Essex County College
(A Component Unit of the County of Essex)

Basic Financial Statements,
Management's Discussion and Analysis and
Schedules of Expenditures of Federal and
State Awards

June 30, 2016 and 2015

(With Independent Auditors' Reports Thereon)

Essex County College
(A Component Unit of the County of Essex)

Report on Financial Statements and
Federal and State Awards
June 30, 2016 and 2015

TABLE OF CONTENTS **Page**

Independent Auditors' Report

The Board of Trustees
Essex County College
Newark, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 entity'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 entity'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 opinion.

PKF O'CONNOR DAVIES, LLP
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Opinion

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

Prior Period Financial Statements

The financial statements of Essex County College as of June 30, 2015, were audited by other auditors whose report dated March 1, 2016, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of funding progress – postretirement health plan, schedule of employer contributions – postretirement health plan, schedule of the College's proportionate share of the net pension liability – Public Employees' Retirement System (PERS), schedule of the College's contributions – Public Employees' Retirement System (PERS), schedule of the College's proportionate share of the net pension liability – Police and Firemen's Retirement System (PFRS), schedule of the College's contributions – Police and Firemen's Retirement System (PFRS) as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying supplementary information as presented in the table of contents, which consists of the combining schedule of net position – all funds, combining schedule of revenues, expenses and changes in net position – all funds, schedule of net position – bookstore, concessions and gym, schedule of revenues, expenses, and changes in fund net position – bookstore, concessions and gym and schedules of expenditures of federal awards and state financial assistance and related notes, 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 New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Essex County College's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

May 31, 2017

Essex County College
(A Component Unit of the County of Essex)

Management's Discussion and Analysis
Required Supplementary Information
June 30, 2016 and 2015

Years ended June 30, 2016 and 2015

As management of Essex County College (the College), we offer readers of the College's financial statements this narrative discussion, overview and analysis of the financial activities of the College for the years ended June 30, 2016 and 2015. We encourage readers to consider the information presented here on financial performance. Management's discussion and Analysis (MD&A) represents the financial performance of the College during the fiscal years ended June 30, 2016 and 2015, with presentation of certain comparative information presented for the year ended June 30, 2014. It is an overview of the College's financial activities and should be read in conjunction with the financial statements and notes, which follow this section. Management has prepared the financial statements and related notes, along with this discussion and analysis.

Financial Highlights – Fiscal Year 2016

Enrollment

During fiscal year 2016, the total credit hours reported to the State were 269,789. This represents a decrease of 6.53% from fiscal year 2015 in which credit hours were 288,637.

The college charged Essex County residents $116.50 per student credit hour in fiscal year 2016 and $108.50 per student credit hour in fiscal year 2015.

Non-Essex County residents and foreign students were charged $233.00 per credit hour for fiscal year 2016 and $217.00 per credit hour for fiscal year 2015.

Student Fees

The College charged a general student fee of $32 per credit hour for fiscal years 2016 and 2015. In addition, a student activity fee of $7.50 per credit hour was charged for fiscal years 2016 and 2015. The student activity fee supports solely student and administrative activities.

Student Aid Programs

The College participates in federal and state funded programs. Approximately 49% and 54% of the unduplicated student enrollment received student aid assistance during fiscal years 2016 and 2015,s respectively. Federal and state grants expended for student financial aid in 2016 amounted to $28,098,619 and $6,785,045, respectively, as compared to $30,925,410 and $7,627,110 for 2015.

Financial Highlights – Fiscal Year 2015

Enrollment

During fiscal year 2015, the total credit hours reported to the State were 288,637. This represents a decrease of 7.69% from fiscal year 2015 in which credit hours were 312,674.

The college charged Essex County residents $108.50 per student credit hour in fiscal years 2015 and 2014.

Non-Essex County residents and foreign students were charged $217.00 per credit hour for fiscal years 2015 and 2014.

Financial Highlights – Fiscal Year 2015 *(continued)*

Student Fees

The College charged a general student fee of $32 per credit hour for fiscal year 2015 and $26.50 for fiscal year 2014. In addition, a student activity fee of $7.50 per credit hour was charged for fiscal year 2015 and $6.00 for fiscal year 2014. The student activity fee supports solely student and administrative activities.

Student Aid Programs

The College participates in federal and state funded programs. Approximately 54% and 57% of the unduplicated student enrollment received student aid assistance during fiscal years 2015 and 2014, respectively. Federal and state grants expended for student financial aid in 2015 amounted to $30,925,410 and $7,627,110, respectively, as compared to $33,360,820 and $7,900,858 for 2014.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the College's basic financial statements. Since the College comprises a single special-purpose government, <u>no fund level financial statements are presented as part of the basic financial statements.</u>

The College's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Accordingly, the College's financial statements reflect the implementation of Governmental Accounting Standards Board Statement (GASB) No. 35, *<u>Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.</u>*

In accordance with GAAP, the College's revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets, deferred outflows of resources, deferred inflows of resources and liabilities associated with the operation of the College are included in the statements of net position and depreciation of capital assets is recognized in the statements of revenues, expenses and changes in net position.

The financial statements provide long-term and short-term information about the College's overall financial status.

The statements of net position report the College's net position and the changes thereto. Net position, the difference between the College's assets, deferred inflows of resources, deferred outflows of resources and liabilities, over time, may serve as a useful indicator of the College's financial position.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 17 – 55 of this report.

Financial Analysis of the College as a Whole

As noted previously, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2016, the College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $62,324,877, a $6,329,129 decrease from June 30, 2015. At June 30, 2015, the College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $68,654,006 a $55,870,298 decrease from June 30, 2014. Our analysis below focuses on the net position and changes in net position of the College's activities.

Approximately 151% for fiscal year 2016 and 137% for fiscal year 2015 of the College's net position reflect its net investment in capital assets (i.e., land, construction in progress, land improvements; buildings and building improvements; equipment and furniture and library books, net of accumulated depreciation), less any related outstanding debt used to acquire these assets. The College uses these capital assets to provide services to students of the College as well as administrative and operating support services. The increase of $456,762 in net investment in capital assets in 2016 resulted principally from renovation projects and equipment purchases of $3,735,256 offset by depreciation of $3,556,539 and principal payment on related debt of $278,500. The decrease of $724,888 in net investment in capital assets in 2015 resulted principally from renovation projects and equipment purchases of $2,528,861 offset by depreciation of $3,559,407 and principal payment on related debt of $306,113.

An additional portion of the College's net position represents resources subject to external restrictions on how they may be used. Restricted net position represented 20% and 21% of the total net position at June 30, 2016 and 2015. Restricted net position at June 30, 2016 decreased $2,011,108 as a result of capital related expenses and debt service principal payments. Restricted net position at June 30, 2015 increased $2,141,008 as a result of minor capital awards and Chapter 12 fund revenues exceeding capital related expenses.

Unrestricted net position represented (71) % and (57) % of the total net position at June 30, 2016 and 2015, respectively. Unrestricted net position at June 30, 2016 decreased $4,774,783 primarily from the other expenses related to salary and benefit increases and the pension expense for PERS and PFRS. Unrestricted net position at June 30, 2015 decreased $57,286,418 primarily from the use of designated funds for capital related items to offset appropriations in the budget and other expenses related to salary and benefit increases and the implementation of GASBs 68 and 71.

Current assets decreased at June 30, 2016 due to current year operating results as the College's net position decreased $6,329,129. Current assets decreased at June 30, 2015 decreased due to current year operating results as the College's net position, prior to the restatement related to the implementation of GASBs 68 and 71, and decreased $3,866,724.

Financial Analysis of the College as a Whole *(continued)*

Current liabilities increased at June 30, 2016 by $1,754,596 substantially due to increases in accounts payable and other liabilities. Non-current liabilities and deferred outflows of resources increased in the 2016 fiscal year due to the increase in the net pension liability and the correlating pension deferrals. Deferred inflows of resources decreased as a result of the decrease in pension deferrals. Current liabilities decreased at June 30, 2015 by $642,649 substantially due to current year expenses using the unearned revenues received from the New Jersey Educational Facilities (NJEFA) for the use in the acquisition of technology and other equipment. Non-current liabilities, deferred outflows of resources and deferred inflows of resources all increased in the 2015 fiscal year due to the implementation of GASBs 68 and 71. The implementation of the GASBs also resulted in a decrease in net position.

Net Position

The following represents assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College at June 30, 2016, 2015 and 2014:

	Year Ended June 30			%(Decrease) Increase	%(Decrease) Increase
	2016	2015	2014	2016/2015	2015/2014
Current and other assets	$ 43,461,252	$ 45,613,980	$ 48,315,643	(4.7) %	(5.6) %
Capital assets, net of depreciation	97,448,653	97,269,936	98,300,482	0.2	(1.0)
Total assets	140,909,905	142,883,916	146,616,125	(1.4)	(2.5)
Deferred outflows of resources	14,906,824	5,529,902	218,218	169.6	2,434.1
Current liabilities	16,757,810	15,003,214	15,645,863	11.7	(4.1)
Noncurrent liabilities	75,417,676	61,450,974	6,664,176	22.7	822.1
Total liabilities	92,175,486	76,454,188	22,310,039	20.6	242.7
Deferred inflows of resources	1,316,366	3,305,624	-	(60.2)	100.0
Net position:					
Net investment in capital assets	94,177,984	93,721,222	94,446,110	0.5	(0.8)
Restricted	12,200,902	14,212,010	12,071,002	(14.2)	17.7
Unrestricted (deficit)	(44,054,009)	(39,279,226)	18,007,192	12.2	(318.1)
Total Net Position	62,324,877	68,654,006	124,524,304	(9.2) %	(44.9) %

Essex County College
(A Component Unit of the County of Essex)

Management's Discussion and Analysis
Required Supplementary Information
June 30, 2016 and 2015

Financial Analysis of the College as a Whole *(continued)*

Changes in net position

The following represents the College's changes in net position for the years ended June 30, 2016, 2015 and 2014:

	Year Ended June 30			%(Decrease) Increase		%(Decrease) Increase	
	2016	2015	2014	2016/2015		2015/2014	
Operating revenues:							
Tuition and fees, net	$ 38,432,338	$ 38,426,045	$ 39,752,471	0.0	%	(3.3)	%
Grants and contributions	42,380,226	46,552,988	49,197,048	(9.0)		(5.4)	
Other	7,006,839	8,255,153	8,408,242	(15.1)		(1.8)	
Total operating revenues	87,819,403	93,234,186	97,357,761	(5.8)		(4.2)	
Operating expenses:							
Total operating expenses before depreciation	116,503,230	119,207,394	125,596,662	(2.3)		(5.1)	
Depreciation	3,556,539	3,559,407	3,599,421	(0.1)		(1.1)	
Total operating expenses	120,059,769	122,766,801	129,196,083	(4.2)		(5.0)	
Operating loss	(32,240,366)	(29,532,615)	(31,838,322)	9.2		(7.2)	
Nonoperating revenues (expenses), net	23,411,237	23,164,296	22,877,925	1.1		1.3	
Other revenues	2,500,000	2,501,595	2,501,870	(100.0)		-	
Change in net position	(6,329,129)	(3,866,724)	(6,458,527)	63.7		(40.1)	
Total net position, beginning of year	68,654,006	124,524,304	130,982,831	(44.9)		(4.9)	
Restatement for July 1, 2014, Pension liability and related expense		(52,003,574)	-	(100.0)		100.0	
Total net position, beginning of year, as restate	68,654,006	72,520,730	130,983,831	(5.3)		(4.9)	
Total net position, end of year	62,324,877	68,654,006	124,524,304	(9.1)	%	(44.9)	%

Tuition and fees revenue, net of waivers and appeals, increased in 2016 by 0.1% due to a decrease of 6.53% in credit hours offset by an increase in the amount the College charged Essex County residents of $8.00 per credit hour and $16.00 per credit hour to non-Essex County residents and foreign students. Tuition and fees revenue, net of waivers and appeals, decreased in 2015 by 3.3% due to an increase in voids after tenth day enrollment and a decrease in enrollment for the 2016 fiscal year. The tuition rate remained unchanged in 2015 for in county residents.

Financial Analysis of the College as a Whole *(continued)*

Revenues

The College had operating, non-operating and other revenues, in the amounts of $113,903,951, $119,087,038 and $123,329,134 in 2016, 2015 and 2014 respectively. The following percentages represent the sources of operating, nonoperating and other revenues that each has contributed over the past three years:

	2016	2015	2014
Operating revenues			
Tuition and fees	43.8 %	41.2 %	40.8 %
Federal grants	37.3	37.7	38.6
State grants	8.1	8.6	8.5
County and local grants	2.9	3.6	3.4
Charges for services	6.5	7.0	7.2
Other revenues	1.4	1.9	1.5
Total	100.0 %	100.0 %	100.0 %
Nonoperating revenues			
State appropriations	49.8 %	51.3 %	50.2 %
County appropriations	50.2	48.6	48.3
Interest and investmrent income (loss)	0.0	0.1	1.5
Total	100.0 %	100.0 %	100.0 %
Other revenues			
Captial appropriations	100.0	100.0	100.0
Total	100.0 %	100.0 ⁄%	100.0 %

Financial Analysis of the College as a Whole *(continued)*

Expenses

The College expended its resources, in the amounts of $120,233,080, $122,953,762 and $129,787,661 in 2016, 2015 and 2014 among the following categories:

	2016	2015	2014
Instruction	23.8 %	24.9 %	24.3 %
Public Service	3.4	3.4	3.6
Academic Support	2.7	2.6	2.7
Student Services	6.8	6.6	6.7
Institutional Support	22.7	19.5	19.2
Operation of Plant	8.8	8.8	8.6
Scholarships and Fellowships	28.7	31.1	31.7
Depreciation	3.0	2.9	2.8
Interest and Other	0.1	0.2	0.4
Total	100.0 %	100.0 %	100.0 %

The following represents the percentage of each expense category as compared to total expenses. Instruction expenses decreased in 2016 as a percentage of total expenses due to a decrease in salaries and related health benefits0. Institutional Support expenses increased in 2016 as a percentage of total expenses due to pension expenses. Operation of plant increased in 2016 as a percentage of total expenses due to contractual salary increments and corresponding fringes, primarily health insurance, as well as increases in utilities. Scholarships and fellowships expenses for 2016 decreased as a percentage of total expenses due to a decrease in the number of students qualifying for federal scholarships and grants, which also resulted from the decrease in enrollment. Instruction expenses increased in 2015 as a percentage of total expenses due to contractual salary increments and corresponding fringes, primary health insurance. Institutional Support expenses increased in 2015 as a percentage of total expenses due to pension expenses resulting from the implementation of GASBs 68 and 71. Operation of plant increased in 2015 as a percentage of total expenses due to contractual salary increments and corresponding fringes, primary health insurance, as well as increases in utilities and routine elevator maintenance and repairs. Scholarships and fellowships expenses for 2015 decreased as a percentage of total expenses due to a decrease in the number of students qualifying for federal scholarships and grants, which also resulted from the decrease in enrollment.

Financial Analysis of the College as a Whole *(continued)*

Grants and Contracts

The College continues to qualify for funding to perform specialized instruction and support services.

For fiscal years 2016, 2015 and 2014, the College received the following funding from grants and contracts:

	Year Ended June 30			% Increase (Decrease)	
	2016	2015	2014	2016/2015	2015/2014
Federal	$ 4,559,675	$ 4,095,829	$ 4,162,985	11.3 %	(1.6) %
State	926,043	992,238	980,644	(6.7)	1.2
County and local	2,474,733	3,108,665	3,227,043	(20.4)	(3.7)
Total	$ 7,960,451	$ 8,196,732	$ 8,370,672	(2.9) %	(2.1) %

Funding for grants and contracts for 2016 decreased 2.9%; principally, due to decreased funding received from state and county and local sources when compared to 2015. Fiscal year 2015 decreased 2.1%; principally, due to decreased funding received from federal and county and local sources when compared to 2014.

Capital Assets

Capital assets purchases are funded through awards received from the State of New Jersey, County of Essex and net position of the College. The following presents the capital assets, net of accumulated depreciation as of June 30, 2016, 2015 and 2014 and percentage increase or decrease from the prior year:

	June 30			% Increase (Decrease)	
	2016	2015	2014	2016/2015	2015/2014
Land, non depreciable	$ 3,796,647	$ 3,796,647	$ 3,796,647		
Construction in progress, non depreciable	-	512,456	-	(100.0) %	100.0 %
Land improvements	40,200	51,244	59,721	(21.6)	(14.2)
Buildings and building improvements	89,340,845	87,729,649	89,335,794	1.8	(1.8)
Equipment	3,709,399	4,444,131	4,381,949	(16.5)	1.4
Library books	561,562	735,809	726,371	(23.7)	1.3
Total	$ 97,448,653	$ 97,269,936	$ 98,300,482	0.2 %	1.0 %

Financial Analysis of the College as a Whole *(continued)*

Construction in progress decreased due to capitalizable expenses related to funds spent from the NJEFA programs being completed. Buildings and building improvement increased due to capital projects completed during the year which included additions to the mega-structure and other increases to buildings and building improvements exceeding the correlating depreciation expense in the current year. The decrease in equipment represents purchases of office equipment, instructional equipment, furniture and computers being less than depreciation expense.

More detailed information about the College's capital assets is presented in Note 5 to the basic financial statements.

Long-Term Liabilities

The following table summarizes the long-term liabilities at June 30 for fiscal years 2016, 2015 and 2014:

	June 30			% Increase (Decrease)	
	2016	**2015**	**2014**	**2016/2015**	**2015/2014**
Due to the County of Essex	$ -	$ -	$ 180,000	0.0 %	(100.0) %
Bonds payable, net	3,331,936	3,617,263	3,892,590	(7.9)	(7.1)
Capital lease payable	115,387	128,887	139,498	(10.5)	(7.6)
Obligation for post employment benefits other than pensions	4,193,463	3,594,274	2,918,026	16.7	23.2
Net pension liability	68,096,393	54,409,377	-	25.2	100.0
Total	$ 75,737,179	$ 61,749,801	$ 7,130,114	22.7 %	766.0 %

The decrease in capital lease payable and bonds payable, net is due to the payment of principal on debt during the 2016 fiscal year.

The increase in the obligation for post-employment benefits other than pensions is mainly due to the addition to the liability of the current year's annual required contribution in accordance with GASB 45.

The increase in the net pension liability is due to the additional pension expense exceeding any correlating liquidation.

Additional information on the College's long-term liabilities can be found in Note 7 to the basic financial statements.

Economic Factors Affecting the College/Future Outlook

The College is substantially funded by tuition, fees, and state and county aid. Tuition and fees can be affected either by a decrease in enrollment or a decrease in the availability of financial aid funds from the federal and state governments. Appropriations from the state and county may remain level or be reduced in a slow or stagnant economy. During the 2016 fiscal year, state aid decreased slightly by $240,821 as compared to 2015. In addition, credit hours have decreased over the past few years and are not expected to increase significantly over the next few years.

Contacting Essex County College's Management

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College's finances and to show the College's accountability for money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Comptroller and Chief Financial Officer, Office of Comptroller at Essex County College, 303 University Avenue, Newark, New Jersey 07102.

Essex County College
(A Component Unit of the County of Essex)

Statements of Net Position

	June 30, 2016	June 30, 2015
ASSETS		
Current Assets		
Unrestricted cash and equivalents	$ 15,910,428	$ 20,372,100
Cash held by bond trustee - NJEFA	3,574,021	3,578,033
Restricted cash and equivalents	2,959,316	3,665,371
Investments	2,326,100	2,363,760
Accounts Receivable		
Tuition and fees, net of allowance of $2,748,353 and $2,046,706 in 2016 and 2015, respectively	756,720	625,711
Grants	3,502,980	3,685,407
State and county	10,772,980	8,874,978
Other, net of allowance of $2,466,378 and $772,906 in 2016 and 2015, respectively	2,066,907	1,045,886
Inventories	1,543,728	1,250,258
Prepaid expenses	48,072	152,476
Total Current Assets	43,461,252	45,613,980
Noncurrent Assets		
Capital assets, nondepreciable	3,796,647	4,309,103
Capital assets, net of accumulated depreciation	93,652,006	92,960,833
Total noncurrent assets	97,448,653	97,269,936
	140,909,905	142,883,916
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	14,730,170	5,332,466
Deferred loss on refunding	176,654	197,436
Total deferred outflows of resources	14,906,824	5,529,902
LIABILITIES		
Current Liabilities		
Accounts payable	5,515,190	3,991,455
Accrued payroll and payroll taxes payable	2,422,542	2,752,856
Compensated absences	6,705	145,702
Unearned revenue - NJEFA	3,458,635	3,449,146
Unearned tuition and fee revenue	588,585	489,289
Unearned grant revenue	119,240	227,645
Other liabilities	4,327,410	3,648,294
Capital lease payable	14,176	13,500
Bonds payable, net	305,327	285,327
Total Current Liabilities	16,757,810	15,003,214
Noncurrent Liabilities		
Long-term portion of bonds payable, net	3,026,609	3,331,936
Long-term portion of capital lease payable	101,211	115,387
Obligation for postemployment benefits other than pensions	4,193,463	3,594,274
Net pension liability	68,096,393	54,409,377
Total Noncurrent Liabilities	75,417,676	61,450,974
Total Liabilities	92,175,486	76,454,188
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	1,316,366	3,305,624
Total deferred inflows of resources	1,316,366	3,305,624
NET POSITION		
Net investment in capital assets	94,177,984	93,721,222
Restricted for		
Grants, contracts and other governmental agreements	1,988,577	2,220,504
Capital outlays	9,146,219	10,659,975
Scholarships	1,066,106	1,331,531
Unrestricted (deficit)	(44,054,009)	(39,279,226)
Total Net Position	$ 62,324,877	$ 68,654,006

See accompanying notes to basic financial statements

Essex County College
(A Component Unit of the County of Essex)

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015
OPERATING REVENUES		
Tuition and fees, net of waivers and appeals of $2,868,931 and $3,122,518 in 2016 and 2015, respectively	$ 38,432,338	$ 38,426,045
Federal grants	32,817,431	35,145,993
State grants	7,088,062	8,011,518
County and local grants	2,474,733	3,108,665
Private contributions	77,672	286,812
Charges for services	5,672,857	6,505,230
Other revenues	1,256,310	1,749,923
Total Operating Revenues	87,819,403	93,234,186
OPERATING EXPENSES		
Instruction	28,499,654	30,591,058
Public service	4,143,512	4,192,583
Academic support	3,195,543	3,204,182
Student services	8,198,232	8,169,845
Institutional support	27,265,978	23,967,644
Operation of plant	10,643,384	10,801,327
Scholarships and fellowships	34,556,927	38,280,755
Depreciation	3,556,539	3,559,407
Total Operating Expenses	120,059,769	122,766,801
OPERATING LOSS	(32,240,366)	(29,532,615)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	11,745,024	11,985,845
County appropriations	11,850,000	11,350,000
Interest and investment income	37,741	40,212
Unrealized (loss) gain on investments	(48,217)	(24,800)
Interest expense	(173,311)	(186,961)
Total nonoperating revenues (expense)	23,411,237	23,164,296
LOSS BEFORE OTHER REVENUES	(8,829,129)	(6,368,319)
OTHER REVENUES		
State and county appropriations-capital	2,500,000	2,501,595
DECREASE IN NET POSITION	(6,329,129)	(3,866,724)
NET POSITION, BEGINNING OF YEAR	68,654,006	124,524,304
RESTATEMENT FOR JULY 1, 2014, PENSION LIABILITY AND I	-	(52,003,574)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	68,654,006	72,520,730
NET POSITION, END OF YEAR	$ 62,324,877	$ 68,654,006

See accompanying notes to financial statements

Essex County College
(A Component Unit of the County of Essex)

Statements of Cash Flows

	Year Ended June 30, 2016	Year Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees, including chargebacks	$ 38,400,625	$ 38,948,798
Tuition refunds/scholarships	(34,556,927)	(38,280,755)
Grants received	42,535,932	44,583,104
Grant payments	(7,950,962)	(8,386,782)
Restricted cash and cash equivalents	706,055	959,411
Payments to suppliers	(28,431,409)	(28,404,147)
Payments to employees	(42,131,747)	(43,010,632)
Charges for services	5,672,857	6,505,230
Other operating (disbursements) receipts	1,256,310	1,625,120
Net Cash used in Operating Activities	(24,499,266)	(25,460,653)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	11,745,024	11,985,845
County appropriations	11,850,000	12,758,857
Net Cash Provided by Noncapital Financing Activities	23,595,024	24,744,702
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(3,735,256)	(2,528,861)
Minor capital appropriations - County of Essex	300,999	1,747,925
Minor capital appropriations - State of New Jersey	300,999	1,344,453
Principal payments	(278,500)	(435,611)
Interest payments	(173,311)	(196,506)
Other receipts (payments)	(37,286)	-
Net Cash used in Capital and Related Financing Activities	(3,622,355)	(68,600)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of investments	27,184	(29,383)
Interest and investment income	37,741	40,212
Net Cash provided by Investing Activities	64,925	10,829
Net (decrease) in cash and equivalents	(4,461,672)	(773,722)
Cash and equivalents at beginning of year	20,372,100	21,145,822
	$ 15,910,428	$ 20,372,100
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (32,240,366)	$ (29,532,615)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	3,556,539	3,559,407
Changes in operating assets and liabilities		
Accounts receivable	(969,603)	(1,793,852)
Restricted cash and cash equivalents	706,055	959,411
Cash held by bond trustee - NJEFA	4,012	476,469
Inventories	(293,470)	389,773
Prepaid expenses	104,404	(89,881)
Unearned revenue - NJEFA	9,489	(465,858)
Unearned tuition and fee revenue	99,296	129,817
Accounts payable/accrued expenses	1,733,540	387,545
Obligation for postemployment benefits other than pensions	599,189	676,248
Pension deferrals	(11,386,962)	-
Net pension liability	13,687,016	-
Unearned grant revenue	(108,405)	(157,117)
	$ (24,499,266)	$ (25,460,653)

See accompanying notes to basic financial statements

1. Summary of Significant Accounting Policies

Reporting Entity

The College was established in 1966 by the State of New Jersey under State Statute 18A:64A. The Board of Trustees is the College's ruling body which establishes the policies and procedures by which the College is governed. The College has no component units that are required to be included within the reporting entity. The College is a component unit of the County of Essex, State of New Jersey.

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities and the accounts are maintained on the accrual basis of accounting. The College's reports are based on all applicable Government Accounting Standards Board ("GASB") authoritative literature in accordance with the GASB Codification.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The College reports its financial statements as a business-type activity. Business – type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Tuition, County, and State appropriations, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

Revenue and Expense Classification

The College distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. The principal operating revenues of the College are tuition, fees, charges for services and grants received from federal, state, county and private sources. Operating expenses include administrative expenses and other expenses related to providing educational services and depreciation.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or other revenue.

1. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition

Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as scholarship expense and are recognized in the periods earned. Student tuition and fees collected for courses that are held subsequent to year end are recorded as unearned tuition and fees in the accompanying financial statements.

Grants and contribution revenue is comprised mainly of revenues received from grants from the State of New Jersey and the Federal government and local sources and are recognized as the related expenses are incurred.

Revenue from state and county appropriations, including Chapter 12 and other capital funds, is recognized in the fiscal years during which the State of New Jersey and the County of Essex appropriate the funds to the College.

Net Position

Net position represents the difference between assets, deferred outflows of resource, liabilities and deferred inflows of resources in the financial statements. Net position is reported as restricted in the financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The components of net position are detailed below:

- ***Net investment in capital assets*** – Capital assets, net of accumulated depreciation attributable to the acquisition, construction, or improvement of those assets and any debt associated with the acquisition of the capital assets.

- ***Restricted:***

    Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the College.

    Expendable – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time.

1. Summary of Significant Accounting Policies *(continued)*

Net Position (continued)

- ***Unrestricted***:

  Net position not subject to externally imposed stipulations that may be designated for specific purposes by action of management, the President or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic programs and initiatives and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Cash Equivalents

Cash and equivalents consist of cash on hand, demand deposits, and short-term, highly-liquid investments that are readily convertible to known amounts of cash and that have original maturities of three months or less at the date of purchase or acquisition.

Cash held by Bond Trustee - NJEFA

Cash held by bond trustee consists of amounts held on behalf of the College by the New Jersey Educational Facilities Authority ("NJEFA") for the Higher Education Equipment Leasing Fund and the Higher Education Technology Infrastructure Fund program.

Investments

Investments consist of various stock donated to the College, certificates of deposit and open-ended mutual funds. Investments are recorded at fair value. Interest income is included in the change in net position in the accompanying statements of revenues, expenses and changes in net position.

Accounts Receivable

The College grants credit to students, substantially all of whom are county residents. Outstanding credit balances, net of allowance for uncollectible amounts, are reported as tuition and fees accounts receivable.

Allowance for Uncollectible Amounts

The College establishes a reserve for uncollectible receivables for all outstanding balances over 90 days old, partially offset by amounts expected to be subsequently collected based on historical collection data.

1. Summary of Significant Accounting Policies *(continued)*

Capital Assets

Capital assets include land, construction in progress, land improvements, building and building improvements, equipment and furniture and library books. Capital assets are defined by the College as assets with an initial unit cost of $500 or more and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed or completed.

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

Assets	Years
Land improvements	10
Buildings and building improvements:	
New construction	50-70
Purchased	25 and 35
Library books	8
Equipment and furniture:	
Cafeteria	10
Office	7
Audio and visual	6
Vehicles	7
Furniture	20
Computer technology:	
Student labs	4
Administrative	3-5

Inventories

Inventories consist primarily of textbooks and merchandise held for resale by the bookstore and is stated at the lower of cost (first-in, first-out method) or market. The costs are recorded as expenses as the inventory is consumed.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid expenses in the financial statements.

1. Summary of Significant Accounting Policies *(continued)*

Unearned Revenue

Unearned revenue consists primarily of amounts received from the NJEFA funds, which have not yet been earned under the terms of the agreement. Unearned revenue also consists of student tuition and fee revenues received that are related to the period after June 30, 2016 have been deferred to fiscal year 2017.

Contract revenue and amounts received from grants in excess of grant expenses have been classified as unearned grant revenue.

Long-Term Obligations

Long-term obligations are due more than one year from the date of the statements of net position.

Financial Dependency

Significant sources of revenue include appropriations for the State of New Jersey and the County of Essex. The College is economically dependent on these appropriations to carry on its operations.

Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the collectability of receivables, capital asset useful lives, depreciation methods, net pension liability and the value of the OPEB liability.

Compensated Absences

Employees accrue vacation leave based upon time employed subject to certain restrictions at the close of each fiscal year. The College recorded a liability for accrued vacation leave of $6,705 and $145,702 as of June 30, 2016 and 2015, respectively. Certain managerial and executive employees may accrue a maximum of 30 days excluding the President and the Executive Vice President/Provost, who have no limitation. Collective bargaining employees must receive approval to accrue vacation leave at the close of the fiscal year excluding the counselors and librarians, who may accrue up to a maximum of 35 days. The College is not obligated to accrue sick leave credits for managerial and executive employees and employees covered by collective bargaining agreements.

1. Summary of Significant Accounting Policies *(continued)*

Other Postemployment Benefits

Other postemployment benefits ("OPEB") costs are spread over a period that approximates employees' years of service and provides information about actuarially calculated liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The College has evaluated the cost of providing health insurance coverage using an independent actuarial evaluation of qualifying surviving spouses as the impact of implementing GASB No. 45. The College has elected an open amortization period.

Chargeback

Chargeback to other counties represents the amount the college charges the other counties in which out-of-county students reside for their portion of the College's operating expenses, as provided in the laws and by the criteria and procedures specified by the State of New Jersey Commission on Higher Education.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the College has two items that qualify for reporting in this category, deferred amounts related to pensions and the deferred loss of the refunding of debt. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents and acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The College has one item that qualifies for reporting in this category, deferred amounts related to pensions.

1. Summary of Significant Accounting Policies *(continued)*

Recently Adopted Accounting Standard

In February, 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). The objective of this Statement is to provide guidance for applying fair value for certain assets and liabilities and disclosures related to all fair value measurements. The requirements of this Statement mandate the use of valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The College has adopted GASB No. 72 during the year ended June 30, 2016 and it did not have a significant impact on the College's financial statements.

Recently Issued Accounting Pronouncements

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB No. 75"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information by state and local government employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the College in the 2018 fiscal year. Management has not yet determined the impact of this Statement on the financial statements.

1. Summary of Significant Accounting Policies *(continued)*

Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2016 through May 31, 2017, the date that the financial statements were available to be issued. The effects of those events and transactions that provide additional pertinent information about conditions that existed at June 30, 2016, have been recognized and disclosed in the accompanying financial statements.

2. Support of the College

The State supports the College's education and general operations through funding based upon the formula developed under the provisions of P.L. 1981 C.329.

Additional support is provided by the County of Essex and from tuition income. The annual tuition income for 2016, based on 24 semester credit hours, payable by a full-time in–county student is $2,796, an out-of-county and out-of-state student is required to pay $5,592. The annual tuition income for 2015, based on 24 semester credit hours, payable by a full-time in–county student is $2,604, an out-of-county and out-of-state student is required to pay $5,208.

The Board of School Estimate (consisting of three members of the Board of Chosen Freeholders and two members of the College's Board of Trustees) adopts a budget for each fiscal year ending June 30 and levies the amount necessary to be raised during that fiscal year by the County of Essex Board of Chosen Freeholders. The County generates the necessary revenue through local property taxes.

In addition, the provisions of New Jersey Statutes Annotated ("N.J.S. A.") 18A:64A-20 provide for additional funding of the College's general operations by the Board of School Estimate, if an emergency or unanticipated need arises.

3. Student Financial Aid

The College receives financial assistance from the State of New Jersey and the Federal Government in the form of grants and scholarship aid. Entitlement to the fund is generally conditional upon compliance with terms and conditions of the related agreements and applicable regulations, including the expenditure of funds for eligible purposes.

3. Student Financial Aid *(continued)*

During fiscal year 2016, the College expended student assistance in the form of New Jersey Tuition Aid Grant (TAG) and Education Opportunity Fund (EOF) Programs in the amounts of $4,941,982 and $1,701,908, respectively, and other New Jersey student assistance grants of $141,455, for a grand total of $6,785,045. The College also expended student assistance from the U.S. Department of Education for Pell grants of $27,343,540, Supplemental Educational Opportunity (SEOG) grants of $250,000, and Federal Work Study of $505,079, for a grand total of $28,098,619.

During fiscal year 2015, the College expended student assistance in the form of New Jersey TAG and EOF Programs in the amounts of $5,828,180 and $1,691,884, respectively, and other New Jersey student assistance grants of $107,046, for a grand total of $7,627,110. The College also expended student assistance from the U.S. Department of Education for Pell grants of $30,185,894, SEOG grants of $250,000, and Federal Work Study of $489,516, for a grand total of $30,925,410.

4. Cash and Equivalents and Investments

Cash and equivalents consist primarily of cash on deposit with banks and short-term certificates of deposit.

A portion of the cash and equivalents balance is restricted by third parties for various grants and scholarships. At June 30, 2016 and 2015, $2,959,316 and $3,665,371, respectively, represented cash and equivalents that are restricted for these purposes. In addition, the College had $3,574,021 and $3,578,033 in cash held by bond trustee – NJEFA at June 30, 2016 and 2015, respectively.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

Additionally, the College deposits public funds in public depositories protected from loss under the provisions of the New Jersey Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

4. Cash and Equivalents and Investments *(continued)*

N.J.S.A. 17:9-41 et seq. established 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 GUDPA. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to 5% of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the government units.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

> The market value of the collateral must equal 5% of the average daily balance of public fund; or
>
> If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

At June 30 2016, the College's carrying value of its deposits and cash on hand was $13,392,522 and the bank balance was $13,656,611. Of the bank balance, $791,938 was covered by federal depository insurance and $12,864,672 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with GUDPA.

At June 30 2015, the College's carrying value of its deposits and cash on hand was $15,008,203 and the bank balance was $15,693,481. Of the bank balance, $532,651 was covered by federal depository insurance and $15,160,830 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with GUDPA.

4. Cash and Equivalents and Investments *(continued)*

Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the College.

The College does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The College's deposits were fully collateralized by funds and held by the financial institution, but not in the name of the College. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Investments

The College has limited the investment of assets to obligations of the U.S. Government or its agencies, investments in certain certificates of deposit of commercial banks which are members of the Federal Reserve System, investments in New Jersey Cash Management Fund (NJCMF) and direct and general obligations of any state which meets the minimum requirements of its policy.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the College's deposits and investments may not be returned to it. The College does not have a policy for custodial credit risk for its investments.

The College participates in the State of New Jersey Cash Management Fund ("NJCMF") where in amounts also contributed by other State entities are combined into a large-scale investment program. The NJCMF is administered by the State of New Jersey, Department of the Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: US Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty.

4. Cash and Equivalents and Investments *(continued)*

The carrying amount of cash and equivalents in the State of New Jersey Cash Management Fund as of June 30, 2016 and 2015 was $9,042,729 and $9,020,753, respectively, which represented the amount on deposit with the Fund.

These amounts are collateralized in accordance with Chapter 64 of title 18A of New Jersey Statutes. All investments in the NJCMF are governed by the regulations of the Investment Council, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer.

Credit Risk: The College does not have an investment policy regarding the management of credit risk. GASB requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJCMF is not rated by a rating agency.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The College does not have a policy to limit interest rate risk; however, its practice is typically to invest in investments with short maturities.

Concentration of Credit Risk: This is the risk associated with the amount of investments the college has with any one issuer. The College places no limit on the amount the College may invest in any one issuer.

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The College has the Following recurring fair value measurements as of June 30, 2016 and 2015:

	2016	2015
Corporate stock (U.S. equities) (Level 1 inputs)	$ 392,733	$ 411,460
Mutual Funds (Level 1 inputs)	1,933,367	1,952,300
Total investments	$2,326,100	$2,363,760

4. Cash and Equivalents and Investments *(continued)*

The U.S. equities and open-end mutual fund portfolios consist of donations made by individuals many year ago that have been maintained within the donated investment portfolio to further the mission of the College and stock distributions from companies that provided group term life insurance but changed from mutual to stock companies.

5. Capital Assets

The following is a summarization of changes in capital assets for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land	$ 3,796,647	$ -	$ -	$ 3,796,647
Construction in Progress	512,456	-	512,456	-
Total capital assets, not being depreciated	4,309,103	-	512,456	3,796,647
Capital assets, being depreciated:				
Land improvements	1,328,092	-	-	1,328,092
Buildings and building improvements	124,885,605	3,770,301	-	128,655,906
Equipment and furniture	41,793,375	477,411	-	42,270,786
Library books	7,052,927	-	-	7,052,927
Total capital assets, being depreciated	175,059,999	4,247,712	-	179,307,711
Less accumulated depreciation:				
Land improvements	1,276,848	11,044	-	1,287,892
Buildings and building improvements	37,155,956	2,159,105	-	39,315,061
Equipment and furniture	37,349,244	1,212,143	-	38,561,387
Library books	6,317,118	174,247	-	6,491,365
Total accumulated depreciation	82,099,166	3,556,539	-	85,655,705
Total capital assets, being depreciated, net	92,960,833	7,804,251	-	93,652,006
Net capital assets	$ 97,269,936	$ 7,804,251	$ 512,456	$ 97,448,653

5. Capital Assets *(continued)*

The following is a summarization of changes in capital assets for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ 3,796,647	$ -	$ -	$ 3,796,647
Construction in Progress	-	512,456	-	512,456
Total capital assets, not being depreciated	3,796,647	512,456	-	4,309,103
Capital assets, being depreciated:				
Land improvements	1,325,167	2,925	-	1,328,092
Buildings and building improvements	124,419,918	465,687	-	124,885,605
Equipment and furniture	40,499,748	1,317,545	23,918	41,793,375
Library books	6,868,374	230,248	45,695	7,052,927
Total capital assets, being depreciated	173,113,207	2,016,405	69,613	175,059,999
Less accumulated depreciation:				
Land improvements	1,265,446	11,402	-	1,276,848
Buildings and building improvements	35,084,124	2,071,832	-	37,155,956
Equipment and furniture	36,117,799	1,255,363	23,918	37,349,244
Library books	6,142,003	220,810	45,695	6,317,118
Total accumulated depreciation	78,609,372	3,559,407	69,613	82,099,166
Total capital assets, being depreciated, net	94,503,835	(1,543,002)	-	92,960,833
Net capital assets	$ 98,300,482	$ (1,030,546)	$ -	$ 97,269,936

Depreciation expense for the years ended June 30, 2016 and 2015 was $3,556,539 and $3,559,407, respectively. Commitments outstanding on construction and other projects amounted to $4,551,440 and $958,867 as of June 30, 2016 and 2015, respectively.

6. Accounts Receivable – County of Essex and State of New Jersey

The College was awarded $1,250,000 and $1,633,444 in capital funding by the County of Essex for fiscal years 2016 and 2015, respectively. It is the practice of the College to request reimbursement only for expenses made and not anticipated. Accordingly, the College was reimbursed $334,136 for award years 2011 through 2013 during fiscal year 2016. The following balances remain available from the County of Essex for minor capital awards not including the State portion of Chapter 12 funds:

Fiscal year ended June 30, 2016:	
2016	$1,250,000
2015	1,633,444
2014	1,250,000
2013	141,539
2012	1,796,738
	$6,071,721

In addition to the County funds, there is a balance of $4,679,054 available from the State of New Jersey for Chapter 12 funding.

7. Long-Term Liabilities

2006 Series Bonds

In September 2006, the ECIA, on behalf of the College, issued $4,690,000 of Guaranteed Revenue Bonds, Series 2006, to redeem $4,760,000 of the $5,485,000 Series 1996. Net proceeds from the sale of the bonds were deposited to an escrow account amounted to $4,980,964. Principal and interest for these defeased securities will be paid through the bond escrow fund. At June 30, 2016, $3,160,000 of debt remains outstanding. The bonds are secured by certain revenues of the College as defined in the original loan agreement and are additionally secured by a full, unconditional and irrevocable guaranty of the County in accordance with a guaranty ordinance adopted by the Essex County Board of Freeholders.

7. Long-Term Liabilities *(continued)*

At June 30, 2016, the bonds payable principal balance for the Refunding Bonds, Series 2006, is $3,160,000. The loan agreement has a 30 year term and will be fully satisfied on December 1, 2024. The annual rate of interest chargeable to the College is 5.25%. Fiscal year principal and interest payments are as follows:

Fiscal year	Principal	Interest	Total
2017	$ 285,000	$ 158,419	$ 443,419
2018	295,000	143,194	438,194
2019	315,000	127,181	442,181
2020	330,000	110,250	440,250
2021	345,000	92,531	437,531
2022-2025	1,590,000	171,675	1,761,675
	$ 3,160,000	$ 803,250	$3,963,250

Equipment Leasing Fund – Capital Lease Payable

In January 2014, the College, along with other Colleges and Universities, entered into a lease agreement with the New Jersey Educational Facilities Authority (NJEFA), as lessor, to issue bonds to finance the costs of acquiring and installing higher education equipment for lease to the College.

The State's Equipment leasing Fund (ELF) provides funds to support the purchase of scientific, engineering, technical, computer, communications, and instructional equipment for public and private institutions of higher education.

The total amount of equipment to be financed is $640,967. The College's basic rent as set forth in the loan schedule is equal to approximately 28% of the debt service on the bonds, consisting of principal of $139,498 and interest of $39,962. In addition, the College is required to pay program expenses and administrative fees over the life of the lease.

The bonds issued by the NJEFA are tax exempt and require annual and semiannual principal and interest payments, respectively, which commenced on November 1, 2014 for interest and May 1, 2015 for principal. Final payment to include principal, interest, and other expenses is due on May 1, 2023.

The lease agreement will terminate at the conclusion of final payment and title to the project will be transferred to the College.

7. Long-Term Liabilities *(continued)*

As of June 30, 2016, the capital lease payable principal balance is $115,387. The agreement is for a ten year term and will be fully satisfied on May 1, 2023. The annual rate of interest chargeable to the College is 5%. Fiscal year principal and interest payments are as follows:

Fiscal year	Principal	Interest	Total
2017	$ 14,176	$ 5,769	$ 19,945
2018	14,886	5,061	19,947
2019	15,629	4,316	19,945
2020	16,407	3,535	19,942
2021	17,218	2,714	19,932
2022-2023	37,071	2,803	39,874
	$115,387	$24,198	$139,585

Changes in Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Due Within One Year
Bonds payable					
Series 2006	$ 3,425,000	$ -	$ 265,000	$ 3,160,000	$ 285,000
Unamortized bond premium	192,263	-	20,327	171,936	20,327
Total bonds payable	$ 3,617,263	$ -	$ 285,327	$ 3,331,936	$ 305,327
Obligation for postemployment benefits other than pensions	$ 3,594,274	$ 617,043	$ 17,854	$ 4,193,463	$ -
Capital lease payable	$ 128,887	$ -	$ 13,500	$ 115,387	$ 14,176
Net pension liability	$ 54,409,377	$ 13,687,016	$ -	$ 68,096,393	$ -

7. Long-Term Liabilities *(continued)*

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Bonds payable					
Series 2006	$ 3,680,000	$ -	$ 255,000	$ 3,425,000	$ 265,000
Unamortized bond premium	212,590	-	20,327	192,263	20,327
Total bonds payable	$ 3,892,590	$ -	$ 275,327	$ 3,617,263	$ 285,327
Obligation for postemployment benefits other than pensions	$ 2,918,026	$ 689,267	$ 13,019	$ 3,594,274	$ -
Due to County of Essex	$ 180,000	$ -	$ 180,000	$ -	$ -
Capital lease payable	$ 139,498	$ -	$ 10,611	$ 128,887	$ 13,500
Net pension liability	$ -	$ 54,409,377	$ -	$ 54,409,377	$ -

8. Commitments and Contingencies

The College is involved in certain legal proceedings, the resolution and impact on the financial statements of which, individually or in the aggregate, in the opinion of management as advised by legal counsel, would not be significant to the accompanying financial statements.

The College purchases commercial insurance to insure against loss. There have been no significant reductions in insurance coverage from the prior year and there have been no settlements in the current or prior three years that exceeded insurance coverage.

The College has awarded various contracts at a cost of $25,000 for gasoline for the fleet of vehicles, continued dental coverage at a cost of $628,650, sold waste management at a cost of $180,000, and preventative maintenance agreement at a cost of $1,450,049. In addition, contracts were awarded for the licensing and maintenance of information technology software in the amount of $234,132. Insurance agreements were approved for workers compensation, comprehensive general liability, and student athlete insurance at a cost of $649,076. Other major professional contracts were awarded at a cost of $457,500.

8. Commitments and Contingencies *(continued)*

In 2014, the College, along with other colleges and universities, was awarded multiple grants under the State of New Jersey's Building our Future Bond Act ($14,993,738) as well as the NJEFA's Higher Education Technology Infrastructure Fund ($3,413,535). The College did not incur any debt with respect to these new grant agreements, however, the College will be required to provide matching funds equal to 25% for the Building our Future Bond Act grant and matching funds equal to the grant amount for the Higher Education Technology Infrastructure Fund. The College has designated unrestricted net position in the amount of $8,295,248 as of June 30, 2016 to meet its local matching obligation.

The College receives support from Federal and State of New Jersey grant programs, primarily student financial assistance. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2016, management estimates that adjustments, if any, as a result of any such audits would not have a material adverse effect on the College's financial statements.

9. Leases

On February 26, 1990, the College leased land to a corporation for the construction of a 600-car parking garage. The 15-year lease expired in 2005 and the renewal option extended the lease an additional 15 years. The remaining renewal options can extend the lease an additional 120 years. Rent revenue received is included in unearned revenue and is being amortized over the life of the lease. The College receives rent of 2.5% of net parking revenues, subject to offset against a cumulative base amount of $1,000,000 of revenue for the term of the initial 15-year lease.

Pursuant to this agreement, the College, in September 2016 and May 2015, received payments of $9,500 and $25,000, respectively, representing additional rent for the twelve-month periods ending April 30, 2016 and 2015. The College received base rent for the kitchen facilities of $55,000 for fiscal years 2016 and 2015.

This contract does not include a provision for additional rent based on sales in excess of a specific volume.

The College also received $166,024 and $80,929 in rent and commissions for space allocated to vendors for vending machines for fiscal years 2016 and 2015, respectively.

10. Pension

The College participates in the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS). The Division of Pensions and Benefits within the Department of Treasury, State of New Jersey (State) is the administrator of the funds and charges the College annually for its respective contributions. The following collective bargaining groups are covered under the PERS and PFRS plans: Faculty, Administrators, Professionals, Office Workers, Physical Plant, and Security.

The plans provide retirement and disability benefits, annual cost of living adjustments and benefits to plan members and beneficiaries. The plans are cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each participating entity in the state and, therefore, the actuarial data for the College is not available. The Division of Pensions and Benefits issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

The College also participates in an Alternative Benefit Program under which the Division of Pensions and Benefits makes the employer's contribution for the College. The contributions made by the Division on behalf of the College for the year ended June 30, 2016 amounted to $1,063,717 as compared to $960,779 for fiscal year 2015. In addition, the Division reimbursed the College for contributions made for adjunct faculty for fiscal years 2016, 2015 and 2014 in the amounts of $235,583, $252,694 and $226,437, respectively.

The Division is not required to contribute the employer's contribution for nonacademic job titles for members enrolled in the Alternative Benefit Program. Accordingly, the College's contributions amounted to $109,655, $115,764 and $84,025 for the years ended June 30, 2016, 2015 and 2014, respectively.

The College is required by contract with certain managerial and executive employees to contribute to specific pension plans. The College's contributions for the years ended June 30, 2016, 2015 and 2014, amounted to $28,502, $31,372 and $19,326, respectively.

10. Pension *(continued)*

Public Employee Retirement System (PERS)

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016 and 2015:

	2016	2015
Inactive plan members or beneficiaries currently receiving benefits	170,685	166,637
Inactive plan members entitled to but not yet receiving benefits	650	703
Active plan members	254,685	259,161
Total	425,559	426,501

Contributing Employers – 1,710

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2016, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

10. Pension *(continued)*

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. PERS members were required to contribute 6.64% as of July 2012 of their annual covered salary (increased to 6.78%, 6.92%, 7.06%, 7.20%, 7.34% and 7.50% each July from 2013 through 2018). The College is required to contribute at an actuarially determined rate. The rate for the FY 15/16 was 7.06% through June 2016. The College's actuarially determined contributions to PERS for the years ended June 30, 2016, 2015 and 2014 were $2,673,344, $2,544,530 and 2,330,244, respectively, equal to the required contributions for each year. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

10. Pension *(continued)*

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

At June 30, 2016, the College reported a liability of $66,438,858 for its proportionate share of the net pension liability. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the College's proportion was 0.2959678807 percent, which was an increase of 0.0133035468 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the College recognized full accrual pension expense of $4,967,130 in the financial statements. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 7,135,003	$ -
Difference between expected and actual experience	1,584,998	
Changes in proportion	2,828,192	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,068,209
College contributions subsequent to the measurement date	2,673,344	-
	$14,221,537	$ 1,068,209

10. Pension *(continued)*

A balance of $2,673,344 is reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	$ 2,009,964
2018	2,009,964
2019	2,009,963
2020	2,798,436
2021	1,651,657
Thereafter	-
	$10,479,984

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2015	June 30, 2014
Inflation rate	3.04%	3.01%
Salary increases 2012-2026	2.15 - 4.40% based on age	2.15 - 4.40% based on age
Thereafter	3.15 - 5.40% based on age	3.15 - 5.40% based on age
Investment rate of return	7.90%	7.90%

10. Pension *(continued)*

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

10. Pension *(continued)*

Asset Class	June 30, 2015 Target Allocation	June 30, 2015 Long-Term Expected Real Rate of Return	June 30, 2014 Target Allocation	June 30, 2014 Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	6.00%	0.80%
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Markets	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds / Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		
	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 4.90%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

10. Pension *(continued)*

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

The following presents the College's proportionate share of the net pension liability as of June 30, 2016 calculated using the discount rate as disclosed above as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	At 1% Decrease (3.90%)	At Current Discount Rate (4.90%)	At 1% Increase (5.90%)
College's proportionate share of the net pension liability	$82,575,371	$ 66,438,858	$52,910,122

Pension Plan Fiduciary Net Position

The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2015 and 2014 were $28,553,566,906 and $26,376,962,201, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2015 and 2014 was $20,661,583,919 and $18,160,308,251, respectively.

Additional Information

Collective Local Group balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	$ 2,964,265,815
Collective deferred inflows of resources	$ 360,920,604
Collective net pension liability	$22,447,996,119
College's Proportion	0.2959678807%

10. Pension *(continued)*

Collective pension expense for the Local Group for the measurement period ended June 30, 2015 and 2014 $1,481,308,816 and $968,532,408, respectively.

The average of the expected remaining service lives of all plan members is 5.72, 6.44 and 6.44 years for 2015, 2014 and 2013, respectively.

Police and Firemen's Retirement System (PFRS)

The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016 and 2015:

	2016	2015
Inactive plan members or beneficiaries currently receiving benefits	40,789	44,252
Inactive plan members entitled to but not yet receiving benefits	47	51
Active plan members	45,625	40,359
Total	86,461	84,662

Contributing Employers – 585

In addition to the State, who is the sole payer of regular employer contributions to the fund, PFRS's contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program (ERIP) and are legally responsible to continue to pay towards their incurred liability. The current number of ERIP Contributing Employers is 26.

Significant Legislation – For State of New Jersey contributions to PFRS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2016, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2014 actuarial valuation.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

10. Pension *(continued)*

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employer contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. College contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

The College's contribution to the PFRS plan was reduced also by the Pension Security Legislation Act of 1997 and Chapter 44, P.L. 2001 signed into law on March 29, 2001. Accordingly, contributions for the PFRS plan for the years end June 30, 2016, 2015 and 2014, amounted to $113,064, $80,889 and 90,788, respectively.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

10. Pension *(continued)*

At June 30, 2016, the College reported a liability of $1,657,535 for its proportionate share of the net pension liability. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the College's proportion was 0.0099512722 percent, which was a decrease of 0.0018690190 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the College recognized full accrual pension expense of $119.242 in the financial statements. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 306,022	
Difference between expected and actual experience		$ 14,297
Changes in proportion	89,547	205,012
Net difference between projected and actual investment earnings on pension plan investments	-	28,848
College contributions subsequent to the measurement date	113,064	-
	$ 508,633	$ 248,157

10. Pension *(continued)*

A balance of $113,064 is reported as deferred outflows of resources related to pensions resulting from college contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	$ 22,467
2018	22,467
2019	22,468
2020	60,398
2021	19,612
Thereafter	-
	$147,412

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2015	June 30, 2014
Inflation rate	3.04%	3.01%
Salary increases 2012-2021	2.60 - 9.48% based on age	3.95 - 8.62% based on age
Thereafter	3.60 - 10.48% based on age	4.95 - 9.62% based on age
Investment rate of return	7.90%	7.90%

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

10. Pension *(continued)*

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.90%) is 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2015 are summarized in the following table:

	June 30, 2015		June 30, 2014	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	6.00%	0.80%
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds / Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Global Debt ex US	3.50%	-0.40%		
REIT	4.25%	5.12%		
	100.00%		100.00%	

10. Pension *(continued)*

Discount Rate

The discount rate used to measure the total pension liability was 5.79% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of 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 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate

The following presents the College's proportionate share of the net pension liability as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.79%) or 1-percentage-point higher (6.79%) than the current rate:

	At 1% Decrease 4.79%	At Current Discount Rate 5.79%	At 1% Increase 6.79%
College's proportionate share of the net pension liability	$ 2,185,157	$ 1,657,535	$ 1,227,306

10. Pension *(continued)*

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Police and Firemen's Retirement System.

Additional Information

Collective balances at June 30, 2015 are as follows:

Collective deferred outflows of resources	$ 3,512,729,953
Collective deferred inflows of resources	871,083,367
Collective net pension liability	18,117,234,618
College's Proportion	0.0099512722%

Collective pension expense for the Local Group for the measurement period ended June 30, 2015 and 2014 $1,645,612,699 and $1,049,505,818, respectively.

The average of the expected remaining service lives of all plan members is 5.53, 6.17 and 6.17 years for 2015, 2014 and 2013, respectively.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and the State is treated as a non-employer contributing entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the College as of June 30, 2015 and 2014 are 0.0099512722% and 0.0118202912% and the non-employer contributing entities' contribution for the year ended June 30, 2015 and 2014 was $7,567 and $6,648. The State's proportionate share of the net pension liability attributable to the College for the years ended June 30, 2015 and 2014 was $145,360 and $160,112, respectively.

11. Post-Retirement Health Coverage

In addition to the post-employment health benefit plan offered by the State, the College provides a single employer post-employment health benefits plan for the surviving spouse of a retiree that has satisfied the plan eligibility requirements. GASB has established guidelines for reporting costs associated with “other postemployment benefits” (OPEB). OPEB costs are calculated based on plan benefits (other than pensions), that the retired employees and their spouses have accrued as a result of their respective years of employment service.

Plan Description**:** The College’s post-employment retirement healthcare benefit plan provides health benefits to all surviving spouses of a retiree that has satisfied the plan eligibility requirements. To be considered eligible for the plan, the retiree must have attained 25 years of service, the last 15 of which must be with the College, and reached the age of 55. Retirees that have retired due to ordinary or accidental disability do not have to meet the years of service requirement. The College is currently providing benefits for sixteen surviving spouses under this plan.

The Plan is a comprehensive health benefits plan which pays for hospital services, doctor expenses and other medical related necessities which include prescription drugs, and mental health/substance abuse services, subject to provisions and limitations. The College administers the Plan through the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits and has the authority to establish and amend the benefits provisions offered. The Plan is not a separate entity or trust and does not issue stand-alone financial statements.

Funding Policy: The cost of retiree health care coverage is provided through a 0.2% base salary reduction from the members of the Faculty and Administrative collective bargaining groups. These base salary reductions are then transmitted to the restricted fund to pay for the monthly invoices received from the State of New Jersey for the surviving spouses of former retirees. The annual cost for the state invoices amounted to $104,328 and $77,073 for fiscal years 2016 and 2015, respectively. The College pays 100% of the cost of the surviving spouses’ Medicare Part B premium. The cost for these premiums amounted to $17,855 and $13,019 for fiscal years 2016 and 2015, respectively.

11. Post-Retirement Health Coverage *(continued)*

Annual OPEB cost and net OPEB obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the Projected Unit Credit Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years, which represents the estimated remaining life of the Plan. For the fiscal year ended June 30, 2016, the College's annual OPEB cost (expense) of $617,043 was $14,782 more than the ARC due to interest on the unfunded ARC, and an adjustment to the ARC. The following table shows the components of the College's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the College's net OPEB obligation to the Plan for the year ended June 30, 2016:

Annual Required Contribution (ARC)	$ 602,261
Interest on unfunded ARC	143,771
Adjustment to the ARC	(128,989)
Annual OPEB cost	617,043
Less: contributions made/funded	17,854
Unfunded ARC	599,189
Net OPEB obligation - beginning of year	3,594,274
Net OPEB obligation - end of year	$ 4,193,463

The College's annual OPEB cost, the percentage of annual OPEB cost, contributions to the Plan, and the net OPEB obligation for the fiscal year ended June 30, 2016, 2015 and 2014 were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual * College Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 617,043	$ 17,854	2.9 %	$ 4,193,463
2015	580,513	13,019	2.2	3,594,274
2014	485,401	14,595	3.0	3,026,780

*Actual retiree payments for Medicare Part B reimbursements and trust Contributions, for the periods 7/1/15 – 6/30/16, 7/1/14 – 6/30/15 and 7/1/13 – 6/30/14.

11. Post-Retirement Health Coverage *(continued)*

Funded status and funding progress. As of July 1, 2015, the date of the most recent actuarial valuation, the accrued liability for benefits was $8,391,068; the unfunded actuarial accrued liability (UAAL) was $8,218,646. The covered payroll (annual payroll of active employees covered by the plan) was $30,699,351 and the ratio of the UAAL to the covered payroll was 26.8%. The value of the assets in the fund as of June 30, 2016 is $172,422 (based on the latest actuarial valuation).Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information as it becomes available and will show whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

Methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of benefit costs paid by the employer to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in estimated accrued liabilities and the estimated value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2012, 2014 and 2015 valuations, the Projected Unit Credit Cost Method were used. The service cost was determined for each active employee as the actuarial present value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between the date of hire and date of full benefit eligibility. The assumptions include a discount rate of 4.0%, an annual healthcare cost trend rate of 5.2% for medical and prescription drugs grading down to an ultimate rate of 4.2%. Males are assumed to be three years older than females. Married actives are assumed to choose family coverage at retirement. It is assumed that 55% of future retirees are married. It is also assumed that 100% of retirees who currently have healthcare coverage will continue with the same coverage. Actives, upon retirement, will be assumed to have a blend of coverage based on PPO and Traditional plans offered by the College, based on prior claim data.

11. Post-Retirement Health Coverage *(continued)*

The amortization cost for the Unfunded Actuarial Accrued Liability is a level percentage of payroll for a period of thirty years, with an assumption that payroll increases by 3.5% per year. The College has elected an open amortization period.

12. State Unemployment Insurance

The College pays for State Unemployment Insurance by the benefit reimbursement method. Under the benefit reimbursement method, the College is required to maintain a designated fund consisting of worker and employer contributions for the specific purpose of reimbursing the Employment Security Agency for unemployment benefits paid to former employees. Employee contributions are used to fund workers' health care, unemployment and workforce programs.

Claims incurred for the year ended June 30, 2016 amounted to $162,379 as compared to $284,945 for fiscal year 2015.

For fiscal years 2016 and 2015, the College did not charge unemployment claims exclusive of grant credits, to the designated fund. Based on current experience, the College elected to make no contribution to the fund for fiscal year 2016. At June 30, 2016 and 2015, net position in the College's unemployment fund was $718,678 and $665,156, respectively.

13. Restricted and Unrestricted Net Position

Net position is restricted by third parties for the following purposes at June 30, 2016 and 2015:

	June 30,	
	2016	2015
Grants, contracts, governmental agreements and other	$ 1,988,577	$ 2,220,504
Capital outlays - Chapter 12 funding	9,146,219	10,659,975
Scholarships	1,066,106	1,331,531
	$ 12,200,902	$ 14,212,010

13. Restricted and Unrestricted Net Position *(continued)*

Unrestricted net position at June 30, 2016 and 2015 is comprised of the following:

	June 30,	
	2016	2015
Designated		
Capital outlays - State bond projects	$ 8,295,248	$ 8,292,309
Scholarships	3,831,086	3,831,086
Retirement of bond indebtedness	2,841,555	3,006,908
Undesignated:		
Cumulative impact of GASBs 68/71 on net position	(57,468,997)	(55,007,954)
Cumulative impact of GASB 45 on net position	(4,193,463)	(3,594,274)
Undesignated	2,640,562	4,192,699
Total Unrestricted	$(44,054,009)	$ (39,279,226)

Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
Schedule of Funding Progress
Postretirement Health Plan
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Accrued Percentage of Covered Payroll (b-a)/c
July 1, 2015	$ 172,422	$ 8,391,068	$ 8,218,646	2.1 %	$ 30,699,351	26.8 %
July 1, 2014	171,893	7,786,286	7,614,393	2.2	32,055,099	23.8
July 1, 2012	207,308	6,773,705	6,566,397	3.0	33,339,051	19.7

Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
Schedule of Employer Contributions
Postretirement Health Plan
June 30, 2016

Fiscal Year Ended June 30,	Employer Contributions
2016	$ 17,854
2015	13,019
2014	14,595

Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Ten Fiscal Years*

	Year Ended June 30, 2016	Year Ended June 30, 2015
College's proportion of the net pension liability (asset) - Local Group	0.2959678807%	0.2826643339%
College's proportionate share of the net pension liability (asset)	$ 66,438,858	$ 52,922,494
College's covered-employee payroll	$ 20,731,354	$ 20,429,420
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	320.48%	259.05%
Plan fiduciary net position as a percentage of the total pension liability-Local Group	47.93%	52.08%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

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

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.

Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
Schedule of College Contributions
Public Employees' Retirement System (PERS)
Last Ten Fiscal Years*

	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	$ 2,673,344	$ 2,544,530
Contributions in relation to the contractually required contribution	(2,673,344)	(2,544,530)
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll	$ 20,172,950	$ 20,731,354
Contributions as a percentage of covered-employee payroll	13.25%	12.27%

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

Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
Schedule of the College's Share of the Net Pension Liability
Police and Firemen's Retirement System (PFRS)
Last Ten Fiscal Years*

	Year Ended June 30, 2016	Year Ended June 30, 2015
College's proportion of the net pension liability (asset) - Local Group	0.0099512722%	0.0118202912%
College's proportionate share of the net pension liability (asset)	$ 1,657,535	$ 1,486,883
College's covered-employee payroll	$ 305,353	$ 274,183
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	542.83%	542.30%
Plan fiduciary net position as a percentage of the total pension liability-Local Group	56.31%	62.14%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

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

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 6.32% as of June 30, 2014 to 5.79% as of June 30, 2015.

Essex County College
(A Component Unit of the County of Essex)

Required Supplementary Information
Schedule of College Contributions
Police and Firemen's Retirement System (PFRS)
Last Ten Fiscal Years*

	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	$ 113,064	$ 80,889
Contributions in relation to the contractually required contribution	(113,064)	(80,889)
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll	$ 321,980	$ 305,353
Contributions as a percentage of covered-employee payroll	35.12%	26.49%

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

Essex County College
(A Component Unit of the County of Essex)

Supplementary Information
Combining Schedule of Net Position - All Funds
June 30, 2016

	General Fund	Grants and Contracts	Scholarship and Studen Grants in Aid	Capital Outlays	Retirement of Bond Indebtedness	Bookstore	Concessions and Gym	Other	Total
Assets									
Unrestricted cash and equivalents	$ 12,628,122				$ 3,274,682	$ 7,624			$ 15,910,428
Cash held by bond trustee-NJEFA	3,574,021								3,574,021
Restricted cash and equivalents			$ 1,410,737	$ 1,209,448				$ 339,131	2,959,316
Investments	2,136,273		13,647	6				176,174	2,326,100
Accounts receivable									
Tuition and fees, net	756,720								756,720
Grants		$ 3,253,327	249,653						3,502,980
State and county			22,206	10,750,774					10,772,980
Other, net	1,892,700		31,896			83,722		58,589	2,066,907
Internal balances	(15,719,938)	(2,382,225)	3,243,553	8,869,867	(433,127)	6,215,431	$ (2,637,518)	2,843,957	-
Inventories						1,527,791	15,937		1,543,728
Prepaid expenses	49,185					(1,113)			48,072
Capital assets, nondepreciable	3,796,647								3,796,647
Capital assets, net of accumulated depreciation	93,652,006								93,652,006
Total assets	102,765,736	871,102	4,971,692	20,830,095	2,841,555	7,833,455	(2,621,581)	3,417,851	140,909,905
Deferred outflows of resources									
Pension deferrals	14,730,170								14,730,170
Deferred loss on refunding	176,654	-	-		-	-	-	-	176,654
Total deferred outflows of resources	14,906,824	-	-	-	-	-	-	-	14,906,824
Liabilities									
Accounts payable	4,727,764	661,733	14,690	39,020		30,490		41,493	5,515,190
Accrued payroll and payroll taxes payable	2,329,796	90,129				580		2,037	2,422,542
Accrued compensated absences	6,705								6,705
Unearned revenue - NJEFA	3,458,635								3,458,635
Unearned tuition and fee revenue	588,585								588,585
Unearned grant revenue		119,240							119,240
Other liabilities	3,878,160		59,810	17,672		370,429	1,253	86	4,327,410
Bonds payable				3,331,936					3,331,936
Capital lease payable	115,387								115,387
Obligation for postemployment benefits other than pensions								4,193,463	4,193,463
Net pension liability	68,096,393	-	-	-	-	-	-	-	68,096,393
Total liabilities	83,201,425	871,102	74,500	3,388,628	-	401,499	1,253	4,237,079	92,175,486
Deferred inflows of resources									
Pension deferrals	1,316,366	-	-	-	-	-	-	-	1,316,366
Total deferred inflows of resources	1,316,366	-	-	-	-	-	-	-	1,316,366
Net position									
Net investment in capital assets	94,177,984								94,177,984
Restricted			1,066,106	9,146,219				1,988,577	12,200,902
Unrestricted (deficit)	(61,023,215)	-	3,831,086	8,295,248	2,841,555	7,431,956	(2,622,834)	(2,807,805)	(44,054,009)
Total net position	$ 33,154,769	$ -	$ 4,897,192	$ 17,441,467	$ 2,841,555	$ 7,431,956	$ (2,622,834)	(819,228)	$ 62,324,877

See independent auditors' report

Essex County College
(A Component Unit of the County of Essex)

Supplementary Information
Combining Schedule of Revenues, Expenses and Changes in Net Position - All Funds
June 30, 2016

	General Fund	Grants and Contracts	Scholarship and Studen Grants in Aid	Capital Outlays	Retirement of Bond Indebtedness	Bookstore	Concessions and Gym	Other	Total
Operating revenues									
Tuition and fees, net	$ 38,432,338								$ 38,432,338
Federal grants	159,137	$ 4,559,675	$ 28,098,619						32,817,431
State grants		926,043	6,162,019						7,088,062
County and local grants		2,474,733							2,474,733
Private contributions			77,672						77,672
Charges for services						$ 3,731,644	$ 41,487	$ 1,899,726	5,672,857
Other revenues	1,172,002					196		84,112	1,256,310
Total operating revenues	39,763,477	7,960,451	34,338,310	-	-	3,731,840	41,487	1,983,838	87,819,403
Operating expenses									
Instruction	23,355,412	5,144,242							28,499,654
Public service	4,051,541	91,971							4,143,512
Academic support	2,056,124	1,136,060						3,359	3,195,543
Student services	5,161,284	1,574,810						1,462,138	8,198,232
Institutional support	22,387,164	13,368	52,679			4,003,106	77,423	732,238	27,265,978
Operation of plant	10,643,384								10,643,384
Scholarships and fellowships			34,556,927						34,556,927
Depreciation	3,556,539								3,556,539
Debt service									
Principal	(278,500)			278,500					-
Capital outlay									
Capital expenses	(3,735,256)			3,735,256	-	-	-	-	-
Total operating expenses	67,197,692	7,960,451	34,609,606	4,013,756	-	4,003,106	77,423	2,197,735	120,059,769
Operating (loss) income	(27,434,215)	-	(271,296)	(4,013,756)	-	(271,266)	(35,936)	(213,897)	(32,240,366)
Nonoperating revenues (expenses)									
State appropriations	11,745,024								11,745,024
County appropriations	11,850,000								11,850,000
Interest and investment income	20,716		6,128	2,939	7,958				37,741
Interest expense					(173,311)				(173,311)
Unrealized (loss) on investments	(29,930)		(257)					(18,030)	(48,217)
Total nonoperating revenues (expenses)	23,585,810	-	5,871	2,939	(165,353)	-	-	(18,030)	23,411,237
(Loss) income before other revenues	(3,848,405)	-	(265,425)	(4,010,817)	(165,353)	(271,266)	(35,936)	(231,927)	(8,829,129)
Other revenues									
State and county appropriations - capital	-	-	-	2,500,000	-	-	-	-	2,500,000
Total other revenues	-	-	-	2,500,000	-	-	-	-	2,500,000
Change in net position	(3,848,405)	-	(265,425)	(1,510,817)	(165,353)	(271,266)	(35,936)	(231,927)	(6,329,129)
Total net position - beginning	37,003,174	-	5,162,617	18,952,284	3,006,908	7,703,222	(2,586,898)	(587,301)	68,654,006
Transfers									-
Total net position - ending	$ 33,154,769	$ -	$ 4,897,192	$ 17,441,467	$ 2,841,555	$ 7,431,956	$ (2,622,834)	$ (819,228)	$ 62,324,877

See independent auditors' report

Essex County College
(A Component Unit of the County of Essex)

Supplementary Information
Schedule of Net Position
Bookstore, Concessions and Gym
June 30, 2016

	Bookstore	Concessions and Gym	Totals
ASSETS			
Current Assets			
Unrestricted cash and equivalents	$ 7,624	$ -	$ 7,624
Accounts receivable, net	83,722	-	83,722
Inventories	1,527,791	15,937	1,543,728
Internal balances	6,215,431	(2,637,518)	3,577,913
Prepaid expenses	(1,113)	-	(1,113)
Total assets	7,833,455	(2,621,581)	5,211,874
LIABILITIES			
Current liabilities			
Accounts payable	30,490	-	30,490
Accrued payroll	580	-	580
Other liabilities	370,429	1,253	371,682
Total liabilities	401,499	1,253	402,752
NET POSITION			
Unrestricted (deficit)	7,431,956	(2,622,834)	4,809,122
Total net position (deficit)	$ 7,431,956	$ (2,622,834)	$ 4,809,122

See independent auditors' report

Essex County College
(A Component Unit of the County of Essex)

Supplementary Information
Schedule of Revenues, Expenses and
Changes in Fund Net Position
Bookstore, Concessions and Gym
June 30, 2016

	Bookstore	Concessions and Gym	Totals
Operating revenues			
Charges for services	$ 3,731,644	$ 41,487	$ 3,773,131
Other revenues	196	-	196
Total operating revenues	3,731,840	41,487	3,773,327
Operating expenses			
Cost of goods sold	3,047,450	1,643	3,049,093
Salaries	325,282	63,013	388,295
Employee benefits	106,895	12,767	119,662
General supplies and materials	1,083	-	1,083
Bad debt	434,645	-	434,645
Contingencies	860	-	860
Other direct expenses	86,891	-	86,891
Total operating expenses	4,003,106	77,423	4,080,529
Change in net positon	(271,266)	(35,936)	(307,202)
Total net position (deficit), beginning of year	7,703,222	(2,586,898)	5,116,324
Total net position (deficit), end of year	$ 7,431,956	$ (2,622,834)	$ 4,809,122

See independent auditors' report

Essex County College
(A Component Unit of the County of Essex)

Supplementary Information
Schedule of Expenditures of Federal Awards
June 30, 2016

Funding Source/Federal Contract No/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Total 2016 Reported Expenditures
Direct Awards				
United States Department of Education				
Student Financial Assistance Cluster				
Federal Work-Study Program - P033A002560	84.033	N/A	07/01/2015 - 06/30/2016	$ 505,079
Federal Pell Grant Program - P063P002345	84.063	N/A	07/01/2015 - 06/30/2016	27,343,540
Federal Supplemental Educational				
Opportunity Grants - P007A002560	84.007	N/A	07/01/2015 - 06/30/2016	250,000
Total Student Financial Assistance Cluster				28,098,619
Trio-Cluster				
Browns Grant - V-191D150022-16	84.042A	N/A	09/01/2015 - 08/31/2016	141,022
Student Support Service - P - 042A101094-15	84.042A	N/A	09/01/2014 - 08/31/2015	61,366
Total Trio-Cluster				202,388
PBI Grant - P031P110026-15	84.031P	N/A	10/01/2014 - 09/30/2015	155,106
PBI Grant - P031P110026-16	84.031P	N/A	10/01/2015 - 09/30/2016	88,051
Total United States Department of Education				28,544,164
United States National Science Foundation				
Research and Development Cluster				
Garden State - Louis Stokes Alliance for				
Minority Participation Grant - HRD-0902132-15	47.076	N/A	07/01/2014 - 06/30/2015	1,500
Garden State - Louis Stokes Alliance for				
Minority Participation Grant - HRD-0902132-16	47.076	N/A	07/01/2015 - 06/30/2016	8,482
Total National Science Foundation				9,982
Total Direct Awards				28,554,146
Pass - Through Programs				
National Aeronautics and Space Administration - Passed Through				
Rutger University				
Essex Peer Tutoring Grant	43.008	N/A	07/01/2015 - 06/30/2016	6,807
Essex STEM Bio Chemical Grant	43.008	N/A	07/01/2015 - 06/30/2016	867
				7,674
United States Department of Labor - Passed Through				
New Jersey Department of Labor & Workforce Development				
Trade Adjustment Assistance Community College				
and Career Training				
Newark Area Industry Linked Information Technology	17.282	216000928	10/01/13 - 09/30/17	730,123
Leveraging, Integrating, Networking & Coordinating Supplies	17.282	216000928	10/01/13 - 09/30/17	256,433
New Jersey Prep Health Tech - TC-26459-14-60-A-34	17.282	216000928	10/01/14 - 09/30/15	137,080
New Jersey Prep Health Tech - TC-26459-15-60-A-34	17.282	216000928	10/01/15 - 09/30/16	231,805
Total Trade Adjustment Assistance Community College				
and Career Training				1,355,441
Training to Empower, Advance, and Maintain (TEAM)	17.270	2160000928	07/01/14 - 09/30/17	346,053
Total United States Department of Labor - Passed Through				
New Jersey Department of Labor & Workforce Development				1,701,494
United States Department of Education - Passed Through				
New Jersey Department of Education				
Carl Perkins Voc. Ed. Grant - PKPP7130-15	84.048A	216000928	07/01/15 - 06/30/16	278,172
Adult Basic Education				
ABE Grant Level I & II - ABS-FY16006	84.002	216000928	07/01/15 - 06/30/16	1,626,890
ABE Grant Level III - ABS-FY16006	84.002	216000928	07/01/15 - 06/30/16	10,670
Total Adult Basic Education				1,637,560
United States Department of Agriculture - Passed Through				
New Jersey Commission on Higher Education				
Day Care Center - Child Care Food Program - 03-15-160	10.558	216000928	07/01/15 - 06/30/16	60,108
United States Departmnet of Health and Human Services -				
Passed Through New Jersey Department of Human Services				
Child Development Center - CC10129	93.667	216000928	07/01/14 - 06/30/15	262,255
United States Department of Homeland Security - Passed Through				
New Jersey Department of Homeland Security & Preparedness				
Urban Areas Security Initiative - EMW-2013-SS-00032-S01	97.008	216000928	09/01/13 - 06/30/15	156,879
Total Pass-Through Programs				4,104,142
Total Federal Grant Expenditures				$32,658,288

N/A - Not Applicable

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

Essex County College
(A Component Unit of the County of Essex)

Supplementary Information
Schedule of Expenditures of State Financial Assistance
June 30, 2016

Funding Source/State Contract No/Program	Grant/Account or Other I.D. Number	Grant Period	Grant Amount	Total 2016 Reported Expenditures	Total 2016 Cash Received
State Student Financial Aid Cluster					
Higher Education Student Assistance Authority					
Tuition Aid Grant	100-074-2405-007	07/01/15 - 06/30/16	$ 4,941,982	$ 4,941,982	$ 4,941,982
Urban Scholars Program	100-074-2405-278	07/01/15 - 06/30/16	11,500	11,500	11,500
NJ STARS	100-074-2405-313	07/01/15 - 06/30/16	76,976	76,976	76,976
Total Higher Education Student Assistance Authority			5,030,458	5,030,458	5,030,458
New Jersey Commission on Higher Education					
Educational Opportunity Fund	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/15 - 06/30/16	623,026	623,026	623,026
Educational Opportunity Fund Article III	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/15 - 06/30/16	1,031,295	1,031,295	1,031,295
Educational Opportunity Fund Article III - Summer	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/15 - 06/30/16	47,587	47,587	48,924
Gear Up Scholarships	100-074-2400-026	07/01/15 - 06/30/16	52,679	52,679	52,679
Total New Jersey Commission on Higher Education			1,754,587	1,754,587	1,755,924
Total State Student Financial Aid Cluster			6,785,045	6,785,045	6,786,382
New Jersey Commission on Higher Education					
State Aid for College Assistance	100-082-2155-015	07/01/15 - 06/30/16	11,744,184	11,744,184	11,744,184
College Readiness New Grant	100-074-2400-055	07/01/15 - 06/30/16	38,353	38,353	38,353
Student Success Innovation Grant		05/01/15 - 08/31/15	500	500	-
Total New Jersey Commission on Higher Education			11,783,037	11,783,037	11,782,537
New Jersey Department of Law and Public Safety					
Law Enforcement Officers Training and Equipment Fund	Not available	04/25/13 - 10/31/14	51,467	19,543	-
Law Enforcement Officers Training and Equipment Fund	Not available	04/25/14 - 10/31/15	61,796	55,529	-
Law Enforcement Officers Training and Equipment Fund	Not available	04/25/15 - 10/31/16	14,308	-	14,308
Total New Jersey Department of Law and Public Safety			127,571	75,072	14,308
New Jersey Department of Human Services					
Division of Youth and Family Services	15ANG-M	07/01/15 - 06/30/16	91,971	91,971	91,971
Total New Jersey Department of Human Services			91,971	91,971	91,971
New Jersey Department of Agriculture					
Youth Enrichment Program Summer Food	2014-07-1103	07/08/15 - 08/15/15	11,285	11,285	11,285
Total New Jersey Department of Agriculture			11,285	11,285	11,285
New Jersey Department of Labor & Workforce Development					
Literacy 4 Jersey Consortium Grant	L4J-FY13-004	01/01/13 - 12/31/14	154,600	18,181	-
Literacy 4 Jersey Consortium Grant	L4J-FY15-004	01/01/15 - 12/31/15	3,550	3,550	3,550
Total New Jersey Development of Vocational Rehabilitation			158,150	21,731	3,550
New Jersey Department of Treasury					
Alternate Benefit Program	100-082-2155-017	07/01/15 - 06/30/16	1,012,106	1,012,106	1,516,065
Total New Jersey Department of Treasury			1,012,106	1,012,106	1,516,065
New Jersey Division of Highway Traffic Safety					
Comprehensive Traffic Safety Program	Not available	10/01/14 - 09/30/15	75,000	13,224	46,616
Comprehensive Traffic Safety Program	Not available	10/01/15 - 09/30/16	75,000	48,414	35,011
Total New Jersey Division of Highway Traffic Safety			150,000	61,638	81,627
New Jersey Department of Community Affairs					
Uniform Construction Code Grant	8015-100-022-8015 036-F311-6130		25,913	13,752	25,913
Total New Jersey Department of Community Affairs			25,913	13,752	25,913
New Jersey Office of the Secretary of Higher Education					
Building Our Future Bond Act - West Essex Campus Restructuring	021-04	4/29/13 - project completion	5,484,375	234,818	234,818
Building Our Future Bond Act - First Year Success - Specialized Classrooms for Rapid Completion of Developmental Coursework	021-01	4/29/13 - project completion	4,495,735	84,897	-
Building Our Future Bond Act - Information Commons	021-03	4/29/13 - project completion	5,013,628	91,183	91,183
Total New Jersey Office of the Secretary of Higher Education			14,993,738	410,898	326,001
Total State Grant Expenditures			$ 35,138,816	$ 20,266,535	$ 20,639,639

N/A - Not Applicable

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

1. Basis of Presentation

The information in these schedules is presented in accordance with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and New Jersey Office of Management and Budget Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. For the purposes of these schedules, Federal Awards and State Financial Assistance include any assistance provided by a Federal and State agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations and other non-cash assistance. Because these schedules present only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position, changes in net position and other changes of the College in conformity with generally accepted accounting principles. The accounting practices followed by the College in preparing the accompanying schedules are as follows:

> Expenditures for direct costs are recognized as incurred using the accrual method of accounting contained in the U.S. Office of Management and Budget (OMB) <u>Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards</u> (Uniform Guidance for Federal Awards). Under the Uniform Guidance for Federal Awards, certain types of expenditures are not allowable or are limited as to reimbursement.

2. 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.

3. Alternate Benefit Program

During the year ended June 30, 2016, the State of New Jersey, Department of Treasury made payments on behalf of the College to the Alternate Benefit Program of $1,012,106. These benefits are reimbursed by the State of New Jersey at the rate of 8% for faculty and staff involved in the student instruction process, all other disbursements for other staff are reflected in the accompanying basic financial statements for the year ended June 30, 2016. The June 30, 2016 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of state financial assistance.

4. Indirect Cost Rate

The College has elected not to use the 10 percent deminimis indirect cost rate allowed under the Uniform Guidance.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Board of Trustees
Essex County College
Newark, 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 audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Essex County College (the "College"), a component unit of the County of Essex, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated May 31, 2017.

Internal Control over Financial Reporting

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

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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as items 2016-001 and 2016-002.

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 findings 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 statements 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

May 31, 2017

Report on Compliance for Each Major Federal and State Program and Report on Internal Control over Compliance Required by The Uniform Guidance and New Jersey OMB Circular Letter 15-08

Independent Auditors' Report

The Board of Trustees
Essex County College
Newark, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited Essex County College's (the "College"), a component unit of the County of Essex, State of New Jersey, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and New Jersey OMB *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 year ended June 30, 2016. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state 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; Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, Uniform Guidance and New Jersey OMB Circular Letter 15-08 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 and 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.

Opinion on Each Major Federal and State Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

PKF O'CONNOR DAVIES, LLP
300 Tice Boulevard, Suite 315, Woodcliff Lake, NJ 07677 I Tel: 201.712.9800 I Fax: 201.712.0988 I www.pkfod.com

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 Uniform Guidance and New Jersey OMB Circular Letter 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 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 and state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 material weaknesses. However, material weaknesses may exist that have not been identified.

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

PKF O'Connor Davies, LLP

May 31, 2017

Essex County College
(A Component Unit of the County of Essex)

Schedule of Findings and Questioned Costs
June 30, 2016

Part I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on financial statements	Unmodified			
Internal control over financial reporting:				
1) Material weakness(es) identified	X	Yes		No
2) Significant deficiency(ies) that are not considered to be material weakness(es)?		Yes	X	No
Noncompliance material to the financial statements noted?		Yes	X	No

Federal Awards Section

Internal Control over major programs:				
1) Material weakness(es) identified		Yes	X	No
2) Significant deficiency(ies) that are not considered to be material weakness(es)?		Yes	X	No
Type of auditor's report used on compliance for major programs	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program

Dollar threshold used to distinguish between Type A and Type B Programs	$979,748			
Auditee qualified as low-risk auditee?		Yes	X	No

Essex County College
(A Component Unit of the County of Essex)

Schedule of Findings and Questioned Costs
June 30, 2016

Part I – Summary of Auditors' Results (continued)

State Awards Section

Dollar threshold used to distinguish between Type A and Type B Programs	$750,000			
Auditee qualified as low-risk auditee?	____	Yes	X	No
Type of auditor's report used on compliance for major programs	Unmodified			
Internal Control over major programs:				
1) Material weakness(es) identified	____	Yes	X	No
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	____	Yes	X	No
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08, as applicable?	____	Yes	X	No

Identification of major programs:

GMIS/Program Number	Name of State Program or Cluster
100-050-5400-177 100-074-2601-001 100-074-2401-001	Educational Opportunity Fund
100-074-2400-026	Gaining Early Awareness and Readiness for Undergraduate Programs
100-074-2405-007	Tuition Aid Grant Programs
100-074-2405-278	Urban Scholars Program
100-074-2405-313	NJ Student Tuition Assistance Reward Scholarship (NJ STARS) Program
100-082-2155-015	State Aid for College Assistance

Part II – Schedule of Financial Statement Findings

2016-001 Financial Statement Close Process (Material Weakness)

Criteria:
A properly functioning financial statement close process provides an adequate internal control system to ensure that appropriate month and year-end internal controls are in place to ensure that financial statements are produced on a timely basis and are materially accurate.

Condition:
The College's finance office personnel perform certain financial statement close process procedures on a monthly basis and at year end which include the posting of journal entries and other various accruals and reconciliations. We noted that there is no formalized process that requires account balances to be reconciled and reviewed in totality.

Context:
There is a lack of oversight of the financial close process and lack of communication between departments to ensure journal entries are properly being posted and account balances are reconciled to subsidiary ledgers.

The following are specific items that warrant consideration related to the financial statement close process:

- The College's general ledger year end balances, within various accounting funds, for several liability accounts, including: accounts payable, accrued payroll, payroll taxes payable, accrued vacation, other accrued liabilities, unearned tuition and fee revenue and unearned revenue - NJEFA did not reconcile to underlying account analyses.
- The College did not record the Chapter 12 award that should have been recognized when the State of New Jersey and the County of Essex appropriated the funds to the College.
- The College did not perform an analysis of the allowance for doubtful accounts for the tuition and fee revenue receivable.
- The College did not record the change in the obligation for postemployment benefits other than pensions even though the actuarial valuation was in its possession for several months.
- The College did not perform an analysis of the net pension liability and the related pension deferrals as defined in GASB Statement No. 68.

Cause and Effect:
An appropriately designed financial statement close process system reduces the risk of errors in the financial statements. In addition, audit adjustments were proposed during preparation of the financial statements that could be avoided if the College had a more structured close-out process.

Recommendation:
In order to better document the monthly and year end close processes, we suggest that the College develop a formal financial statement close process document identifying the various procedures performed along with timelines for the procedures and use this document to capture the signatures or initials of the individuals performing and reviewing/approving the various closing procedures. We suggest the College strengthen the controls surrounding the reconciliation procedures of the College's trial balance accounts to ensure all accounts are in agreement with supporting documentation.

Part II – Schedule of Financial Statement Findings (continued)

2016-001 Financial Statement Close Process (Material Weakness) *(continued)*

Views of Responsible Officials and Planned Corrective Actions:
The College's General Ledger Account Analysis has not been reconciled to support the composition of the current general ledger balances in several years. In fiscal year 2017, the Finance and Technology Departments developed a Banner download tool for general ledger activity in an excel format to address the reconcilement of all general ledger accounts, with priority to key and material accounts. The General Ledger Account Analysis tool will enable account reconciliations to be completed and stored on the College server for safekeeping moving forward. The College has never closed its books of account on a monthly basis using the Banner System, but only closed its books on an annual basis. The College's past practice has been to use monthly ad hoc financial reports, however these reports were not inclusive of all College funds and the results of the College operations. The College will work with the Technology Department to implement the software changes to perform monthly financial closings required for the College, and develop a closing schedule to address business month end cut offs for the College business. The College will strengthen the financial team, train/document the business process, for developing a closing schedule to prepare monthly/year to date financial reports from the Banner System-inclusive of all funds of the College.

2016-002 Procurement Process (Material Weakness)

Criteria:
Internal control is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Management is responsible for establishing and maintaining the control environment as well monitoring of established internal control processes.

Condition:
In the performance of our procedures, we identified failure in the operation of controls which would ensure purchase requisitions and related vendor invoices are reviewed and approved, cash disbursements are reviewed and approved and duties related to check signing, invoice processing and invoice approval are adequately segregated.

Context:
Inadequate internal controls over the procurement process exposes the College to significant risk of waste, fraud and abuse.

Cause and Effect:
The College's internal controls over the procurement process did not operate effectively to support the procurement process which resulted in deficiencies in internal control activities as a direct result of management override.

Recommendation:
We suggest that the College strengthen controls over the procurement process to ensure the timely identification of procurement activity that is not in accordance with established procurement policies or that are not in compliance with statute.

Views of Responsible Officials and Planned Corrective Actions:
The College's internal controls over the procurement process and cash disbursement process are being addressed to improve internal controls and compliance with regulatory guidelines. The College has developed a Banner quarterly/year to date spend report ranked in dollar sequence by vendor, supported by the quarterly check register ranked in descending dollar sequence for the Finance Team's review and on a quarterly basis to the Board Finance Committee for oversight review. The College is updating its purchasing manual to train the College Purchasing and Accounts Payable teams, along with key procurement users within the College to provide procurement guidelines on regulatory compliance, and to address purchasing exceptions to the CFO and Board Finance Committee. The College's cash disbursement checks over $3,000 require two authorized signatures for improved oversight and review of supporting documentation in support of the College business expenditures and regulatory procurement guidelines.

Essex County College
(A Component Unit of the County of Essex)

Schedule of Findings and Questioned Costs
June 30, 2016

Part III – Schedule of Federal and State Award Findings and Questioned Costs

No federal award or state financial assistance program compliance findings or questioned costs were noted that are required to be reported in accordance with 2 CFR 200 section .516(a) or NJ OMB Circular Letter 15-08.

Essex County College
(A Component Unit of the County of Essex)

Summary Schedule of Prior Year Audit Findings
June 30, 2016

2015-001

Statement of Condition: Withdrawals were made by personnel in the Athletics Department using debit cards as permitted by the College. At the end of each month, the bank account was reconciled, however, evidence to support the entire amount of the withdrawal was not always submitted resulting in unidentified differences between the actual withdrawals made and the supporting documentation provided to the College. The Athletics Department personnel submitted corroborating evidence for expenses incurred for amounts that in many instances, were less than the amount that was withdrawn from the account. The Athletics Department was also required to return any unused funds to the Bursar. The College did not identify such instances when the expense was incurred, as the debit card internal control procedures in place to reconcile the total amount withdrawn to the supporting evidence for each event were not followed. In addition, a thorough review and reconciliation, rather than test checking, of all receipts to all withdrawals was not conducted monthly. The College did however conduct an annual reconciliation before the end of the fiscal year, whereby discrepancies were identified.

Status: The College took corrective action related to this finding and the finding was not repeated in the current year.