilities or net position. The reclassification was due to $1,169,424 previously reported as Local Grants in the prior year changing to Capital Grant Revenue in the current year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

The allowance for doubtful accounts of student accounts receivable is based on average percentages of past years collection rates. The allowance for June 30, 2016 and 2015 was $2,202,267 and $1,757,306, respectively.

Use of Estimates

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

Federal Financial Assistance Programs

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

Scholarship Discounts and Allowances

Student tuition and fee revenues are reported net of scholarship discount and allowances in the statement of revenues, expenses and changes in net position. Scholarship discount and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, as well as other federal grants and state grants, are recorded as operating revenue in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the College has recorded a scholarship discount and allowance. The amount of scholarship discount and allowances for the fiscal years ending June 30, 2016 and 2015 was $15,627,458 and $15,561,354, respectively.

On-Behalf Payments for Pension Contributions

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

Income Taxes

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenue

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

Operating Revenues

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

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

Non-Operating Revenues

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

Net Position

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

Net Investment in Capital Assets

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

Restricted

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted Net Position

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

Deferred Inflows and Outflows of Resources

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

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

New Accounting Standards

The College has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. Statement No. 72 had no impact on the College’s financial statements and footnotes.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

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

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* Statement No. 78 excludes certain pensions from the provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The College has determined that Statement No. 78 does not apply to its pension plans and has no effect on its financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* Statement No. 79 applies to arrangements that commingle the moneys of more than one legally separate entity and invest on the participants' behalf in an investment portfolio. The College has determined that Statement No. 79 does not apply to its investments and has no effect on its financial statements.

In June 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. Statement No. 80 requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government (College) is the sole corporate member. The College has determined that Statement No. 80 does not apply to its component units and has no effect on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* Statement No. 81 provides recognition and measurement guidance for gifts received from donors who have transferred the gifts to an intermediary to hold and administer for the government (College) and at least one other beneficiary. An example of a split-interest agreement is a charitable remainder trust. The provisions in Statement No. 81 are effective for reporting periods beginning after December 15, 2016. The College has determined that Statement No. 81 will have no effect on its financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* Statement No. 82 addresses technical issues related to previous GASB guidance on pensions. The College has determined that Statement No. 82 will have no effect on its financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial Credit Risk

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

As of June 30, 2016 and 2015, the College's bank balances were exposed to custodial credit risk as follows:

	2016	2015
Insured	$ 1,528,634	$ 1,028,635
Collateralized under GUDPA	26,815,038	28,869,697
Total	$ 28,343,672	$ 29,898,332

NOTE 3 CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets by source at June 30, 2016 and 2015:

	Balance July 1, 2015	Increases	Decreases	Adjustments	Balance June 30, 2016
Capital Assets, Non-Depreciable:					
Land	$ 4,833,320	$ -	$ -	$ -	$ 4,833,320
Construction in Progress	7,236,810	4,687,698	-	(5,911,220)	6,013,288
Total Capital Assets, Non-Depreciable	12,070,130	4,687,698	-	(5,911,220)	10,846,608
Capital Assets, Depreciable:					
Building and Improvements	126,541,075	162,791	-	5,911,220	132,615,086
Intangible Asset - Easement	14,415,112	-	-	-	14,415,112
Equipment, Software and Vehicles	16,398,058	1,433,583	(294,386)	-	17,537,255
Total Capital Assets, Depreciable	157,354,245	1,596,374	(294,386)	5,911,220	164,567,453
Less Accumulated Depreciation for:					
Buildings and Improvements	(66,003,000)	(3,155,132)	-	-	(69,158,132)
Intangible Asset - Easement	(1,641,721)	(480,504)	-	-	(2,122,225)
Equipment, Software and Vehicles	(12,165,494)	(1,463,288)	270,753	-	(13,358,029)
	(79,810,215)	(5,098,924)	270,753	-	(84,638,386)
Total Capital Assets, Depreciable Net	77,544,030	(3,502,550)	(23,633)	5,911,220	79,929,067
Capital Assets, Net	$ 89,614,160	$ 1,185,148	$ (23,633)	$ -	$ 90,775,675

NOTE 3 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2014	Increases	Decreases	Adjustments	Balance June 30, 2015
Capital Assets, Non-Depreciable:					
Land	$ 4,833,320	$ -	$ -	$ -	$ 4,833,320
Construction in Progress	1,830,674	7,720,839	-	(2,314,703)	7,236,810
Total Capital Assets, Non-Depreciable	6,663,994	7,720,839	-	(2,314,703)	12,070,130
Capital Assets, Depreciable:					
Building and Improvements	124,778,032	-	-	1,763,043	126,541,075
Intangible Asset - Easement	14,415,112	-	-	-	14,415,112
Equipment, Software and Vehicles	15,309,255	549,468	(12,325)	551,660	16,398,058
Total Capital Assets, Depreciable	154,502,399	549,468	(12,325)	2,314,703	157,354,245
Less Accumulated Depreciation for:					
Buildings and Improvements	(62,545,955)	(3,457,045)	-	-	(66,003,000)
Intangible Asset - Easement	(1,161,217)	(480,504)	-	-	(1,641,721)
Equipment, Software and Vehicles	(10,553,419)	(1,612,075)	-	-	(12,165,494)
	(74,260,591)	(5,549,624)	-	-	(79,810,215)
Total Capital Assets, Depreciable Net	80,241,808	(5,000,156)	(12,325)	2,314,703	77,544,030
Capital Assets, Net	$ 86,905,802	$ 2,720,683	$ (12,325)	$ -	$ 89,614,160

Adjustments represent transfers of completed projects 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 and Public Safety employees can accrue up to 192 hours of accrued vacation and all other employees can accrue up to 168 hours of accrued vacation. An employee may request to carry forward additional hours; however, in no event shall they carry forward more than 192 hours and 168 hours, respectively. As of June 30, 2016 and 2015, the liabilities for accrued compensated absences, included in accrued expenses on the statements of net position, consist of the following:

	2016	2015
Vacation:		
Balance, Beginning of Fiscal Year	$ 989,410	$ 1,229,799
Increase (Decrease)	17,157	(240,389)
Balance, End of Fiscal Year	$ 1,006,567	$ 989,410

NOTE 5 PENSION PLANS

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

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

Public Employees' Retirement System

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

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

Annually, employer contributions to the PERS are actuarially determined and include the College's normal contribution plus any accrued liability, which ensures adequate funding for future pension system liability. The amount of contributions recognized by PERS from the College as of June 30, 2016, 2015 and 2014 were $1,210,879, $1,225,842, and $1,222,598, respectively.

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

- Actuarial cost method is entry age normal, level percent of pay.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 3.04%.
- Investment return of 7.90%, including inflation.
- Salary increases of 2.15 – 4.40% based on age for years 2012-2021, and 3.15 – 5.40% based on ages subsequent years.
- Asset Valuation using fair (market) value.
- Mortality rates based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 base on Projection Scale AA.

In accordance with State statute, the long-term expected rate of return on pension plan investments was determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table below.

PERS' policy in regard to the allocation of invested plan assets is established and may be amended by the PERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%
Core Bonds	1.75%	1.64%
Intermediate-Term Bonds	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	100.00%	

The discount rate used to measure the total PERS pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date to determine the total pension liability.

The following presents the College's proportionate share of the PERS net pension liability calculated using the discount rate of 4.90%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.90%) or one percentage point higher (5.90%) than the current rate.

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

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

	1% Decrease 3.90%	Current Rate 4.90%	1% Increase 5.90%
2015	$39,781,162	$32,007,303	$25,489,756

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

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

PERS measured the net pension liability as of June 30, 2015. The total PERS pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability calculated as of June 30, 2014 to June 30, 2015. PERS calculated the employer's proportion of the net pension liability using the ratio of each employer's one-year contributions to total participating employers' contributions for the group. At June 30, 2015, the College's proportion was .1426%, a decrease of .0004% from its proportion calculated as of June 30, 2014.

NOTE 5 PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

At June 30, 2016, the amount recognized as the College's proportionate share of the PERS June 30, 2015 net pension liability (measurement date) was $32,007,303. For the year ended June 30, 2016, the College recognized PERS pension expense of $2,414,514. At June 30, 2016, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Expected and Actual Experience	$ 763,582	$ -
Changes of Assumptions	3,437,329	-
Net Difference Between Projected and Actual Investment Earnings	-	514,615
Net Changes in Proportions	1,179,357	-
Total Contributions and Proportionate Share of Contributions after the Measurement Date	1,210,879	-
	$ 6,591,147	$ 514,615

The College will recognize the $1,210,879 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the PERS net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as PERS pension expense as follows.

Year Ending June 30,	Amortization
2017	$ (935,996)
2018	(935,996)
2019	(935,996)
2020	(1,333,725)
2021	(723,940)
Total	$ (4,865,653)

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.

NOTE 5 PENSION PLANS (CONTINUED)

New Jersey Alternate Benefit Program

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

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

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

The State of New Jersey is responsible for contributing the employer's share of certain defined academic positions towards the annual pension cost of Alternate Benefits for qualified employees. The 2016 Employer's share was 8% of annualized wages. The College pays the employer's share and is reimbursed by the State of New Jersey. During fiscal years 2016 and 2015, the State reimbursed $1,396,239 and $1,409,623, 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
2016	$ 1,945,643	$ 1,396,239	$ 549,404
2015	1,969,402	1,409,623	559,779
2014	2,052,657	1,485,794	566,863

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 403(b) plan is administered by the State of New Jersey and the 457(b) plan is administered by the College. Both plans permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan carriers are as follows:

403(b)
AXA Financial; MassMutual Retirement Services; MetLife; Prudential; TIAA; VALIC; and Voya Financial

457(b)
TIAA

NOTE 7 RISK MANAGEMENT

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

Property and Liability Insurance

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

Joint Insurance Pool

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

The contributions to the fund, are payable in an annual premium that are based on actuarial assumptions determined by the fund's actuary. Contributions to the pool totaled $228,518 and $197,644, respectively, for fiscal years ended 2016 and 2015.

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, 2016:

NOTE 8 CAPITAL LEASE PAYABLE (CONTINUED)

Kellogg Building (Continued)

Fiscal Year(s)	Principal	Interest	Total
2017	$ 136,163	$ 63,837	$ 200,000
2018	141,970	58,030	200,000
2019	148,024	51,976	200,000
2020	154,336	45,664	200,000
2021	160,918	39,082	200,000
2022-2026	846,547	86,787	933,334
Total	$ 1,587,958	$ 345,376	$ 1,933,334

Principal and interest payments for the above capital lease were $130,594 and $69,406, respectively, for fiscal year 2016 and $125,253 and $74,747, respectively, for fiscal year 2015.

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, 2016:

Fiscal Year(s)	Principal	Interest	Total
2017	$ 138,678	$ 653,322	$ 792,000
2018	183,801	608,199	792,000
2019	171,769	653,231	825,000
2020	169,663	701,537	871,200
2021	211,778	659,422	871,200
2022-2026	1,532,681	3,120,979	4,653,660
2027-2031	2,365,051	2,893,730	5,258,781
2032-2036	3,478,688	2,483,419	5,962,107
2037-2041	5,094,510	1,591,361	6,685,871
2042	813,433	5,063	818,496
Total	$ 14,160,052	$ 13,370,263	$ 27,530,315

Principal and interest payments for the above easement were $103,181 and $688,819, respectively, for fiscal year 2016 and $106,791 and $643,209, respectively, for fiscal year 2015.

NOTE 9 AUXILIARY OPERATIONS - BOOKSTORE

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

(1) Minimum Annual Guarantee $500,000 or

(2) 14.75% on all gross revenue from $-0- to $4,000,000 plus 15.75% on all gross revenue between $4,000,000 and $5,000,000 plus 16.75% in excess of $5,000,000 in any contract year.

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

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

NOTE 10 EDUCATION AND GENERAL EXPENSES BY FUNCTION

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

2016	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Educational and							
General Expenditures							
Instruction	$29,997,985	$ 321,222	$ 3,359,896	$ -	$ -	$ -	$ 33,679,103
Public Service	1,970,525	75,024	582,447	-	-	-	2,627,996
Academic Support	4,483,912	106,500	2,983,836	-	-	-	7,574,248
Student Services	6,547,093	251,104	568,077	-	-	-	7,366,274
Institutional Support	10,137,795	1,165,765	1,130,481	-	-	-	12,434,041
Operation and							
Maintenance of Plant	5,978,679	1,017,617	1,735,230		1,963,850	-	10,695,376
Scholarship Aid	-	-	-	8,309,724	-	-	8,309,724
Depreciation	-	-	-	-	-	5,098,923	5,098,923
Total	$59,115,989	$ 2,937,232	$ 10,359,967	$ 8,309,724	$1,963,850	$ 5,098,923	$ 87,785,685

NOTE 10 EDUCATION AND GENERAL EXPENSES BY FUNCTION (CONTINUED)

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

NOTE 11 OTHER RECEIVABLES

Other receivables as of June 30, 2016 and 2015 consist of the following amounts due to the College:

	2016	2015
Non-Credit Corporate Sponsors	$ 78,715	$ 182,147
JFK Muhlenberg	16,030	174,631
Trinitas Regional Medical Center	135,843	-
State Appropriation	778,204	-
Legal Settlement	50,000	100,000
Other Counties	-	112,783
Insurance Receivable	-	123,597
Union County Improvement Authority	-	350,000
Continuing Education	85,450	78,091
Union County College Foundation	252,076	17,034
Other	208,508	170,335
Total	$ 1,604,826	$ 1,308,618

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, 2015, there were 133,833 retirees receiving postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

NOTE 12 STATE POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service. The State paid $214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

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 SUBSEQUENT EVENTS

Building Our Future Bond Act Award
The College had submitted a proposal for the Health Science Building Phase II renovation project to the State of New Jersey 2012 Building Our Future Bond Act on or about January 12, 2016. The project would include renovations to the existing structure that would support the College teaching and administrative functions, ensure operational continuity, and support the college expansion plan for the Plainfield Campus. The College was notified on September 1, 2016 that it was awarded $3,961,671 for the project with a College match of 25% of the award or $1,320,557.

Student Development Building
As of September 28, 2011, the College entered into a Shared Services Agreement between the Union County Improvement Authority (UCIA) and Union County College to construct a Student Development Building on the Cranford campus. Upon the approval and signing of said agreement, the College provided $350,000 to the UCIA for project start-up costs. The UCIA would provide construction management services as well as financing to complete the project. $13,230,000 of County of Union General Obligation Lease Revenue Bonds were issued for this purpose which included $8,500,000 issued under the provisions of the College Bond Act, pursuant to which the State of New Jersey remits, on behalf of the County of Union, one-half of the principal and interest due otherwise known as "Chapter 12" funding.

A Ground Sublease Agreement was entered into in 2013 for the property on which the Cranford Facility Project was to be constructed. This agreement is between the College and the UCIA as lessee. A Sublease Purchase Agreement was also entered into in 2013 by and between the County of Union and the College. The County will sublease the project to the College. Prior to expiration of the sublease, the College will purchase the rights, title and interest from the County for a nominal fee. In August 2016, the Student Development Building was issued a Certificate of Occupancy. The College will record a capital asset and a capital lease payable on its books for fiscal year 2017. The College will record the difference between the present value of the sublease payments and the value of the building as a contribution from the County and State. All maintenance and operating costs related to this building will be paid for by the College.

NOTE 15 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

The Union County College Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation received a determination letter from the Internal Revenue Service 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, 2016 can be obtained from the Foundation at 1033 Springfield Avenue, Cranford, New Jersey 07016.

Cash and Investments

Cash

During the year, the Foundation could have cash balances in excess of $250,000 in their banking institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. At June 30, 2016 and 2015, the Foundation's uninsured balances were $-0- 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, 2016		
	Cost	FMV	Unrealized Appreciation (Depreciation)
Common Stock	$ 8,408,701	$ 9,435,570	$ 1,026,869
Bond-Fixed Income	5,222,889	5,377,397	154,508
Short-Term Investments	963,744	963,744	-
Total	$ 14,595,334	$ 15,776,711	$ 1,181,377

	June 30, 2015		
	Cost	FMV	Unrealized Appreciation (Depreciation)
Common Stock	$ 8,608,339	$ 10,713,816	$ 2,105,477
Bond-Fixed Income	4,902,817	4,885,822	(16,995)
Short-Term Investments	224,726	224,726	-
Total	$ 13,735,882	$ 15,824,364	$ 2,088,482

NOTE 15 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Fair Value Measurements

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

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

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

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

For the fiscal year ended June 30, 2016, 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.

NOTE 15 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Fair Value on a Recurring Basis

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

	2016	2015
Quoted Prices in Active Markets for Identical Assets (Level 1)		
Stock:		
Consumer Discretionary	$ 1,261,251	$ 1,400,985
Consumer Staples	643,667	638,734
Emerging Markets	52,241	312,923
Energy	501,143	649,582
Financials	1,430,776	2,231,112
Foreign Stock	15,107	13,042
Healthcare	1,157,339	1,543,451
High Yield	-	13,682
Industrials	874,144	1,045,802
Information Technology	1,543,865	1,538,230
International Developed	-	23,425
International Equity	60,445	40,252
Large Cap Funds	130,821	314,344
Materials	331,880	193,141
Other Equity	642,110	354,617
Real Estate	353,854	-
Small Cap Funds	13,274	16,602
Telecommunications Services	167,338	225,231
Utilities	256,315	158,661
Total Stock	9,435,570	10,713,816
Bond-Fixed Income:		
Funds	3,096,822	3,073,784
Individual Holding	2,266,975	1,796,109
Other	13,600	15,929
Total Bond-Fixed Income	5,377,397	4,885,822
Total	$ 14,812,967	$ 15,599,638

Not included above are short-term investments at June 30, 2016 and 2015 of $963,744 and $224,726, respectively. These assets are recorded at cost that approximates fair value and are not subject to the above classification.

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY COLLEGE
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2016 AND 2015
(UNAUDITED)

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

Measurement Date	College's Proportion	College's Proportion Share	College's Covered Employee Payroll	College's Proportionate Share of NPL as a % of Covered-Employee Payroll	PERS Fiduciary Net Position as a % of Total Pension Liability
2015	0.1425842332%	$ 32,007	$ 10,051	318.45%	47.94%
2014	0.1422470301%	$ 26,633	$ 9,665	275.56%	52.08%

Schedule of Contributions
(in thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a % of Covered-Employee Payroll
2016	$ 1,210	$ 1,226	$ (16)	$ 10,051	12.20%
2015	$ 1,226	$ 1,223	$ 3	$ 9,665	12.65%

SUPPLEMENTARY INFORMATION

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	FY 2016 Expenditures
U.S. Department of Education:				
Student Financial Aid Cluster (Direct Funding):				
Federal Supplemental Educational Opportunity Grants	84.007	N/A		$ 285,736
Federal Direct Student Loans	84.268	N/A		10,272,291
Federal Pell Grant Program	84.063	N/A		19,952,757
Federal Work-Study Program	84.033	N/A		259,711
Total Student Financial Aid Cluster				30,770,495
Title V Funding (Direct Funding):				
Learning Enhanced through Accelerated Paths (LEAP)	84.031	N/A		545,815
STEMpact	84.031	N/A		605,439
Total Title V Funding				1,151,254
Passed Through Bergen County Community College:				
Alternative Math Placement, an Unprecedented Program	84.116E	P116F150138		79,573
Passed Through State of New Jersey Department of Treasury:				
Vocational Education - Perkins	84.048	PSF Consol 718511		460,027
Passed Through State Department of Labor and Workforce Development:				
Adult Education and Family Literacy:				
Adult Basic Skills	84.002	ABS-FY10106	$ 460,889	1,061,250
Total U.S. Department of Education				33,522,599
U.S. Department of Labor Employment and Training Administration:				
Trade Adjustment Assistance Community College Career Training Grant	17.282	N/A		448,492
NJ Health Professions Pathway to Regional Excellence Project	17.282	N/A		258,055
Total U.S. Department of Employment and Training				706,547
Passed Through County of Union, NJ:				
WIA - Adult	17.258	N/A		145,663
WIA - Dislocated Worker	17.260	N/A		320,217
Total WIA Cluster				465,880
Total U.S. Department of Labor				1,172,427
U.S. Department National Science Foundation:				
Passed Through Stevens Institute of Technology:				
SFS Cybersecurity Scholars Program	47.076	1548315		18,590
Passed Through Passaic County Community College				
Northern New Jersey Bridges to the Baccalaureate Program	47.070	1410389		45,253
Total U.S. Department National Science Foundation				63,843
U.S. Department of Health and Human Services:				
Passed Through Bergen County Community College:				
Northern New Jersey Health Professions Pathway Consortium	93.093	TC-26459-14-60-A-34		136,287
U.S. Department of Homeland Security:				
Passed Through State of New Jersey Office of Homeland Security and Preparedness:				
Urban Areas Security Initiative	97.008	EMW-2013-SS-00031-S01		157,041
National Aeronautics and Space Administration:				
Passed through Rutgers, The State University of New Jersey:				
New Jersey Space Grant	43.008	NNX14AR02A		8,378
U.S. Department of Housing and Urban Development:				
Community Block Development Cluster:				
Passed Through County of Union, NJ:				
Community Block Development/Life Center	14.218	015-213		5,000
Passed Through City of Elizabeth, NJ:				
Community Block Development/Life Center	14.218	1543		5,852
Total Community Development Block Grant				10,852
Total Federal Financial Assistance				$ 35,071,427

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

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

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 2016 Expenditures	Cumulative Expenditures
N.J. Commission of Higher Education:							
Educational Opportunities Fund - Article III	10-100-074-2401-001	$ 188,286	$ 178,597	07/01/15	06/30/16	$ 178,597	$ 178,597
Educational Opportunities Fund - Article III Summer	10-100-074-2401-001	109,743	108,024	07/01/15	06/30/16	108,024	108,024
N.J. Higher Education Student Assistance Authority:							
Tuition Aid Grants	10-100-074-2405-007	2,767,390	2,767,390	07/01/15	06/30/16	2,767,390	2,767,390
New Jersey Stars Program	10-100-074-2405-313	226,734	226,734	07/01/15	06/30/16	226,734	226,734
Urban Scholars Program	10-100-074-US11-278	6,500	6,500	07/01/15	06/30/16	6,500	6,500
NJ Class Loans	Not Applicable	68,935	68,935	07/01/15	06/30/16	68,935	68,935
N.J. Commission on Higher Education:							
Educational Opportunities Fund - Article IV	10-100-074-2401-002	290,479	290,479	09/01/15	06/30/16	290,479	290,479
Total N.J. Commission on Higher Education						3,646,659	3,646,659
N.J. Department of Labor and Workforce Development:							
Direct Funding:							
New Jersey Youth Corps	ACNY13N	384,659	366,070	07/01/15	06/30/16	366,070	366,070
Youth Transitions to Work	YT15009	61,715	61,715	10/01/15	08/31/16	61,715	61,715
Opportunity4Jersey	O4JFY13005027/O4JFY1504002	33,448	33,448	07/01/15	06/30/16	33,448	33,448
Total N.J. Department of Labor						461,233	461,233
N.J. Department of Children and Family							
Sandy Displaced Homemaker	14YSGZ	169,999	166,172	07/01/15	06/30/16	166,172	166,172

(Continued)

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 (CONTINUED)
YEAR ENDED JUNE 30, 2016

State of New Jersey Grantor / Pass-Through Grantor / Program or Cluster Title	State GMIS Number	or Award Amount	Funds Received	Grant Period From	Grant Period To	FY 2016 Expenditures	Cumulative Expenditures
N.J. Department of Treasury - Vocational Education:							
Passed Through County of Union, Department of							
Human Services:							
Work First New Jersey:							
Job Search/Job Readiness (JS/JR):							
TANF/GA/SNAP	15 WFNJ 100/101	$ 500,000	$ 500,000	07/01/15	06/30/16	$ 492,750	$ 492,750
N.J. Department of Treasury - Higher Education Administration:							
Operational Costs - County Colleges	10-100-082-2155-015	10,195,707	10,195,707	07/01/15	06/30/16	10,195,707	10,195,707
Employer Contributions - Alternate Benefit Program - Faculty	10-100-082-2155-017	1,211,611	1,211,611	07/01/15	06/30/16	1,211,611	1,211,611
Employer Contributions - Alternate Benefit Program - Adjuncts	10-100-082-2155-017	184,628	184,628	07/01/15	06/30/16	184,628	184,628
FICA for Members of TPAF	10-100-082-2155-020	26,224	26,224	07/01/15	06/30/16	26,224	26,224
Building Our Future Bond Act	5860742400045	1,405,848	1,306,311	05/01/13	Open	67,415	1,381,315
Total N.J. Department of Treasury						12,178,335	13,492,235
Total State Financial Assistance						$ 16,452,399	$ 17,766,299

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

UNION COUNTY COLLEGE
NOTES TO SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 4 RELATIONSHIP TO FINANCIAL STATEMENTS

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

NOTE 5 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6 STUDENT LOAN PROGRAMS

The College is responsible only for the performance of certain administrative duties with respect to Federal Direct Student Loans; accordingly, these loan balances are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under this program as of June 30, 2016.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Union County College (the "College"), in the County of Union, State of New Jersey, as of and for the fiscal year ended June 30, 2016, 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 6, 21016. The financial statements of the discretely presented component unit, Union County College Foundation, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with Union County College Foundation.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 6, 2016

CliftonLarsonAllen LLP
CLAconnect.com

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

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

Report on Compliance for Each Major Federal and State Program

We have audited Union County College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the fiscal year ended June 30, 2016. The College's major federal and state programs are identified in the *Summary of Auditors' Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance, and State of New Jersey Circular 15-08-OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and the State of New Jersey Circular 15-08 and which are described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, and 2016-003. Our opinion on the major federal and state programs is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002, and 2016-003 that we consider to be significant deficiencies.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 6, 2016

UNION COUNTY COLLEGE
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

Section I – Summary of Auditors' Results

Financial Statements

Type of Auditors' Report Issued:	UNMODIFIED	
Internal Control over Financial Reporting:		
Material Weakness(es) Identified?	_____ Yes	__X__ No
Significant Deficiency(ies) Identified?	_____ Yes	__X__ None Reported
Noncompliance Material to Financial Statements Noted?	_____ Yes	__X__ No

Federal and State Awards

Internal Control Over Major Programs:		
Material Weakness(es) Identified?	_____ Yes	__X__ No
Significant Deficiency(ies) Identified?	__X__ Yes	_____ None Reported
Type of Auditors' Report Issued on Compliance for Major Programs:	UNMODIFIED	
Any Audit Findings Disclosed that are Required to be Reported in Accordance with Part 200 of the Uniform Guidance or NJ OMB 15-08?	__X__ Yes	_____ No

Section I – Summary of Auditors' Results (Continued)

Identification of Major Programs:

CFDA Number(s)/State Account Number	Name of Federal/State Program or Cluster
Federal:	
84.007, 84.033, 84.038 84.063, 84.268	Student Financial Assistance Cluster
17.282	U.S. Department of Labor Employment and Training Administration - Trade Adjustment Assistance Community College Career Training Grant & New Jersey Health Professions Pathway to Regional Excellence Project
State:	
10-100-082-2155-015	N.J. Department of Treasury - Higher Education Administration - Operational Costs - County Colleges
10-100-082-2155-017	N.J. Higher Education Student Assistance Authority - Tuition Aid Grants
10-100-074-2405-313	N.J. Department of Treasury - Vocational Education - Passed through County of Union, Department of Human Services - Work First New Jersey

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

Federal	$	750,000
State	$	750,000

Auditee Qualified as Low-Risk Auditee? __X__ Yes ____ No

Section II – Financial Statement Findings

None

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

Finding Reference: 2016-001 – *Student Financial Aid – NSLDS Reporting*

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

Condition:

During our testing, we noted that the National Student Loan Data Systems (NSLDS) rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days. Union County College utilizes the National Student Clearinghouse (NSC) as a third party provider in order to submit student information to NSLDS. NSC had software conversion issues that failed in monitoring and correcting submission errors. However, it is possible for the College to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which would have detected these types of errors.

Criteria:

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

Questioned Costs:

None

Cause of the Condition:

The College's processes and controls did not prevent all errors from being corrected within the required 10 day period.

Effect: The NSLDS system is not updated with the student information which can cause over awarding should the student transfer to another institution and students may not properly enter the repayment period.

Repeat Finding: Yes, prior year finding 2015-002.

Auditors' Recommendation:

We recommend that College review its reporting procedures to ensure that students' statuses are accurately and timely reported to NSLDS as required by regulations.

Views of Responsible Officials and Planned Corrective Action:
The Registrar has contacted the National Student Clearinghouse to gain a better understanding of the types of errors that surface on data transmissions. The National Student Clearinghouse will set up a format for the Registrar's monthly transmissions to make these errors more transparent for timely resolution.

Finding Reference: 2016-002 – *Student Financial Aid – Return of Title IV Funds*

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

Condition:

We noted that the College did not adjust the Title IV funds to be returned from one student's account and the funds were not returned to the appropriate lending agency within 45 days of the school's determination.

Criteria:

When a student receiving Title IV aid is determined to withdraw or have ceased attendance, the school must calculate the amount of aid the student earned and the amount that must be returned to the awarding agency based on the calculation guidelines in the SFA handbook. The amount to be returned must be returned to the appropriate lending agency within 45 days of the school's determination of the student's withdrawal.

Questioned Costs:

None

Cause of the Condition:
The College does not have an adequate review process for the return of Title IV calculations.

Effect: Title IV funds are not being returned to the appropriate lending agency on a timely basis.

Auditors' Recommendation:
We recommend the College review its policies and procedures surrounding the completion of return of Title IV calculations, and additionally recommend the College put in place periodic review procedures to verify that all withdrawals are identified timely and all withdrawn students have had return of Title IV calculations properly performed in a timely manner.

Views of Responsible Officials and Planned Corrective Action:
Going forward the Director has developed a weekly review procedure. This procedure involves a second review of the withdrawal report by the Assistant Director to verify that all withdrawals are identified timely and all withdrawn students have had return of Title IV calculations properly performed in a timely manner.

Finding Reference: 2016-003 – *Trade Adjustment Assistance Community College and Career Training*

Federal Agency:	**U.S. Department of Labor**
Federal Program:	**Trade Adjustment Assistance Community College and Career Training (CFDA 17.282)**
Compliance Requirement:	**Reporting**
Type of Finding:	**Significant Deficiency in Internal Control, Noncompliance**

Condition:

We noted that the College did not submit its financial report for the reporting period ending September 30, 2015 on a timely basis per the criteria below. Instead of submitting the report no later than November 14, 2015, the report was submitted on January 4, 2016.

Criteria:

Submission of the financial report is required on a quarterly basis. Reporting quarter end dates shall correspond to the following calendar dates: March 31, June 30, September 30, and December 31. Quarterly reports, including the final quarter report, are required to be submitted no later than 45 calendar days after the end of each specified reporting period. A closeout report is required to be submitted no later than 90 calendar days after the grant end date. All financial data is required to be reported cumulative from grant inception.

Questioned Costs:

None

Cause of the Condition:

The College has noted staffing turnover regarding this grant in the past couple years, therefore staffing limitations are partially to blame for their non-compliance with reporting requirements.

Effect:

Financial reports for the U.S. Department of Labor are not being submitted timely by the grant awardee, which means grant compliance requirements are not being followed.

Auditors' Recommendation:

We recommend the College establish controls surrounding the timely submission of financial reports to the U.S. Department of Labor, which could include better communication among those working on the grant.

Views of Responsible Officials and Planned Corrective Action:

A grants schedule will be maintained and updated by the Finance department to include all financial reporting due dates to ensure timely submissions of financial reports.

Section IV – Summary of Prior Year Findings

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

Condition:

During testing, We noted that a significant portion of the expenses being recognized as fiscal year ending June 30, 2015 expenses on the Statement of Revenues, Expenses, and Changes in Net Position and Statement of State Awards (SESA) were actually incurred during fiscal year ending June 30, 2014, but not recorded on the Statement of Revenues, Expenses, and Changes in Net Position and SESA in fiscal year ending June 30, 2014.

Auditors' Recommendation:

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

Status:

There were no similar findings in the current year.

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

Condition:

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

Auditors' Recommendation:

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

Status:

Included as current year finding number 2016-001.

Reason for Finding Recurrence:

The NSC has not corrected the software issue that has resulted in error records remaining uncorrected.