REPORT OF AUDIT

2017

FISCAL YEAR ENDED JUNE 30, 2017
CRANFORD, NEW JERSEY

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

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

MEMBERS OF THE BOARD OF TRUSTEES
AS OF JUNE 30, 2017

Name	Term Expires
Victor M. Richel, Chair	2018
Frank A. Bolden, Esq., Vice Chair	2018
Lawrence D. Bashe	2020
George A. Castro, II	2018
Daniel J. Connolly, CPA	2018
Edward J. Hobbie, Esq.	2019
Cherron P. Rountree	2020
Dr. Karen Young-Thomas	2021
Mary M. Zimmermann	2021
Gianella Salinas, Student Representative	Nov. 2017
Dr. Margaret M. McMenamin, President	Ex-Officio

MEMBERS OF THE BOARD OF GOVERNORS
AS OF JUNE 30, 2017

Name	Term Expires
Elizabeth Garcia, Chair	2019
Edward J. Hobbie, Esq., Vice Chair	2020
Melinda Ayala	2018
Lawrence D. Bashe	2020
Nancy J. Benz	2020
Henry C. Dickson, CFA	2020
Tamecka M. Dixon	2019
Susan D. Hairston	2020
Alan M. Haveson	2020
Stephen F. Hehl, Esq.	2019
Donna M. Herran	2019
Harvey R. Hirschfeld	2020
Gary Horan	2020
Jeffrey H. Katz, Esq.	2019
Chester Lobrow	2019
Brian MacLean	2020
Richard J. Malcolm	2018
J. Anthony Manger, Esq.	2018
Ada McGuinness	2020
Carl J. Napor	2020
Francis Raudelunas	2018
Victor M. Richel	2019
Allan L. Weisberg	2018
Mary M. Zimmerman	2019
Dr. Margaret M. McMenamin, President	Ex-Officio

OTHER COLLEGE OFFICIALS
AS OF NOVEMBER 30, 2017

Dr. Margaret M. McMenamin	President
Dr. Maris Lown	Vice President of Academic Affairs
Bernard F. Lenihan	Vice President of Financial Affairs and Treasurer
Dr. Demond Hargrove	Vice President of Student Development
Vacant	Vice President of Administrative Services and Executive Assistant to the President
Lynne A. Welch	Associate Vice President of Finance
Elizabeth A. Cooner	Executive Director, Assessment Planning & Research
Dr. Lisa Hiscano	Executive Director of Continuing Education and Workforce Development
Douglas E. Rouse	Executive Director of Union County College Foundation
Dr. Victoria Ukachukwu	Dean of the Plainfield Campus and Allied Sciences
Dr. Lester Sandres Rapalo	Dean of Social Science, Business and History and Interim Dean of the Elizabeth Campus
Dr. Bernard Polnariev	Dean of Curriculum, Accreditation and American Honors
Dr. Jaime Segal (effective December 1, 2017)	Secretary of the Boards and Director of College Relations
Dr. Liesl Jones	Dean of STEM and Interim Dean of Humanities
Dena Leiter	Dean of Learning Resources

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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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Union County College as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 6 through 16 and the schedules of proportionate share of net pension liability and contributions on page 47 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 14, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 14, 2017

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, 2017 and 2016 and its changes in financial position for the fiscal years then ended with FY 2015 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 Statements 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 which included a prior year adjustment and $1.5 million for FY 2017. 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 $12.8 million for deferred outflows as well as a $1.0 million for deferred inflows in FY 2017 resulting from the adoption of GASB 68 and 71.

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

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

Key Financial Data ($000)	2017	2016	2017 vs. 2016 Inc (Dec)	2017 vs. 2016 % Change	2015	2016 vs. 2015 Inc (Dec)	2016 vs. 2015 % Change
Operating Revenues	$ 57,790	$ 59,422	$ (1,632)	(2.7)%	$ 63,024	$ (3,602)	(5.7)%
Educational and General Expense	88,015	87,786	229	0.3	88,610	(824)	(0.9)
Operating (Loss)	(30,225)	(28,364)	(1,861)	6.6	(25,586)	(2,778)	10.9
Nonoperating Revenues	24,217	23,678	539	2.3	23,428	250	1.1
Capital Contributions and Grants	23,480	5,095	18,385	360.8	4,868	227	4.7
Increase (Decrease) in Net Position	17,472	409	17,063	4171.9	2,710	(2,301)	(84.9)
Net Position - Beginning of Year	73,241	72,832	409	0.6	94,668	(21,836)	(23.1)
GASB 68 Adjustment	-	-	-	-	(24,546)	24,546	(100.0)
Net Position - Beginning of Year	73,241	72,832	409	0.6	70,122	2,710	3.9
Net Position - End of Year	$ 90,713	$ 73,241	$ 17,472	23.9 %	$ 72,832	$ 409	0.6 %

The preceding table summarizes key financial data for fiscal years ended June 30, 2017 (FY 2017), June 30, 2016 (FY 2016), and June 30, 2015 (FY 2015). Comparisons represented above show FY 2017 contrasted with FY 2016 and FY 2016 contrasted with FY 2015 with dollar and percentage changes. This schedule is prepared from the College's statements of revenues, expenses, and changes in net position, which are presented on an accrual basis of accounting, including depreciation.

Operating Revenues ($000)	2017	2016	2017 vs. 2016 Inc (Dec)	2017 vs. 2016 % Change	2015	2016 vs. 2015 Inc (Dec)	2016 vs. 2015 % Change
Tuition and Fees (Net of Scholarship Allowance)	$ 27,304	$ 27,945	$ (641)	(2.3)%	$ 27,908	$ 37	0.1 %
Federal Grants	23,221	24,383	(1,162)	(4.8)	26,231	(1,848)	(7.0)
State Grants	4,523	5,200	(677)	(13.0)	6,815	(1,615)	(23.7)
Local Grants	152	140	12	8.6	85	55	64.7
Gifts and Contributions	413	285	128	44.9	289	(4)	(1.4)
Other Operating Revenues	2,177	1,469	708	48.2	1,696	(227)	(13.4)
Total Operating Revenues	$ 57,790	$ 59,422	$ (1,632)	(2.7)%	$ 63,024	$ (3,602)	(5.7)%

Total Operating Revenues decreased $1.6 million or 2.7% in FY 2017 as compared to FY 2016. The major areas of change were as follows:

- Net tuition and fees have decreased $641 thousand year over year. The decrease would have been greater by $735 thousand as there was a miscalculation of the scholarship allowance in FY 2016, however there was no financial impact on the statements. Therefore, the amended decrease should have been $1.5 million or 5.3%. Enrollment for FY 2017 was down 9.6% as compared to FY 2016. The net decrease of enrollment offset by the tuition increase of 4% resulted in the variance that should have been presented.

- Federal grants decreased $1.2 million or 4.8% from FY 2016. Pell decreased $2.1 million year over year. This is directly related to a decline in enrollment in FY 2017 coupled with more stringent Satisfactory Academic Progress requirements. There was a net increase in Title V funding of $200 thousand and $100 thousand increase in Federal Workstudy. The revenues of the Workforce Innovation Business Center (WIBC) are Federal revenues as these are pass through funds from U.S. Department of Labor Employment and Trained Administration to the County of Union and were $556 thousand in FY 2017.

- State grant revenues decreased $677 thousand or 13.0% as compared to FY 2016. NJ TAG and STARS revenues decreased by $300 thousand combined year over year. This is primarily attributed to the decline in enrollment. The Work First New Jersey spending decreased $277 thousand in FY 2017 as compared to FY 2016. In FY 2017, the College limited its services and focused on those involving education and training only.

- Other operating revenues increased by $708 thousand in FY 2017 as compared to FY 2016. The College received an insurance settlement in FY 2017 for $600 thousand for the fire that occurred in 2011 at the Annex Building on the Plainfield campus.

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 were 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.

			2017 vs. 2016			2016 vs. 2015	
Operating Expense ($000)	2017	2016	Inc (Dec)	% Change	2015	Inc (Dec)	% Change
Instructional	$ 33,909	$ 33,679	$ 230	0.7 %	$ 34,946	$ (1,267)	(3.6)%
Public Service	2,203	2,628	(425)	(16.2)	2,627	1	0.0
Academic Support	7,154	7,574	(420)	(5.5)	6,345	1,229	19.4
Student Services	8,221	7,366	855	11.6	7,406	(40)	(0.5)
Institutional Support	12,366	12,434	(68)	(0.5)	9,703	2,731	28.1
Plant	10,499	10,696	(197)	(1.8)	10,747	(51)	(0.5)
Student Aid	8,229	8,310	(81)	(1.0)	11,285	(2,975)	(26.4)
Depreciation	5,434	5,099	335	6.6	5,551	(452)	(8.1)
Total Operating Expenses	88,015	87,786	229	0.3	88,610	(824)	(0.9)
Interest on Capital Asset Related Debt	728	747	(19)	(2.5)	718	29	4.0
Total Expenses	$ 88,743	$ 88,533	$ 210	0.2 %	$ 89,328	$ (795)	(0.9)%

Operating expenses in FY 2017 increased $210 thousand or 0.2% over the same period in FY 2016. The major areas of change were:

- Instructional expenses increased $230 thousand or 0.7% in FY 2017 as compared to FY 2016. The full year impact of faculty retirements net of all instructional fringe benefits accounted for $960 thousand in savings in FY 2017. This was offset by an additional $600 thousand spent for student and tech labs reconfigured in FY 2017. In addition, there was over $300 thousand more in instructional grants in FY 2017.

- Public service was down $425 thousand year over year or 16.2%. This is based on reduced salary costs and fringes in FY 2017 in the Center for Economic and Workforce Development (CEWD) department of the College in the amount of $470 thousand.

- Academic support decreased $420 thousand or 5.5% when FY 2017 is compared to FY 2016. Salary vacancies within this area of academic affairs accounted for a decrease in salary costs net of fringe benefits of $168 thousand. In addition, because enrollment was down 9.6% in FY 2017, cost sharing with the nursing schools based upon FTEs was down another $168 thousand as well.

- Student Services increased $855 thousand or 11.6% year over year. The Student Development Building opened in August 2016. Additional salary costs plus fringes were added to support the One Stop coupled with student success initiatives in FY 2017.

- Plant decreased $197 thousand or 1.8% when comparing FY2016 with FY2017. This was additional architect and engineering cost estimates incurred in FY 2016.

- Student aid decreased $81 thousand year over year. As mentioned previously under net tuition and fees, student aid should have been $9.0 million which is the other side of the $735 thousand miscalculation of the scholarship allowance. Therefore the decline in student aid in FY 2017 when compared to FY 2016 was $815 thousand or 9.0% which resulted from the decline in enrollment.

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

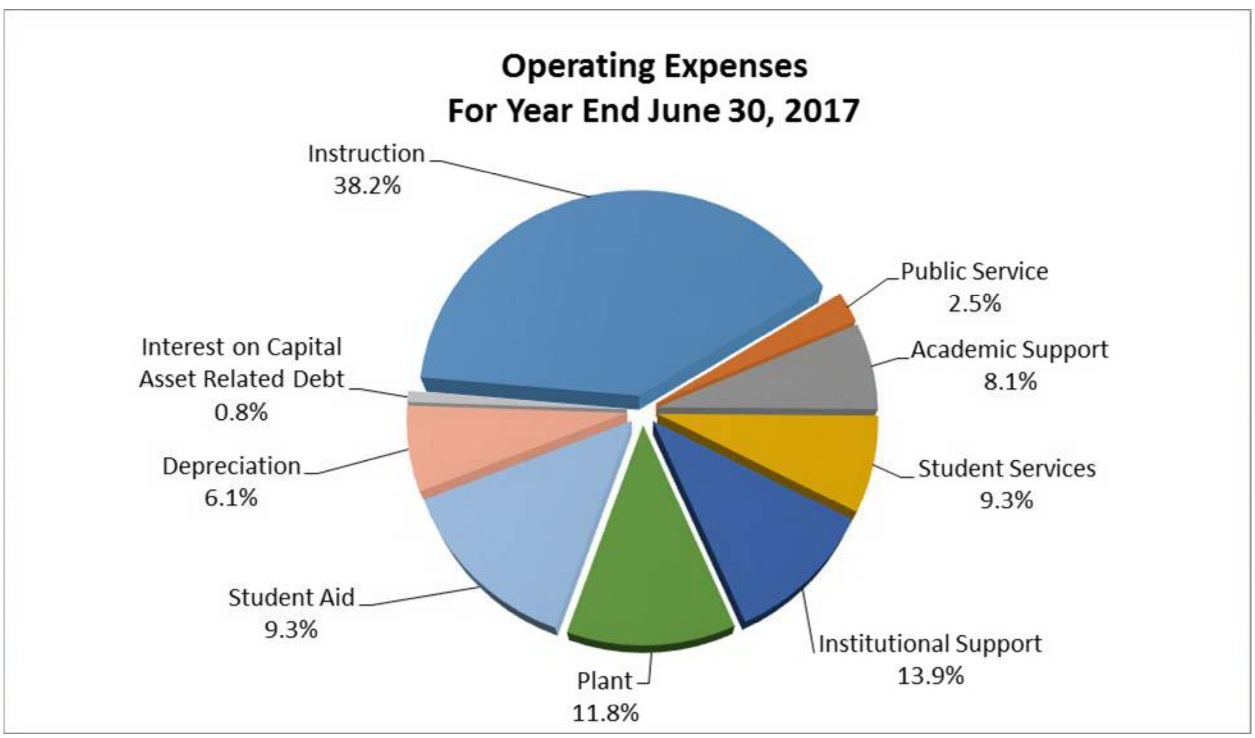
- Instructional expenses decreased $1.3 million from $34.9 million in FY 2015 to $33.7 million in FY 2016. Enrollment declined 2.8% in FY 2016 compared to FY 2015. Additionally, faculty retirements in FY 2016 contributed to the overall decrease in instructional expenses. These positions were not replaced.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

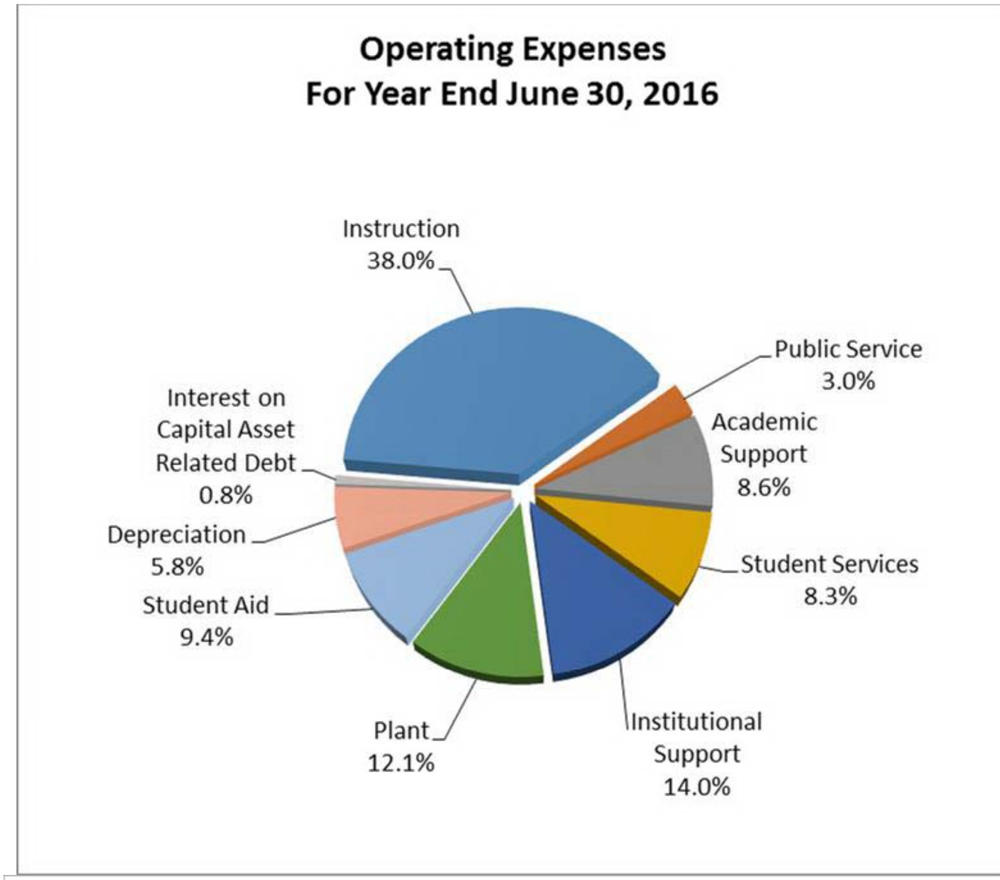
- Academic support increased $1.2 million or 19.4% resulting from the reorganization of Academic Affairs. In FY 2016, Academic Affairs implemented a new Dean structure which provided oversight to the four major academic areas. This resulted in the addition of a Dean, Assistant Dean, and Dean Secretary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

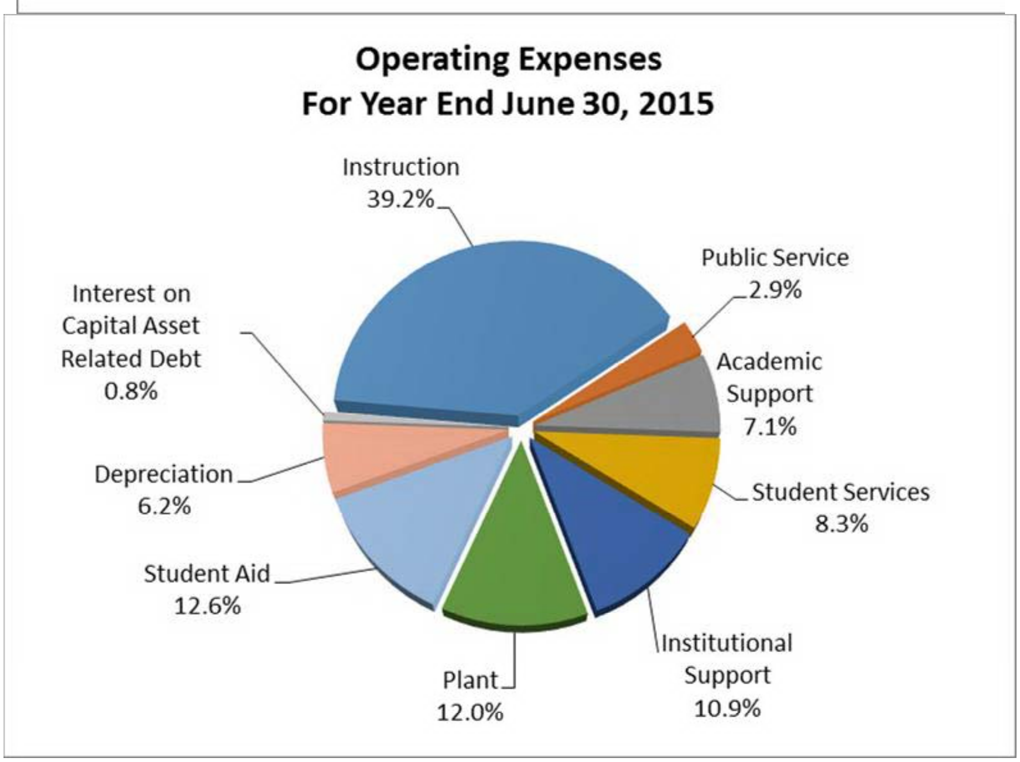
- Institutional support increased by $2.7 million or 28.1%. The pension expense related to GASB 68 resulted in an increase of $1.8 million. Additionally, there was an increase of $903 thousand for the replenishment of desktops and several non-capital network upgrades which included set-up costs and maintenance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

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




Operating Expenses
For Year End June 30, 2016
Instruction 38.0%
Public Service 3.0%
Academic Support 8.6%
Student Services 8.3%
Institutional Support 14.0%
Plant 12.1%
Student Aid 9.4%
Depreciation 5.8%
Interest on Capital Asset Related Debt 0.8%


Operating Expenses
For Year End June 30, 2015
Instruction 39.2%
Public Service 2.9%
Academic Support 7.1%
Student Services 8.3%
Institutional Support 10.9%
Plant 12.0%
Student Aid 12.6%
Depreciation 6.2%
Interest on Capital Asset Related Debt 0.8%

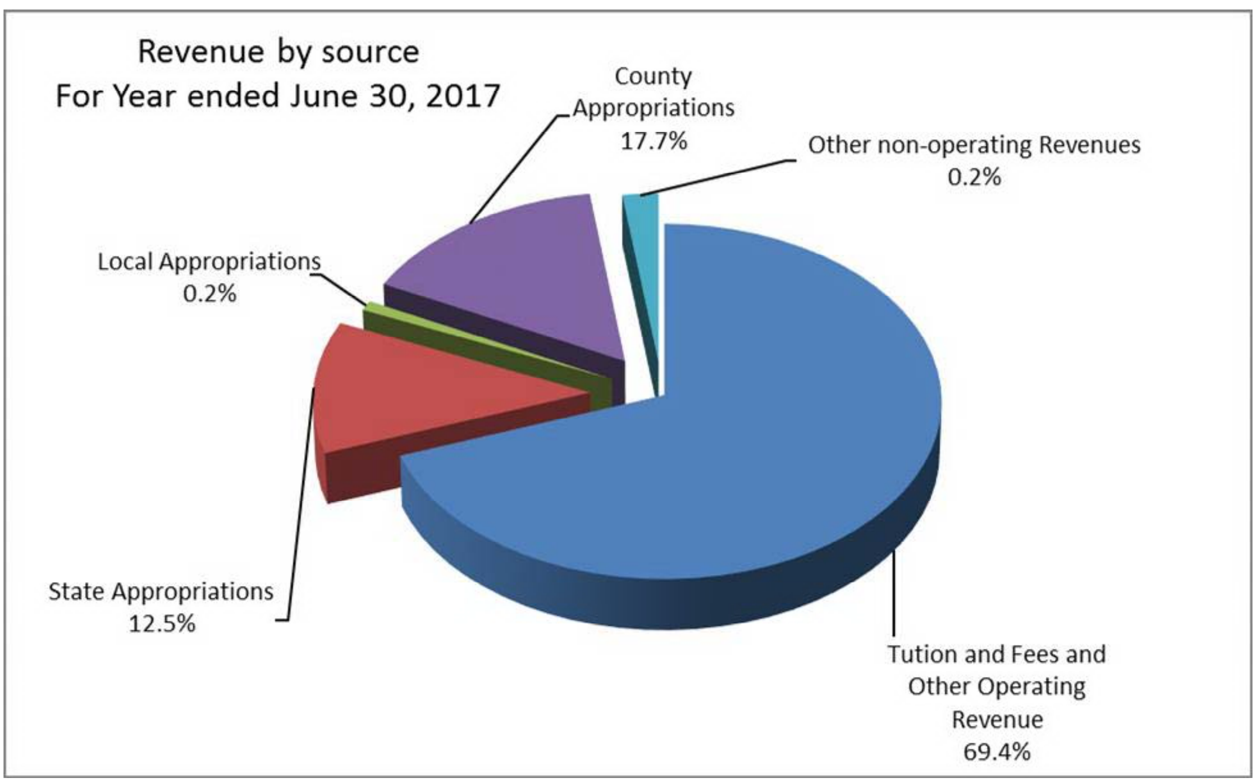
Operating Loss

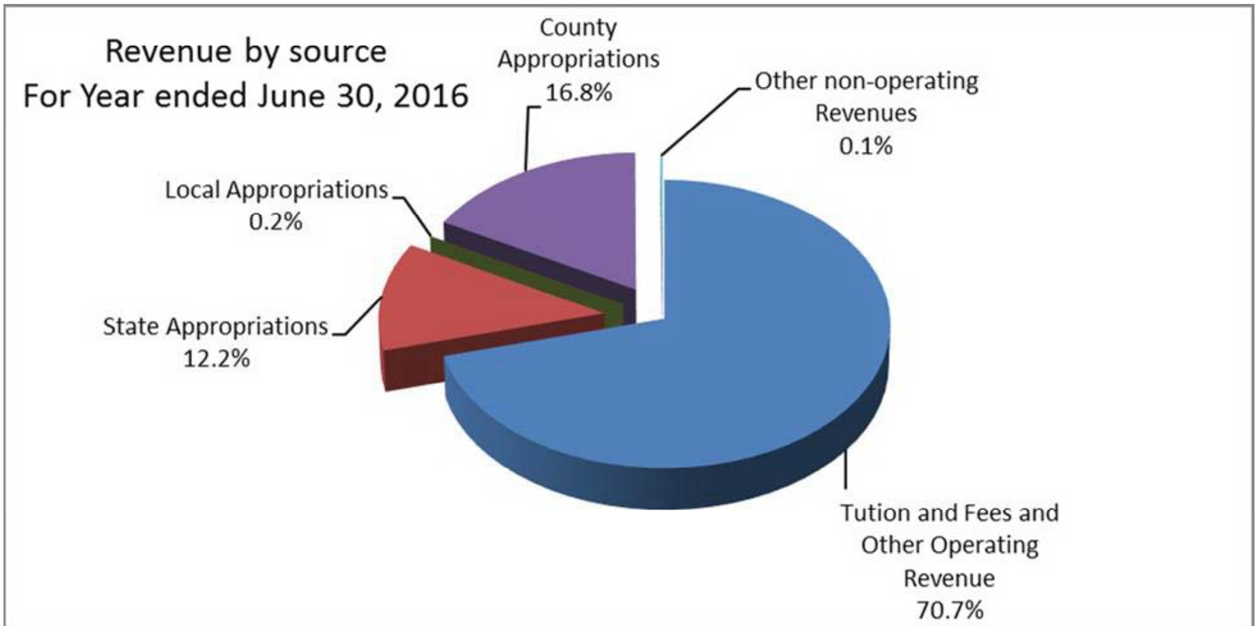
The College reported an operating loss of $30.2 million in FY 2017 as compared to a loss of $28.4 million in FY 2016. The continual magnitude of this loss reinforces the dependence and importance to the institution of two major components of non-operating revenue – the State and County Appropriations. 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.

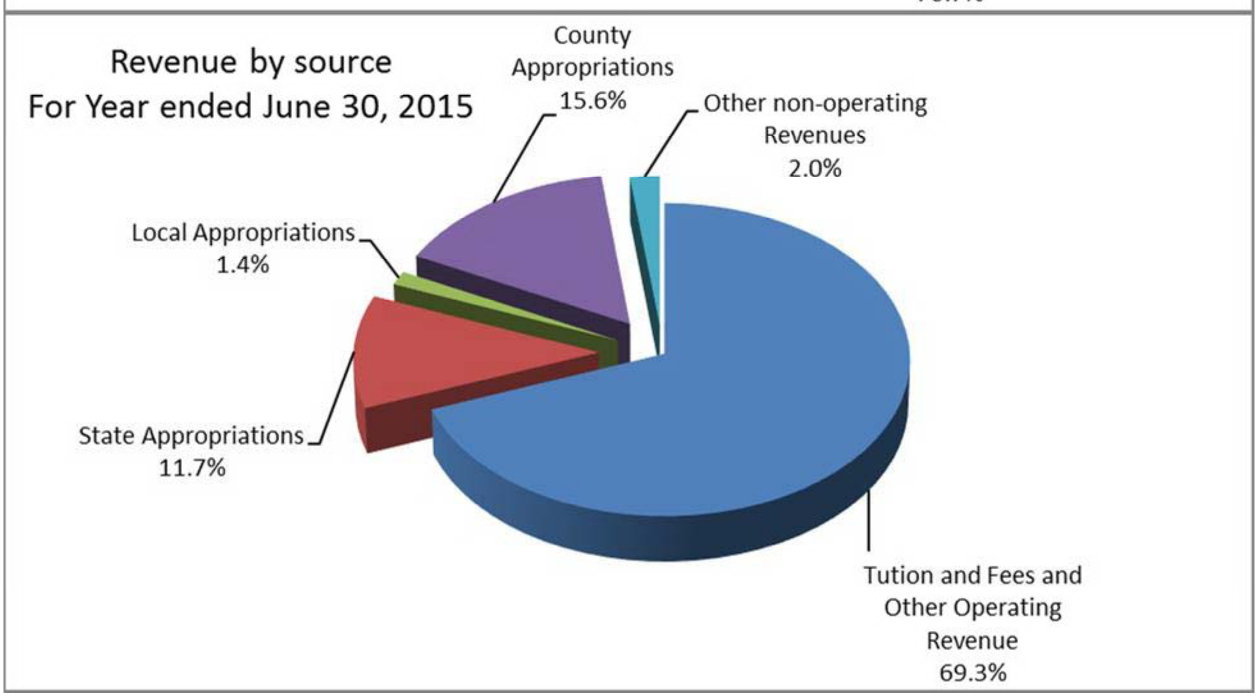
			2017 vs. 2016			2016 vs. 2015	
Nonoperating Revenues ($000)	2017	2016	Inc (Dec)	% Change	2015	Inc (Dec)	% Change
State Appropriations	$ 10,230	$ 10,196	$ 34	0.3 %	$ 10,306	$ (110)	(1.1)%
County Appropriations	14,540	14,117	423	3.0	13,741	376	2.7
Investment Income	176	112	64	57.1	98	14	14.3
Total Nonoperating Revenues	$ 24,946	$ 24,425	$ 521	2.1 %	$ 24,145	$ 280	1.2 %

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 $521 thousand, or 2.1 % in FY 2017. 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 69% of the College's operating expense. The College received a 3.0% increase from the County of Union in FY 2017. Part of this increase was an additional $44 thousand for an initiative to strengthen math skills in high schools throughout Union County.

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




Revenue by source
For Year ended June 30, 2016
County Appropriations 16.8%
Other non-operating Revenues 0.1%
Local Appropriations 0.2%
State Appropriations 12.2%
Tution and Fees and Other Operating Revenue 70.7%


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

Capital Contributions and Grants

Capital Contributions and Grants increased $18.4 million in FY 2017 as compared to FY 2016. The new Student Development Building on the Cranford campus opened in August 2016. The contribution provided for this building by the County of Union was $14.6 million. Additional Capital Contributions and Grant revenues accrued in FY 2017 were $745 thousand for Logos, Annex and Student Development Building fit up; $2.5 million for the Lessner Building first floor and lower level rehabilitation and $500 thousand for the redundant internet project.

			2017 vs. 2016			2016 vs. 2015	
Net Position ($000)	2017	2016	Inc (Dec)	% Change	2015	Inc (Dec)	% Change
Current Assets	$ 40,445	$ 37,290	$ 3,155	8.5 %	$ 35,899	$ 1,391	3.9 %
Noncurrent Assets:							
Capital Assets, Net of Depreciation	108,117	90,775	17,342	19.1	89,614	1,161	1.3
Total Assets	148,562	128,065	20,497	16.0	125,513	2,552	2.0
Deferred Outflows of Resources	12,828	6,591	6,237	94.6	3,309	3,282	99.2
Current Liabilities	14,136	13,420	716	5.3	11,882	1,538	12.9
Noncurrent Liabilities	55,516	47,480	8,036	16.9	42,381	5,099	12.0
Total Liabilities	69,652	60,900	8,752	14.4	54,263	6,637	12.2
Deferred Inflows of Resources	1,024	515	509	98.8	1,727	(1,212)	(70.2)
Capital Assets - Net Position	92,644	75,027	17,617	23.5	73,632	1,395	1.9
Unrestricted - Net Position	(1,930)	(1,786)	(144)	8.1	(800)	(986)	123.3
Total Net Position	$ 90,714	$ 73,241	$ 17,473	23.9 %	$ 72,832	409	0.6 %

Current Assets in FY 2017 increased $3.2 million or 8.5% year over year. The County of Union receivable increase of $4.2 million stemmed from various projects, as well as purchases of equipment, invoiced at the end of the fiscal year which consists of $745 thousand for Logos, Annex and Student Development Building fit up; $2.5 million for the Lessner Building first floor and lower level rehabilitation and $500 thousand for the redundant internet project. Net Capital Assets increased by $17.3 million or 19.1% resulted from $14.6 million for the new Student Development Building that opened in August 2016 which was offset by a $335 thousand increase in depreciation expense. The increase in Noncurrent liabilities year over year resulted from an $8.0 million increase in the College's share of net pension liability recorded in FY 2017 based upon GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Current Assets in FY 2016 increased $1.4 million or 3.9% year over year. The County of Union receivable increase stemmed 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% which resulted from $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 was offset by $5 million in depreciation 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 in an environment of several years of enrollment decline.

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 2017 student academic credit hours decreased 9.6% from FY 2016 and the Fall 2017 enrollment decreased 3.5% compared to the preceding Fall semester. It is expected that this trend will continue throughout FY 2018. Again, this will present additional pressures to contain costs as this decline is greater than previously anticipated when the FY 2018 budget was created.

As mentioned above, management continues to place great emphasis on cost containment to mitigate rising costs and to minimize tuition increases which for FY 2018 are 4.0%. 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. Starting with FY 2018, the College looks to start hiring academic specialists which are 12 month positions that require both instructional as well as administrative responsibilities. In addition, the College is looking to start an undergraduate research program. This will start with the STEM division and then this program will be open to the other two academic divisions. The Social Science, Business and History Division will be launching a Supply Chain Management Program in response to a growing demand for increased efficiency in manufacturing and transporting goods and services.

The College continues to expand, renovate and improve facilities and this will continue throughout the up and coming fiscal years. 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 2018 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.

Utilizing the creation of the One Stop Center and divisional reorganization as a point of departure, a significant FY 2018 goal of the Division of Student Development revolves around the theme of improving communication in support of student success at Union County College. Student Development will evaluate the overall effectiveness of the College's student communications and outreach efforts. Once the assessment is completed, the Division will move forward with the implementation of a Communications Center equipped to provide targeted call-to-action campaigns designed to move various Union County College student cohorts to a specific enrollment task.

The College signed a multiple year managed service technology support agreement with Ellucian in September 2017. The College is expecting to undertake several projects for enhanced service in FY 2018. This department intends to expand business process reviews within the College to ensure current technology is being maximized and utilized effectively and efficiently. Document management within the College will be expanded to other areas such as Human Resources, Accounts Payable and Purchasing. This will streamline workflow efforts in these areas. The College is looking to roll out Immediate Payment Control and Financial Aid Self Service both of which will enhance and complement current online services to students.

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 in the Fall of 2017 as its average yield is steadily increasing month to month.

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 2017 graduation rate of 24.1% as compared to 18.01% for 2016.

Union County College Foundation

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

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

BASIC FINANCIAL STATEMENTS

UNION COUNTY COLLEGE
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017		2016	
	College	Component Unit - UCC Foundation	College	Component Unit - UCC Foundation
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 27,676,269	$ 56,793	$ 27,044,371	$ 59,327
Investments	-	6,433,879	-	5,713,575
Student Accounts Receivable, Net of Allowance of $1,667,061 in 2017 and $2,202,267 in 2016	752,688	-	1,416,440	-
Grants Receivable	2,904,606	-	3,082,255	-
State of New Jersey Receivable:				
Alternative Benefit Program	405,148	-	367,684	-
County of Union Receivable	8,016,579	-	3,747,536	-
Other Receivables	662,958	212,010	1,604,826	30,244
Other Assets	26,853	291,828	26,931	204,796
Total Current Assets	40,445,101	6,994,510	37,290,043	6,007,942
NONCURRENT ASSETS				
Endowment Investments	-	10,480,917	-	10,063,136
Other Receivables	-	-	-	3,835
Capital Assets, Net	108,116,745	588,037	90,775,675	591,993
Total Noncurrent Assets	108,116,745	11,068,954	90,775,675	10,658,964
DEFERRED OUTFLOWS OF RESOURCES	12,827,386	-	6,591,147	-
Total Assets and Deferred Outflows of Resources	$ 161,389,232	$ 18,063,464	$ 134,656,865	$ 16,666,906

See accompanying Notes to Financial Statements.

UNION COUNTY COLLEGE
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2017 AND 2016

	2017		2016	
	College	Component Unit - UCC Foundation	College	Component Unit - UCC Foundation
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	$ 4,269,320	$ -	$ 4,773,734	$ -
Accrued Expenses	7,078,248	83,083	5,683,779	287,370
Due to State of New Jersey	263,968	-	279,118	-
Unearned Revenue	-	21,069	-	4,537
Unearned Student Tuition and Fee Revenue	1,798,104	-	1,767,697	-
Unearned Federal and State Grant Revenue	400,541	-	641,111	-
Capital Lease, Current Portion	325,771	-	274,841	-
Total Current Liabilities	14,135,952	104,152	13,420,280	291,907
NONCURRENT LIABILITIES				
Capital Lease, Noncurrent Portion	15,147,362	-	15,473,169	-
Gift Annuity Fund Payable	-	-	-	-
Net Pension Liability	40,368,460	-	32,007,303	-
Total Noncurrent Liabilities	55,515,822	-	47,480,472	-
Total Liabilities	69,651,774	104,152	60,900,752	291,907
DEFERRED INFLOWS OF RESOURCES	1,023,948	-	514,615	-
NET POSITION				
Net Investment in Capital Assets	92,643,612	588,037	75,027,665	591,993
Restricted for:				
Nonexpendable:				
Program	-	604,664	-	573,017
Scholarships	-	9,876,253	-	9,490,119
Expendable:				
Program	-	38,071	-	33,372
Scholarships	-	2,124,369	-	1,845,011
Other	-	3,623,792	-	2,755,756
Unrestricted (Deficit)	(1,930,102)	1,104,126	(1,786,167)	1,085,731
Total Net Position	90,713,510	17,959,312	73,241,498	16,374,999
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 161,389,232	$ 18,063,464	$ 134,656,865	$ 16,666,906

See accompanying Notes to Financial Statements.

UNION COUNTY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016	
	College	Component Unit - UCC Foundation	College	Component Unit - UCC Foundation
REVENUES				
Operating Revenues:				
Student Tuition and Fees	$ 40,561,647	$ -	$ 43,573,018	$ -
Less Scholarship Allowances	(13,257,576)	-	(15,627,458)	-
Net Student Tuition and Fees	27,304,071	-	27,945,560	-
Federal Grants	23,220,898	-	24,382,619	-
State Grants	4,523,227	-	5,199,854	-
Local Grants	152,867	-	139,739	-
Gifts and Contributions	412,453	1,070,206	285,005	1,363,236
Other	2,176,805	-	1,469,463	-
Total Operating Revenues	57,790,321	1,070,206	59,422,240	1,363,236
EXPENSES				
Operating Expenses:				
Educational and General:				
Instructional	33,909,094	-	33,679,103	-
Public Service	2,203,520	-	2,627,996	-
Academic Support	7,153,502	-	7,574,248	-
Student Services	8,220,644	-	7,366,274	-
Institutional Support	12,365,658	-	12,434,041	-
Plant Operations and Maintenance	10,499,407	-	10,695,376	-
Student Aid	8,229,502	1,191,561	8,309,724	1,085,305
Depreciation	5,433,664	3,956	5,098,923	3,956
Other Expenses	-	492,958	-	465,723
Total Operating Expenses	88,014,991	1,688,475	87,785,685	1,554,984
OPERATING LOSS	(30,224,670)	(618,269)	(28,363,445)	(191,748)
NONOPERATING REVENUES (EXPENSES)				
State Appropriations	10,229,524	-	10,195,707	-
County Appropriations	14,539,980	-	14,116,846	-
Investment Income (Loss)	175,716	1,784,801	111,866	(362,251)
Interest on Capital Asset Related Debt	(728,215)	-	(747,133)	-
Additions to Permanent Endowments	-	417,781	-	761,055
On-Behalf Payments - Alternate Benefit Plan:				
Revenues	1,324,368	-	1,396,239	-
Expenses - Faculty	(1,086,768)	-	(1,211,611)	-
Expenses - Adjuncts	(237,600)	-	(184,628)	-
Net Nonoperating Revenues	24,217,005	2,202,582	23,677,286	398,804
INCOME (LOSS) BEFORE OTHER REVENUES	(6,007,665)	1,584,313	(4,686,159)	207,056
CAPITAL GRANTS AND CONTRIBUTIONS	23,479,677	-	5,095,210	-
INCREASE IN NET POSITION	17,472,012	1,584,313	409,051	207,056
Net Position - Beginning of Year	73,241,498	16,374,999	72,832,447	16,167,943
NET POSITION - END OF YEAR	$ 90,713,510	$ 17,959,312	$ 73,241,498	$ 16,374,999

See accompanying Notes to Financial Statements.

UNION COUNTY COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Student Revenue	$ 20,577,890	$ 20,788,890
Receipts from Government Grants	28,074,639	28,853,297
Payments to Suppliers	(13,834,823)	(16,726,471)
Payments for Employee Salaries and Benefits	(61,422,135)	(59,385,668)
Receipts from Gifts and Contributions	412,453	285,005
Other Receipts	2,176,806	1,469,463
Net Cash Used by Operating Activities	(24,015,170)	(24,715,484)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	10,229,524	10,195,707
County Appropriations	14,539,980	14,116,846
Loan Program Receipts	9,600,485	10,272,291
Loan Program Disbursements	(9,600,485)	(10,272,291)
Net Cash Provided by Noncapital Financing Activities	24,769,504	24,312,553
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants	23,479,677	5,095,209
Purchase of Capital Assets	(22,774,737)	(6,260,441)
Principal Paid on Debt	(274,877)	(233,775)
Interest Paid on Long-Term Debt	(728,215)	(747,133)
Net Cash Used by Capital and Related Financing Activities	(298,152)	(2,146,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	175,716	111,866
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	631,898	(2,437,205)
Cash and Cash Equivalents - Beginning of Year	27,044,371	29,481,576
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 27,676,269	$ 27,044,371
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (30,224,670)	$ (28,363,445)
Adjustment to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	5,433,664	5,098,923
Changes in Assets and Liabilities:		
Receivables, Net	(2,523,160)	(3,828,429)
Accounts Payable and Accrued Expenses	874,905	1,802,456
Net Pension Liability	2,634,254	879,972
Unearned Revenue:		
Student Tuition and Fees	30,407	(249,280)
Federal and State Grants	(240,570)	(55,681)
Net Cash Used by Operating Activities	$ (24,015,170)	$ (24,715,484)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Union County College (the College) was established in 1933 as a private college. In 1982, with the merger of then Union College and Union County Vocational Technical Institute, Union County College was established as a public comprehensive community college pursuant to N.J.S. 18A: 64A-50 et seq. It is a member of New Jersey's system of nineteen county colleges and is a component unit of the County of Union. The College operates campuses in Cranford, Elizabeth, Plainfield, and Scotch Plains. The College's enrollment for Fall 2016 was 4,449 full time students and 5,736 part time students. The College is accredited by the Commission on Higher Education of the Middle States Association of Colleges and Schools.

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

In addition to the Board of Trustees, Union County College also has a Board of Governors. The Board of Governors is vested with specific areas of authority. It is authorized to give advice and consent to the Board of Trustees in connection with the appointment, compensation and term of office of the President of the College, act in an overall advisory capacity and control properties, funds and trust vested when Union College, a two year private College, began functioning as Union County College. The Board of Governors is appointed as follows: the President of the College who serves in an ex-officio capacity without a vote, three Alumni Governors nominated by the Union County College Alumni Association, three county residents nominated by the Union County Board of Chosen Freeholders, and all remaining Governors up to a maximum of 30 are appointed by the existing Board of Governors. The College currently has 25 members of the Board of Governors. The term of a member of the Board of Governors is three years.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

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

Component Unit

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component Unit (Continued)

During the fiscal years ended June 30, 2017 and 2016, the Foundation distributed $1,191,561 and $1,085,305, 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, 2017 can be obtained at the Foundation offices; Union County College Foundation, 1033 Springfield Avenue, Cranford, New Jersey 07016.

Basis of Presentation

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

Basis of Accounting and Measurement Focus

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

Cash and Cash Equivalents and Investments

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

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

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, 2017.

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 30 for classes that are scheduled to begin the next fiscal year. It also includes cash, which has been received for grants, but not yet earned.

Capital Assets

Capital assets include property, plant equipment and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the College as assets with an initial unit cost of $5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated 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:

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

Depreciation expense for the fiscal years ending June 30, 2017 and 2016 was $5,433,664 and $5,098,923, 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.

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, 2017 and 2016 was $1,667,061 and $2,202,267, 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, 2017 and 2016 was $13,257,576 and $15,627,458, respectively.

On-Behalf Payments for Pension Contributions

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

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 nonoperating revenues in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Operating Revenues

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

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

Nonoperating Revenues

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

Net Position

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

Net Investment in Capital Assets

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

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

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 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 nonprofit 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

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.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for legally enforceable liabilities associated with the retirement of tangible capital assets. Examples of asset retirements covered under this standard are the decommissioning of a nuclear reactor or the dismantling and removal of sewage treatment plants as required by law. The College has determined that, based on current regulations, facts, and circumstances, Statement No. 83 will have no effect on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities. Statement*. No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The College has determined that Statement No. 84 will have no effect on its financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The College has determined that Statement No. 86 will have no effect on its financial statements.

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

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, 2017 and 2016, the College's bank balances were exposed to custodial credit risk as follows:

	2017	2016
Insured	$ 1,500,000	$ 1,528,634
Collateralized Under GUDPA	26,935,018	26,815,038
Total	$ 28,435,018	$ 28,343,672

NOTE 3 CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets by source at June 30, 2017 and 2016:

	Balance July 1, 2016	Increases	Decreases	Adjustments	Balance June 30, 2017
Capital Assets, Nondepreciable:					
Land	$ 4,833,320	$ -	$ -	$ -	$ 4,833,320
Construction in Progress	6,013,288	5,499,828	-	(4,906,246)	6,606,870
Total Capital Assets, Nondepreciable	10,846,608	5,499,828	-	(4,906,246)	11,440,190
Capital Assets, Depreciable:					
Building and Improvements	132,615,086	16,330,335	-	3,153,485	152,098,906
Intangible Asset - Easement	14,415,112	-	-	-	14,415,112
Equipment, Software, and Vehicles	17,537,255	3,372,706	(2,739,246)	1,752,761	19,923,476
Total Capital Assets, Depreciable	164,567,453	19,703,041	(2,739,246)	4,906,246	186,437,494
Less Accumulated Depreciation for:					
Buildings and Improvements	(69,158,132)	(3,543,604)	(712)	-	(72,702,448)
Intangible Asset - Easement	(2,122,225)	(480,504)	-	-	(2,602,729)
Equipment, Software, and Vehicles	(13,358,029)	(1,505,326)	407,593	-	(14,455,762)
Total Depreciation	(84,638,386)	(5,529,434)	406,881	-	(89,760,939)
Total Capital Assets, Depreciable Net	79,929,067	14,173,607	(2,332,365)	4,906,246	96,676,555
Capital Assets, Net	$ 90,775,675	$ 19,673,435	$ (2,332,365)	$ -	$ 108,116,745

NOTE 3 CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2015	Increases	Decreases	Adjustments	Balance June 30, 2016
Capital Assets, Nondepreciable:					
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, Nondepreciable	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)
Total Depreciation	(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

Adjustments represent transfers of completed projects from construction in progress.

NOTE 4 ACCRUED COMPENSATED ABSENCES

It is the College's policy to reimburse employees upon termination for accrued vacation at their current rate of pay. Physical Plant and Public Safety employees can accrue up to 192 hours of accrued vacation and all other employees can accrue up to 168 hours of accrued vacation. An employee may request to carry forward additional hours; however, in no event shall they carry forward more than 192 hours and 168 hours, respectively. As of June 30, 2017 and 2016, the liabilities for accrued compensated absences, included in accrued expenses on the statements of net position, consist of the following:

	2017	2016
Vacation:		
Balance - Beginning of Fiscal Year	$ 1,006,567	$ 989,410
Increase	181,411	17,157
Balance - End of Fiscal Year	$ 1,187,978	$ 1,006,567

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, 2017, 2016, and 2015 were $1,260,728, $1,210,879, and $1,225,842, respectively.

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following actuarial assumptions, applied to the June 30, 2016 measurement date:

- Actuarial cost method is entry age normal, level percent of pay.
- Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits.
- Inflation of 3.08%.
- Investment return of 7.65%, including inflation.
- Salary increases of 1.65 – 4.15% based on age for years 2017-2026, and 2.65 – 5.15% based on ages subsequent years.
- Asset Valuation using fair (market) value.
- Mortality rates based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 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, 2016 are summarized in the following table below.

PERS's policy in regard to the allocation of invested plan assets is established and may be amended by the PERS Board of Trustees. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension. Following is the PERS Board of Trustees' adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016 and 2015.

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

	2016 Target Allocation	Long-Term Expected Real Rate of Return
Asset Class:		
Cash	5.00 %	0.87 %
Core Bonds	1.50	1.74
Intermediate-Term Bonds	8.00	1.79
Mortgages	2.00	1.67
High Yield Bonds	2.00	4.56
Inflation-Indexed Bonds	1.50	3.44
Broad U.S. Equities	26.00	8.53
Developed Foreign Equities	13.25	6.83
Emerging Market Equities	6.50	9.95
Private Equity	9.00	12.40
Hedge Funds / Absolute Return	12.50	4.68
Real Estate (Property)	2.00	6.91
Commodities	0.50	5.45
Global Debt ex U.S.	5.00	(0.25)
REIT	5.25	5.63
Total	100.00 %	

	2015 Target Allocation	Long-Term Expected Real Rate of Return
Asset Class:		
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 U.S. 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 U.S.	3.50	(0.40)
REIT	4.25	5.12
Total	100.00 %	

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The discount rate used to measure the total PERS pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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 3.98% as of June 30, 2016 and 4.90% as of June 30, 2015, 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 (2.98% in 2016 and 3.90% in 2015) or one percentage point higher (4.98% in 2016 and 5.90% in 2015) than the current rate.

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

	1% Decrease 2.98%	Current Rate 3.98%	1% Increase 4.98%
2016	$ 49,466,835	$ 40,368,460	$ 32,856,961
	1% Decrease 3.90%	Current Rate 4.90%	1% Increase 5.90%
2015	$ 39,781,162	$ 32,007,303	$ 25,489,756

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.

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

PERS measured the net pension liability as of June 30, 2016. 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, 2015 to June 30, 2016. 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, 2016, the College's proportion was 0.1363%, a decrease of .0063% from its proportion calculated as of June 30, 2015.

At June 30, 2017, the amount recognized as the College's proportionate share of the PERS June 30, 2016 net pension liability (measurement date) was $40,368,460. For the year ended June 30, 2017, the College recognized PERS pension expense of $3,894,908. At June 30, 2017, 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	$ 750,731	$ -
Changes of Assumptions	8,362,189	-
Net Difference Between Projected and Actual Investment Earnings	1,539,286	-
Changes in Proportions	914,452	1,023,948
Total Contributions and Proportionate Share of Contributions after the Measurement Date	1,260,728	-
	$ 12,827,386	$ 1,023,948

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
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

NOTE 5 PENSIONS PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

The College will recognize the $1,260,728 reported as 2017 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, 2018. 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
2018	$ (2,439,094)
2019	(2,439,094)
2020	(2,819,296)
2021	(2,229,982)
2022	(615,243)
Total	$ (10,542,709)

New Jersey Alternate Benefit Program

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

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

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

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

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

AXA Financial; 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 2017 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 2017 and 2016, the state reimbursed $1,324,368 and $1,396,239, 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.

NOTE 5 PENSIONS PLANS (CONTINUED)

New Jersey Alternate Benefit Program (Continued)

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

Fiscal Year	Total Liability	Funded by State	Paid by College
2017	$ 2,018,819	$ 1,324,368	$ 694,451
2016	1,945,643	1,396,239	549,404
2015	1,969,402	1,409,623	559,779

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, AXA Financial; Valic; and Voya Financial

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.

NOTE 7 RISK MANAGEMENT (CONTINUED)

Joint Insurance Pool (Continued)

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 $254,344 and $228,518, respectively, for fiscal years ended 2017 and 2016.

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, 2017:

Fiscal Year(s)	Principal	Interest	Total
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	167,780	32,220	200,000
2023-2026	678,767	54,567	733,334
Total	$ 1,451,795	$ 281,539	$ 1,733,334

Principal and interest payments for the above capital lease were $136,163 and $63,837, respectively, for fiscal year 2017 and $130,594 and $69,406, respectively, for fiscal year 2016.

NOTE 8 CAPITAL LEASE PAYABLE (CONTINUED)

Easement (Parking Authority of the City of Elizabeth)

On November 5, 2009 the College entered into a Special Use Easement Agreement (Agreement) with the Parking Authority of the City of Elizabeth (the Parking Authority). Under the terms of the Agreement, the College is to receive the irrevocable right to exclusive use, twenty-four (24) hours per day, seven days per week, of 600 parking spaces (The Easement) in a 1515 parking space garage (the Facility) located between the Lessner and Kellogg buildings on the College's Elizabeth Campus in the City of Elizabeth. The Easement expires 30 years subsequent to the issuance to the Parking Authority of a temporary certificate of occupancy for the Facility. In exchange for the Easement, the County contributed $2,500,000 funded through Chapter 12, and the College has an obligation of annual payments at an initial annual rate of $720,000 escalating 10% after the first three years and 10% after each subsequent four-year period. The annual payments have a present value of $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, 2017:

Fiscal Year(s)	Principal	Interest	Total
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	270,738	600,462	871,200
2023-2027	1,660,529	3,120,181	4,780,710
2028-2032	2,535,616	2,884,482	5,420,098
2033-2037	3,774,395	2,303,669	6,078,064
2038-2042	5,043,049	1,185,759	6,228,808
Total	$ 14,021,338	$ 12,716,942	$ 26,738,280

Principal and interest payments for the above easement were $138,678 and $653,321, respectively, for fiscal year 2017 and $103,181 and $688,819, respectively, for fiscal year 2016.

NOTE 9 AUXILIARY OPERATIONS—BOOKSTORE

The College contracts with a private contractor for the operation of the official Campus Store (Bookstore). A new five-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:

	2017						
	Salaries and Benefits	Supplies and Materials	Services	Scholarships	Utilities	Depreciation	Total
Educational and General Expenditures:							
Instruction	$ 29,463,936	$ 1,215,764	$ 3,229,394	$ -	$ -	$ -	$ 33,909,094
Public Service	1,911,807	72,939	218,774	-	-	-	2,203,520
Academic Support	4,316,281	94,001	2,743,220	-	-	-	7,153,502
Student Services	7,528,297	159,605	532,742	-	-	-	8,220,644
Institutional Support	10,829,088	369,812	1,166,758	-	-	-	12,365,658
Operation and Maintenance of Plant	6,223,308	361,678	2,043,008	-	1,871,413	-	10,499,407
Scholarship Aid	-	-	-	8,229,502	-	-	8,229,502
Depreciation	-	-	-	-	-	5,433,664	5,433,664
Total	$ 60,272,717	$ 2,273,799	$ 9,933,896	$ 8,229,502	$ 1,871,413	$ 5,433,664	$ 88,014,991

	2016						
	Salaries and Benefits	Supplies and 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 11 OTHER RECEIVABLES

Other receivables as of June 30, 2017 and 2016 consist of the following amounts due to the College:

	2017	2016
Noncredit Corporate Sponsors	$ 64,673	$ 78,715
JFK Muhlenberg	30,058	16,030
Trinitas Regional Medical Center	71,923	135,843
State Appropriation	-	778,204
Legal Settlement	-	50,000
EMT - State of NJ	59,625	-
Other Corporate Receivables	62,679	-
County Chargebacks	51,466	-
Continuing Education	129,000	85,450
Union County College Foundation	-	252,076
Other	193,534	208,508
Total	$ 662,958	$ 1,604,826

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, 2016, there were 110,512 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.

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 $231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016.

NOTE 13 LITIGATION

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

NOTE 14 SUBSEQUENT EVENTS

The College signed a five year managed service technology support agreement with Ellucian Company LP of Reston, Virginia approved by the Board of Trustees on September 19, 2017. The term of the agreement is from September 20, 2017 through September 19, 2022 for a total cost of $12,824,667. The College needed strong leadership and enhanced in house management skills supporting its technology operations. This arrangement supports the technical network and data environment along with technology security. Ellucian will provide best practices with respect to operation of the Colleague software system, evaluate business processes throughout the institution and optimize utilization of the software system to more closely align with the goals and objectives of the College.

The College received a letter on September 12, 2017 from the U.S. Department of Education (ED) concerning Title IV Final Program Review Determination for the College. This review started at the College on October 22, 2012. The ED reviewed compliance with statutes and regulations pertaining to the College's administration of Title IV of the Higher Education Act. The award years under review were 2011-2012 and 2012-2013. The total liability from this review was determined to be $229,647. The College remitted these funds on October 17, 2017.

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, 2017 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, 2017 and 2016, the Foundation's uninsured balances were $-0- and $-0-, respectively.

NOTE 15 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Cash and Investments (Continued)

Investments

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

	2017		
	Cost	Fair Market Value	Unrealized Appreciation
Common Stock	$ 9,332,984	$ 11,013,624	$ 1,680,640
Bond Fixed Income	5,711,558	5,777,196	65,638
Short-Term Investments	123,976	123,976	-
Total	$ 15,168,518	$ 16,914,796	$ 1,746,278

	2016		
	Cost	Fair Market Value	Unrealized Appreciation
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

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.

NOTE 15 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Fair Value Measurements (Continued)

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

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

For the fiscal year ended June 30, 2017, 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.

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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:

	2017	2016
Quoted Prices in Active Markets for Identical Assets (Level 1)		
Common Stock:		
Consumer Discretionary	$ 730,615	$ 1,261,251
Consumer Staples	536,390	643,667
Emerging Markets	181,937	52,241
Energy	392,237	501,143
Financials	939,150	1,430,776
Foreign Stock	16,680	15,107
Healthcare	834,387	1,157,339
Industrials	576,871	874,144
Information Technology	1,294,696	1,543,865
International Equity	1,742,691	60,445
Large Cap Funds	377,514	130,821
Materials	177,248	331,880
Other Equity	914,874	642,110
Real Estate	133,765	353,854
Small Cap Funds	1,875,551	13,274
Telecommunications Services	121,539	167,338
Utilities	167,479	256,315
Total Common Stock	11,013,624	9,435,570
Bond Fixed Income:		
Funds	3,576,506	3,096,822
Individual Holding	2,187,201	2,266,975
Other	13,489	13,600
Total Bond Fixed Income	5,777,196	5,377,397
Total	$ 16,790,820	$ 14,812,967

Not included above are short-term investments at June 30, 2017 and 2016 of $123,976 and $963,744, respectively. These assets are recorded at cost that approximates fair value and are not subject to the above classification.

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY COLLEGE
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2017 AND 2016
(SEE INDEPENDENT AUDITORS' REPORT)

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

Measurement Date	College's Proportion	College's Proportion Share	College's Covered Employee Payroll	College's Proportionate Share of NPL as a Percent of Covered-Employee Payroll	PERS Fiduciary Net Position as a % of Total Pension Liability
2016	0.1363010432%	$ 40,368	$ 9,743	414.33%	67.05%
2015	0.1425842332%	$ 32,007	$ 10,051	318.45%	47.94%
2014	0.1422470301%	$ 26,633	$ 9,665	275.56%	52.08%

Schedule of Contributions
(in Thousands)

Fiscal Year	Contractually Required Contributions	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percent of Covered-Employee Payroll
2017	$ 1,261	$ 1,210	$ 51	$ 9,743	12.42%
2016	$ 1,210	$ 1,226	$ (16)	$ 10,051	12.20%
2015	$ 1,226	$ 1,223	$ 3	$ 9,665	12.65%

SUPPLEMENTARY INFORMATION

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	FY 2017 Expenditures
U.S. Department of Education:				
Student Financial Aid Cluster (Direct Funding):				
Federal Supplemental Educational Opportunity Grants	84.007	N/A		$ 289,459
Federal Direct Student Loans	84.268	N/A		9,600,485
Federal Pell Grant Program	84.063	N/A		17,838,918
Federal Work-Study Program	84.033	N/A		356,161
Total Student Financial Aid Cluster				28,085,023
Title V Funding (Direct Funding):				
Learning Enhanced through Accelerated Paths (LEAP)	84.031	N/A		708,882
STEMpact	84.031	N/A	$ 139,903	634,655
Total Title V Funding				1,343,537
Passed Through Bergen County Community College:				
Alternative Math Placement, an Unprecedented Program	84.116E	P116F150138		108,979
Passed through the New Jersey Council of County Colleges:				
New Jersey Center for Student Success Innovation Grant	84.378A	N/A		125
Passed Through State of New Jersey Department of Treasury:				
Vocational Education - Perkins	84.048	PSF Consol 718511		469,585
Passed Through State Department of Labor and Workforce Development:				
Adult Education and Family Literacy:				
Adult Basic Skills	84.002	ASB - FY2014-009	350,083	1,056,693
Total U.S. Department of Education				31,063,942

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

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	FY 2017 Expenditures
U.S. Department of Labor Employment and Training Administration:				
Trade Adjustment Assistance Community College Career Training Grant	17.282	N/A		$ 454,571
NJ Health Professions Pathway to Regional Excellence Project	17.282	N/A		259,401
Total U.S. Department of Employment and Training				713,972
Passed Through County of Union, NJ:				
WIOA - Adult	17.258	N/A		64,599
WIOA - Dislocated Worker	17.278	N/A		73,627
WIOA - Youth Services	17.259	N/A		207,109
WIOA - Plainfield YMCA	17.259	N/A		4,484
WIOA - Workforce Innovation Business Center	17.258	N/A		254,573
Total WIA Cluster				604,392
Total U.S. Department of Labor				1,318,364
U.S. Department National Science Foundation:				
Education and Human Resources	47.076	1601060		15,941
Passed Through Stevens Institute of Technology:				
SFS Cybersecurity Scholars Program	47.076	1548315		44,690
Passed Through Passaic County Community College				
Northern New Jersey Bridges to the Baccalaureate Program	47.070	1410389		23,970
Total U.S. Department National Science Foundation				84,601

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

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	FY 2017 Expenditures
National Aeronautics and Space Administration:				
Passed through Rutgers, The State University of New Jersey:				
New Jersey Space Grant	43.008	NNX14AR02A		$ 7,031
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	N/A		40,168
Passed Through City of Elizabeth, NJ:				
Community Block Development/Life Center	14.218	N/A		4,788
Total Community Development Block Grant				44,956
Total Federal Financial Assistance			$ 489,986	$ 32,518,894

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

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

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 2017 Expenditures	Cumulative Expenditures
N.J. Commission of Higher Education:							
Educational Opportunities Fund - Article III	10-100-074-2401-001	$ 169,287	$ 167,448	07/01/16	06/30/17	$ 167,448	$ 167,448
Educational Opportunities Fund - Article III Summer	10-100-074-2401-001	116,328	114,546	07/01/16	06/30/17	114,546	114,546
Educational Opportunities Fund - Article IV	10-100-074-2401-002	303,142	302,619	07/01/16	06/30/17	302,619	302,619
N.J. Higher Education Student Assistance Authority:							
Tuition Aid Grants	10-100-074-2405-007	2,526,222	2,526,222	07/01/16	06/30/17	2,526,222	2,526,222
New Jersey Stars Program	10-100-074-2405-313	174,045	174,045	07/01/16	06/30/17	174,045	174,045
Urban Scholars Program	10-100-074-US11-278	4,000	4,000	07/01/16	06/30/17	4,000	4,000
NJ Class Loans	Not Applicable	45,214	45,214	07/01/16	06/30/17	45,214	45,214
Total N.J. Commission on Higher Education						3,334,094	3,334,094
N.J. Office of the Secretary of Higher Education Passed Through NJ Council of County Colleges:							
College Readiness Now III	Not Applicable	55,734	12,070	07/01/16	06/30/17	12,070	12,070
N.J. Department of Labor and Workforce Development:							
New Jersey Youth Corps	ACNY16N	450,000	419,442	07/01/16	06/30/17	419,442	419,442
Youth Transitions to Work	YT15009	85,757	73,739	10/01/15	08/31/16	12,024	73,739
TDL- Workforce Partnership	TDC-P-FY16003	900,000	230,428	04/01/16	06/30/17	230,428	230,428
Total N.J. Department of Labor						661,894	723,609
N.J. Department of Children and Family							
Sandy Displaced Homemaker	14YSGZ	490,875	439,108	05/01/14	06/30/17	124,779	439,108

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

UNION COUNTY COLLEGE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2017

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 2017 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	16 WFNJ 100/101	$ 474,184	$ 216,409	08/01/16	12/31/17	$ 216,409	$ 216,409
N.J. Department of Treasury - Higher Education Administration:							
Operational Costs - County Colleges	10-100-082-2155-015	10,229,524	10,229,524	07/01/16	42,916	10,229,524	10,229,524
Employer Contributions - Alternate Benefit Program - Faculty	10-100-082-2155-017	1,086,768	1,086,768	07/01/16	42,916	1,086,768	1,086,768
Employer Contributions - Alternate Benefit Program - Adjuncts	10-100-082-2155-017	237,660	237,660	07/01/16	42,916	237,660	237,660
FICA for Members of TPAF	10-100-082-2155-020	13,637	13,637	07/01/16	42,916	13,637	13,637
Building Our Future Bond Act	5860742400080	3,961,671	-	09/01/16	Open	7,954	7,954
Total N.J. Department of Treasury						11,575,543	11,575,543
Total State Financial Assistance						$ 15,924,789	$ 16,300,833

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

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, 2017.

CliftonLarsonAllen LLP
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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, 2017, 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 14, 2017. 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

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.*

The College's Response to Findings

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
December 14, 2017

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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, 2017. The College's major federal and state programs are identified in the *Summary of Auditors' Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal and State Program

In our opinion, 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, 2017.

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 2017-002, 2017-003, and 2017-004. Our opinion on the major federal and state programs is not modified with respect to these matters.

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 2017-002, 2017-003, and 2017-004 that we consider to be significant deficiencies.

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

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 14, 2017

UNION COUNTY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

• Material weakness(es) identified?	_____ yes	x no
• Significant deficiency(ies) identified?	x yes	_____ none reported

3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:

• Material weakness(es) identified?	_____ yes	x no
• Significant deficiency(ies) identified?	x yes	_____ none reported

2. Type of auditors' report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with Part 200 of the Uniform Guidance or NJ OMB 15-08? x yes _____ no

Section I – Summary of Auditors' Results (Continued)

Identification of Major Federal Programs

CFDA Number(s)/State Account Number	Name of Federal/State Program or Cluster
Federal:	
84.007, 84.033, 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
84.002	Adult Education and Family Literacy- Adult Basic Skills
State:	
10-100-082-2155-015	N.J. Department of Treasury - Higher Education Administration - Operational Costs - County Colleges
10-100-074-2401-002	N.J. Commission of Higher Education: Educational Opportunity Fund- Article IV

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

2017 – 001

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During the search for unrecorded liabilities, an invoice was incorrectly excluded from the accounts payable at year end.

Criteria or specific requirement: The College must be able to prevent or detect material misstatement in the financial statements.

Context: During the search for unrecorded liabilities, an invoice was incorrectly excluded from the accounts payable at year end.

Effect: The error noted above resulted in an understatement of liabilities and an understatement of assets by $664,730. The impact had no effect on the net position.

Cause: The College did not have a procedure in place to review the invoices to ensure all fiscal year activity was included in accounts payable at year end.

Repeat Finding: Not a repeat finding.

Recommendation: We recommend the College perform a thorough review of invoices around fiscal year end, especially those related to capital project additions.

Views of responsible officials and planned corrective actions: See corrective action plan attached.

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

2017 – 002 – Return of Title IV (R2T4) Calculation – Withdrawal Date During Scheduled Break

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.268, 84.063, 84.033

Award Period: 7/1/16 – 6/30/17

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

Criteria or specific requirement: If a student officially withdrawals while on a scheduled break of five consecutive days or more, the withdrawal date is the last date of scheduled class attendance prior to the start of the scheduled break (34 CFR 668.22(f)(2)(i) and (ii)(B)).

Condition: During our testing, we noted three instances where a student withdrew during a scheduled break of five consecutive days or more and the withdrawal date was not changed to the last day of scheduled class prior to the start of the scheduled break.

Questioned costs: $189.57

Context: During our testing, it was noted that the College did not review the calculations within the software to ensure that the date was the last day of scheduled class prior to the start of the scheduled break.

Cause: The College did not have a review process to ensure those students were calculated correctly.

Effect: The College is not completing accurate R2T4 calculations as defined by Federal regulations.

Repeat Finding: No.

Recommendation: We recommend the College review its policies and procedures surrounding the completion of R2T4 calculations and additionally recommend that the College review any students who withdraw during a break of five consecutive days or more to ensure the proper withdrawal date is being used.

Views of responsible officials: See corrective action plan attached.

Section III – Findings and Questioned Costs – Major Federal Awards and State Financial Assistance (Continued)

2017 – 003 – Enrollment Reporting

Federal agency: U.S. Department of Education

Federal program title: Student Financial Assistance Cluster

CFDA Number: 84.007, 84.268, 84.063, 84.033

Award Period: 7/1/16 – 6/30/17

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

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

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

Condition: During our testing of 40 students, we noted nine instances whose enrollment status was not timely reported.

Questioned costs: None.

Context: During our testing, it was noted that the College does not have a process in place at the end of the term to determine whether or not the student stopped attending.

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

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

Repeat Finding: No.

Recommendation: We recommend the College implement a process to review for students who could potentially be unofficial withdrawals at the end of each term to ensure those students are determined within the 30 day requirement.

Views of responsible officials: See corrective action plan attached.

Section III – Findings and Questioned Costs – Major Federal Awards and State Financial Assistance (Continued)

2017 – 004 – Trade Adjustment Assistance Community College and Career Training

Federal agency: U.S. Department of Labor

Federal program title: Trade Adjustment Assistance Community College and Career Training

CFDA Number: 17.282

Award Period: 7/1/16 – 6/30/17

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

Criteria or specific requirement: 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 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.

Condition: We noted that the College did not submit its financial report for the reporting period ending September 30, 2016 on a timely basis per the criteria above.

Questioned costs: None.

Context: Per the criteria above, the financial report was due no later than November 14, 2016: however, due to staffing turnover and issues encountered by the College in dealing with staff at the U.S. Department of Labor in changing the certifying official signatory, the report was submitted on January 19, 2017.

Cause: The College experienced turnover in staff within the accounting department and needed to change the certifying official signatory in order to submit the report with the U.S. Department of Labor. It took the College several months of outreach to the U.S. Department of Labor by the College, for the signatory to be changed since the former certifying official left their employment at the College.

Effect: The financial report for the U.S. Department of Labor was not submitted timely by the grant awardee, which means grant compliance requirements are not being followed. The College utilized due diligence to communicate frequently with the U.S. Department of Labor concerning the issues that were encountered.

Repeat Finding: Yes. See prior year finding 2016-003.

Recommendation: We recommend the College to continue strengthening and refining their controls surrounding the timely submission of financial reports to the U.S. Department of Labor.

Views of responsible officials: See corrective action plan attached.

UNION COUNTY COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

The Honorable Chairman and
Members of the Board of Trustees

Union County College respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2017.

Audit period: July 1, 2015 – June 30, 2016

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

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2016 – 001 – NSLDS Reporting

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.

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

2016 – 002 – Return of Title IV Funds

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.

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

2016 – 003 – Trade Adjustment Assistance Community College and Career Training

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.

Status:
See current year finding 2017-004.

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

Union County College

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CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2017

Union County College (the College) respectfully submits the following corrective action plan for the year ended June 30, 2017.

Audit period: July 1, 2016 – June 30, 2017

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

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2017-001 Accounts Payable

Recommendation: We recommend the College perform a thorough review of invoices around fiscal year end, especially those related to capital project additions.

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

Action taken in response to finding: The College will generate a monthly voucher register to review all invoices over a given threshold that are recorded after the fiscal year end.

Name of the contact person responsible for corrective action: Jacqueline A. Jarosz, Finance Operations Manager

FINDINGS — FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF EDUCATION

2017-002 Student Financial Aid – CFDA No. 84.007, 84.268, 84.063, 84.033

Recommendation: We recommend the College review its policies and procedures surrounding the completion of R2T4 calculations and additionally recommend that the College review any students who withdraw during a break of five consecutive days or more to ensure the proper withdrawal date is being used.

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

Action taken in response to finding: Union County College will review its policies and procedures surrounding the completion of R2T4 calculations. In addition, the Director of

Financial Aid will review any students who withdrew during a break of five consecutive days or more to ensure the proper withdrawal date is being used.

Name of the contact person responsible for corrective action: Dayne Chance, Director of Financial Aid

2017-003 Student Financial Aid – CFDA No. 84.007, 84.268, 84.063, 84.033

Recommendation: We recommend the College implement a process to review for students who could potentially be unofficial withdrawals at the end of each term to ensure those students are determined within the 30 day requirement.

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

The College will create a report to ensure unofficial withdrawals are reported to the Clearing House within 30 days.

Name of the contact person responsible for corrective action: Dayne Chance, Director of Financial Aid and Nina Hernandez, Registrar

DEPARTMENT OF LABOR

2017-004 Trade Adjustment Assistance Community College and Career Training – CFDA No. 84.007, 84.268, 84.063, 84.033

Recommendation: We recommend the College to continue strengthening and refining their controls surrounding the timely submission of financial reports to the U.S. Department of Labor.

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

Action taken in response to finding: The College developed a grant deadline report based upon finding 2016-003. In addition, a financial management policy was developed and instituted to ensure timely reporting as well. The College was late in filing the September 30, 2016 report since the prior certifying official left employment at the College in October 2016. Communications started with the U.S. Department of Labor on November 14, 2016 to have the certifying official to be a current employee of the College. It took several months and multiple communications with several different individuals to have the name and title of the new certifying official as signatory on the award that was submitted to the U.S. Department of Labor. The final September 30, 2017 report was filed timely.

Name of the contact person responsible for corrective action: Lynne Welch, Associate Vice President of Finance.

If the Department of Education or Department of Labor has questions regarding these plans, please call Lynne Welch at 908-709-7167.