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, 2017 and 2016

(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, 2017 and 2016

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our 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 opinions.

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, 2017 and 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.

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 December 19, 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

December 19, 2017

Years ended June 30, 2017 and 2016

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, 2017 and 2016. 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, 2017 and 2016, with presentation of certain comparative information presented for the year ended June 30, 2015. 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 2017

Enrollment

During fiscal year 2017, the total credit hours reported to the State were 234,045. This represents a decrease of 7.55% from fiscal year 2016 in which credit hours were 269,789.

The college charged Essex County residents $119.50 per student credit hour in fiscal year 2017 and $116.50 per student credit hour in fiscal year 2016.

Non-Essex County residents and foreign students were charged $239.00 per credit hour for fiscal year 2017 and $233.00 per credit hour for fiscal year 2016.

Student Fees

The College charged a general student fee of $32.50 per credit hour for fiscal years 2017 and $32 for 2016. In addition, a student activity fee of $7.50 per credit hour was charged for fiscal years 2017 and 2016. The student activity fee supports solely student and administrative activities.

Student Aid Programs

The College participates in federal and state funded programs. Approximately 51% and 49% of the unduplicated student enrollment received student aid assistance during fiscal years 2017 and 2016, respectively. Federal and state grants expended for student financial aid in 2017 amounted to $24,271,602 and $6,163,918, respectively, as compared to $28,098,619 and $6,785,045 for 2016.

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.

Financial Highlights – Fiscal Year 2015 *(continued)*

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, 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.

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, no fund level financial statements are presented as part of the basic financial statements.

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, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.*

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, 2017, the College's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $56,491,024 a $5,833,853 decrease from June 30, 2016. 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. Our analysis below focuses on the net position and changes in net position of the College's activities.

Approximately 171% for fiscal year 2017 and 151% for fiscal year 2016 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 $2,467,793 in net investment in capital assets in 2017 resulted principally from renovation projects and equipment purchases of $5,640,423 offset by depreciation of $3,471,351 and principal payment on related debt of $299,177. 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.

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 22% and 20% of the total net position at June 30, 2017 and 2016. Restricted net position at June 30, 2017 increased $198,273 as a result of capital related expenses and debt service principal payments. Restricted net position at June 30, 2016 decreased $2,011,108 as a result of capital related expenses and debt service principal payments.

Unrestricted net position represented (93) % and (71) % of the total net position at June 30, 2017 and 2016, respectively. Unrestricted net position at June 30, 2017 decreased $8,499,919 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, 2016 decreased $4,774,783 primarily from the other expenses related to salary and benefit increases and the pension expense for PERS and PFRS.

Current assets decreased at June 30, 2017 due to current year operating results as the College's net position decreased $5,833,853. Current assets decreased at June 30, 2016 due to current year operating results as the College's net position decreased $6,329,129.

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

Current liabilities decreased at June 30, 2017 by $2,532,970 substantially due to decreases in accounts payable and unearned revenue – NJEFA. Non-current liabilities and deferred outflows of resources increased in the 2017 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 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.

Net Position

The following represents assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the College at June 30, 2017, 2016 and 2015:

	Year Ended June 30			%(Decrease) Increase	%(Decrease) Increase
	2017	2016	2015	2017/2016	2016/2015
Current and other assets	$ 39,985,446	$ 43,461,252	$ 45,613,980	(8.0) %	(4.7) %
Capital assets, net of depreciation	99,617,725	97,448,653	97,269,936	2.2	0.2
Total assets	139,603,171	140,909,905	142,883,916	(0.9)	(1.4)
Deferred outflows of resources	30,511,977	14,906,824	5,529,902	104.7	169.6
Current liabilities	14,224,840	16,757,810	15,003,214	(15.1)	11.7
Noncurrent liabilities	99,222,165	75,417,676	61,450,974	31.6	22.7
Total liabilities	113,447,005	92,175,486	76,454,188	23.1	20.06
Deferred inflows of resources	177,119	1,316,366	3,305,624	(86.5)	(60.2)
Net position:					
Net investment in capital assets	96,645,777	94,177,984	93,721,222	2.6	0.5
Restricted	12,399,175	12,200,902	14,212,010	1.6	(14.2)
Unrestricted (deficit)	(52,553,928)	(44,054,009)	(39,279,226)	19.3	12.2
Total Net Position	$ 56,491,024	$ 62,324,877	$ 68,654,006	(9.4) %	(9.2) %

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, 2017, 2016 and 2015:

	Year Ended June 30			%(Decrease) Increase	%(Decrease) Increase
	2017	2016	2015	2017/2016	2016/2015
Operating revenues:					
Tuition and fees, net	$ 35,184,711	$ 38,432,338	$ 38,426,045	(8.5) %	0.0 %
Grants and contributions	36,944,351	42,380,226	46,552,988	(12.8)	(9.0)
Other	6,909,192	7,006,839	8,255,153	(1.4)	(15.1)
Total operating revenues	79,038,254	87,819,403	93,234,186	(10.0)	(5.8)
Operating expenses:					
Total operating expenses before depreciation	106,103,464	116,503,230	119,207,394	(8.9)	(2.3)
Depreciation	3,471,351	3,556,539	3,559,407	(2.4)	(0.1)
Total operating expenses	109,574,815	120,059,769	122,766,801	(8.7)	(2.2)
Operating loss	(30,536,561)	(32,240,366)	(29,532,615)	(5.3)	9.2
Nonoperating revenues (expenses), net	24,702,708	23,411,237	23,164,296	5.5	1.1
Other revenues	-	2,500,000	2,501,595	(100.0)	(0.1)
Change in net position	(5,833,853)	(6,329,129)	(3,866,724)	-7.8%	(46.8)
Total net position, beginning of year	-	-	124,524,304	-	(46.8)
Restatement for July 1, 2014, Pension liability and related expense	-	-	(52,003,574)	-	(100.0)
Total net position, beginning of year, as restated	62,324,877	68,654,006	72,520,730	(9.2)	(5.3)
Total net position, end of year	$ 56,491,024	$ 62,324,877	$ 68,654,006	(9.4) %	(9.2) %

Tuition and fees revenue, net of waivers and appeals, decreased in 2017 by 8% due to a decrease of 23.3% in credit hours. 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.

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

Revenues

The College had operating, non-operating and other revenues, in the amounts of $103,879,509, $113,903,951 and $119,087,038 in 2017, 2016 and 2015 respectively. The following percentages represent the sources of operating, non-operating and other revenues that each has contributed over the past three years:

	2017		2016		2015	
Operating revenues						
Tuition and fees	44.5	%	43.8	%	41.2	%
Federal grants	36.6		37.3		37.7	
State grants	8.4		8.1		8.6	
County and local grants	1.9		2.9		3.6	
Charges for services	6.1		6.5		7.0	
Other revenues	2.5		1.4		1.9	
Total	100.0	%	100.0	%	100.0	%
Nonoperating revenues						
State appropriations	46.6	%	49.8	%	51.3	%
County appropriations	52.1		50.2		48.6	
Interest and investmrent income (loss)	1.3		0.0		0.1	
Total	100.0	%	100.0	%	100.0	%
Other revenues						
Captial appropriations	-		100.0		100.0	
Total	-	%	100.0	%	100.0	%

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

Expenses

The College expended its resources, in the amounts of $109,713,362, $120,233,080 and $122,953,762 in 2017, 2016 and 2015 among the following categories:

	2017	2016	2015
Instruction	24.7 %	23.8 %	24.9 %
Public Service	3.5	3.4	3.4
Academic Support	3.2	2.7	2.6
Student Services	7.8	6.8	6.6
Institutional Support	20.3	22.7	19.5
Operation of Plant	10.0	8.8	8.8
Scholarships and Fellowships	27.2	28.7	31.1
Depreciation	3.2	3.0	2.9
Interest and Other	0.1	0.1	0.2
Total	100.0 %	100.0 %	100.0 %

The foregoing represents the percentage of each expense category as compared to total expenses. Instruction expenses increased in 2017 as a percentage of total expenses due to a increase in salaries and related health benefits. Institutional Support expenses decreased in 2017 as a percentage of total expenses due to pension expenses. Operation of plant increased in 2017 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 2017 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 decreased in 2016 as a percentage of total expenses due to a decrease in salaries and related health benefits. 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.

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 2017, 2016 and 2015, the College received the following funding from grants and contracts:

	Year Ended June 30			% Increase (Decrease)	
	2017	2016	2015	2017/2016	2016/2015
Federal	$ 4,500,627	$ 4,559,675	$ 4,095,829	(1.3) %	11.3 %
State	1,099,661	926,043	992,238	18.7	(6.7)
County and local	1,397,510	2,474,733	3,108,665	(43.5)	(20.4)
Total	$ 6,997,798	$ 7,960,451	$ 8,196,732	(12.1) %	(2.9) %

Funding for grants and contracts for 2017 decreased 12.1%; principally, due to decreased funding received from county and local sources when compared to 2016. Fiscal year 2016 decreased 2.9%; principally, due to decreased funding received from state and county and local sources when compared to 2015.

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, 2017, 2016 and 2015 and percentage increase or decrease from the prior year:

	June 30			% Increase (Decrease)	
	2017	2016	2015	2017/2016	2016/2015
Land, non depreciable	$ 3,796,647	$ 3,796,647	$ 3,796,647	0.0 %	0.0 %
Construction in progress, non depreciable	-	-	512,456	0.0	(100.0)
Land improvements	115,736	40,200	51,244	187.9	(21.6)
Buildings and building improvements	91,561,260	89,340,845	87,729,649	2.5	1.8
Equipment	3,733,275	3,709,399	4,444,131	0.6	(16.5)
Library books	410,807	561,562	735,809	(26.8)	(23.7)
Total	$ 99,617,725	$ 97,448,653	$ 97,269,936	2.2 %	0.2 %

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

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 increase in land improvements represents purchases being more 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 2017, 2016 and 2015:

	June 30			% Increase (Decrease)	
	2017	2016	2015	2017/2016	2016/2015
Bonds payable, net	$ 3,026,609	$ 3,331,936	$ 3,617,263	(9.2) %	(7.9) %
Capital lease payable	101,210	115,387	128,887	(12.3)	(10.5)
Obligation for post employment benefits other than pensions	4,651,260	4,193,463	3,594,274	10.9	16.7
Net pension liability	91,773,299	68,096,393	54,409,377	34.8	25.2
Total	$ 99,552,378	$ 75,737,179	$ 61,749,801	31.4 %	22.7 %

The decrease in capital lease payable and bonds payable, net is due to the payment of principal on debt during the 2017 fiscal year.

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 2017 fiscal year, state aid decreased slightly by $156,739 as compared to 2016. 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, 2017	June 30, 2016
ASSETS		
Current Assets		
Unrestricted cash and equivalents	$ 16,602,070	$ 15,910,428
Cash held by bond trustee - NJEFA	1,948,224	3,574,021
Restricted cash and equivalents	3,078,056	2,959,316
Investments	2,575,511	2,326,100
Accounts Receivable		
Tuition and fees, net of allowance of $3,579,769 and $2,748,353 in 2017 and 2016, respectively	754,955	756,720
Grants	1,005,017	3,502,980
State and county	10,373,519	10,772,980
Other, net of allowance of $854,409 and $2,466,378 in 2017 and 2016, respectively	2,189,979	2,066,907
Inventories	1,387,404	1,543,728
Prepaid expenses	70,711	48,072
Total Current Assets	39,985,446	43,461,252
Noncurrent Assets		
Capital assets, nondepreciable	3,796,647	3,796,647
Capital assets, net of accumulated depreciation	95,821,078	93,652,006
Total Noncurrent Assets	99,617,725	97,448,653
	139,603,171	140,909,905
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	30,356,105	14,730,170
Deferred loss on refunding	155,872	176,654
Total Deferred Outflows of Resources	30,511,977	14,906,824
LIABILITIES		
Current Liabilities		
Accounts payable	4,462,030	5,515,190
Accrued payroll and payroll taxes payable	2,559,266	2,422,542
Compensated absences	6,705	6,705
Unearned revenue - NJEFA	1,808,675	3,458,635
Unearned tuition and fee revenue	658,038	588,585
Unearned grant revenue	159,745	119,240
Other liabilities	4,240,168	4,327,410
Capital lease payable	14,886	14,176
Bonds payable, net	315,327	305,327
Total Current Liabilities	14,224,840	16,757,810
Noncurrent Liabilities		
Long-term portion of bonds payable, net	2,711,282	3,026,609
Long-term portion of capital lease payable	86,324	101,211
Obligation for postemployment benefits other than pensions	4,651,260	4,193,463
Net pension liability	91,773,299	68,096,393
Total Noncurrent Liabilities	99,222,165	75,417,676
Total Liabilities	113,447,005	92,175,486
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	177,119	1,316,366
NET POSITION		
Net investment in capital assets	96,645,777	94,177,984
Restricted for		
Grants, contracts and other governmental agreements	2,472,540	1,988,577
Capital outlays	8,873,968	9,146,219
Scholarships	1,052,667	1,066,106
Unrestricted (deficit)	(52,553,928)	(44,054,009)
Total Net Position	$ 56,491,024	$ 62,324,877

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,	
	2017	2016
OPERATING REVENUES		
Tuition and fees, net of waivers and appeals of $3,018,676 and $2,868,931 in 2017 and 2016, respectively	$ 35,184,711	$ 38,432,338
Federal grants	28,934,238	32,817,431
State grants	6,612,603	7,088,062
County and local grants	1,397,510	2,474,733
Private contributions	97,580	77,672
Charges for services	4,808,085	5,672,857
Other revenues	2,003,527	1,256,310
Total Operating Revenues	79,038,254	87,819,403
OPERATING EXPENSES		
Instruction	27,124,750	28,499,654
Public service	3,822,956	4,143,512
Academic support	3,518,130	3,195,543
Student services	8,558,727	8,198,232
Institutional support	22,277,215	27,265,978
Operation of plant	10,928,892	10,643,384
Scholarships and fellowships	29,872,794	34,556,927
Depreciation	3,471,351	3,556,539
Total Operating Expenses	109,574,815	120,059,769
OPERATING LOSS	(30,536,561)	(32,240,366)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	11,588,285	11,745,024
County appropriations	12,950,000	11,850,000
Interest and investment income	480,703	37,741
Unrealized loss on investments	(177,733)	(48,217)
Interest expense	(138,547)	(173,311)
Total nonoperating revenues (expense)	24,702,708	23,411,237
LOSS BEFORE OTHER REVENUES	(5,833,853)	(8,829,129)
OTHER REVENUES		
State and county appropriations-capital	-	2,500,000
DECREASE IN NET POSITION	(5,833,853)	(6,329,129)
NET POSITION		
Beginning of year	62,324,877	68,654,006
End of year	$ 56,491,024	$ 62,324,877

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, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees, including chargebacks	$ 35,255,929	$ 38,400,625
Tuition refunds/scholarships	(29,872,794)	(34,556,927)
Grants received	41,206,196	42,535,932
Grant payments	(8,647,758)	(7,950,962)
Restricted cash and cash equivalents	(118,740)	706,055
Payments to suppliers	(29,023,713)	(28,431,409)
Payments to employees	(33,832,703)	(42,131,747)
Charges for services	4,808,085	5,672,857
Other operating (disbursements) receipts	2,003,527	1,256,310
Net Cash used in Operating Activities	(18,221,971)	(24,499,266)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	11,588,285	11,745,024
County appropriations	12,950,000	11,850,000
Net Cash Provided by Noncapital Financing Activities	24,538,285	23,595,024
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(5,640,423)	(3,735,256)
Minor capital appropriations - County of Essex	199,731	300,999
Minor capital appropriations - State of New Jersey	199,731	300,999
Principal payments	(319,504)	(278,500)
Interest payments	(138,547)	(173,311)
Other receipts (payments)	20,782	(37,286)
Net Cash used in Capital and Related Financing Activities	(5,678,230)	(3,622,355)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of investments	(427,145)	27,184
Interest and investment income	480,703	37,741
Net Cash provided by Investing Activities	53,558	64,925
Net increase (decrease) in cash and equivalents	691,642	(4,461,672)
Cash and equivalents at beginning of year	15,910,428	20,372,100
	$ 16,602,070	$ 15,910,428
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (30,536,561)	$ (32,240,366)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	3,471,351	3,556,539
Changes in operating assets and liabilities		
Accounts receivable	2,376,656	(969,603)
Restricted cash and cash equivalents	(118,740)	706,055
Cash held by bond trustee - NJEFA	1,625,797	4,012
Inventories	156,324	(293,470)
Prepaid expenses	(22,639)	104,404
Unearned revenue - NJEFA	(1,649,960)	9,489
Unearned tuition and fee revenue	69,453	99,296
Accounts payable/accrued expenses	(1,003,678)	1,733,540
Obligation for postemployment benefits other than pensions	457,797	599,189
Pension deferrals	(16,765,182)	(11,386,962)
Net pension liability	23,676,906	13,687,016
Unearned grant revenue	40,505	(108,405)
	$ (18,221,971)	$ (24,499,266)

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, 2017 have been deferred to fiscal year 2018.

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 $6,705 as of June 30, 2017 and 2016, 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 Standards

In March 2016, the GASB issued Statement No. 82, Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73. This statement addresses certain implementation issues related to (1) the presentation of payroll-related measures in required supplementary information; (2) selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee contribution requirements. The College adopted Statement No. 82 for its fiscal year 2017 financial statements, the impact of which was disclosure only.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Statement 75 requires governments to report a liability on the face of the financial statements for the other post-employment employee benefits (OPEB) that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability equal to the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The College is required to adopt Statement No. 75 for its fiscal year 2018 financial statements.

Management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the College's financial statements.

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

Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2017 through December 19, 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, 2017, 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 2017, based on 24 semester credit hours, payable by a full-time in–county student is $2,868, an out-of-county and out-of-state student is required to pay $5,736. 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 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 2017, 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 $4,305,975 and $1,749,912, respectively, and other New Jersey student assistance grants of $108,031, for a grand total of $6,163,918. The College also expended student assistance from the U.S. Department of Education for Pell grants of $23,529,495, Supplemental Educational Opportunity (SEOG) grants of $250,000, and Federal Work Study of $492,107, for a grand total of $24,271,602.

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.

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, 2017 and 2016, $3,078,056 and $2,959,316, respectively, represented cash and equivalents that are restricted for these purposes. In addition, the College had $1,948,224 and $3,574,021 in cash held by bond trustee – NJEFA at June 30, 2017 and 2016, 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 2017, the College's carrying value of its deposits and cash on hand was $12,515,396 and the bank balance was $12,824,529. Of the bank balance, $792,384 was covered by federal depository insurance and $12,032,145 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with GUDPA.

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.

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, 2017 and 2016 was $9,089,463 and $9,042,729, 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, 2017 and 2016:

	2017	**2016**
Corporate stock (U.S. equities) (Level 1 inputs)	$ 428,697	$ 392,733
Mutual Funds (Level 1 inputs)	2,146,814	1,933,367
Total investments	$ 2,575,511	$ 2,326,100

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, 2017:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 3,796,647	$ -	$ -	$ 3,796,647
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	3,796,647	-	-	3,796,647
Capital assets, being depreciated:				
Land improvements	1,328,092	96,200	-	1,424,292
Buildings and building improvements	128,655,906	4,476,665	-	133,132,571
Equipment and furniture	42,270,786	1,067,558	-	43,338,344
Library books	7,052,927	-	-	7,052,927
Total capital assets, being depreciated	179,307,711	5,640,423	-	184,948,134
Less accumulated depreciation:				
Land improvements	1,287,892	20,664	-	1,308,556
Buildings and building improvements	39,315,061	2,256,250	-	41,571,311
Equipment and furniture	38,561,387	1,043,682	-	39,605,069
Library books	6,491,365	150,755	-	6,642,120
Total accumulated depreciation	85,655,705	3,471,351	-	89,127,056
Total capital assets, being depreciated, net	93,652,006	2,169,072	-	95,821,078
Net capital assets	$ 97,448,653	$ 2,169,072	$ -	$ 99,617,725

5. Capital Assets *(continued)*

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	691,173	-	93,652,006
Net capital assets	$ 97,269,936	$ 691,173	$ 512,456	$ 97,448,653

Depreciation expense for the years ended June 30, 2017 and 2016 was $3,471,351 and $3,556,539, respectively. Commitments outstanding on construction and other projects amounted to $1,387,330 and $4,551,440 as of June 30, 2017 and 2016, respectively.

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

The College was awarded $0 and $1,250,000 in capital funding by the County of Essex for fiscal years 2017 and 2016, respectively. It is the practice of the College to request reimbursement only for expenses made and not anticipated. Accordingly, the College was reimbursed $374,687 for award years 2012 through 2015 during fiscal year 2017. 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, 2017:	
2016	$1,250,000
2015	1,522,752
2014	1,250,000
2013	141,539
2012	1,532,743
	$5,697,034

In addition to the County funds, there is a balance of $4,646,229 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, 2017, $2,875,000 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, 2017, the bonds payable principal balance for the Refunding Bonds, Series 2006, is $2,875,000. 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
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	370,000	73,763	443,763
2023-2025	1,220,000	97,912	1,317,912
	$ 2,875,000	$ 644,831	$3,519,831

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, 2017, the capital lease payable principal balance is $101,211. 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
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	18,079	1,854	19,933
2023	18,992	950	19,942
	$101,211	$18,430	$119,641

Changes in Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Bonds payable					
Series 2006	$ 3,160,000	$ -	$ 285,000	$ 2,875,000	$ 295,000
Unamortized bond premium	171,936	-	20,327	151,609	20,327
Total bonds payable	$ 3,331,936	$ -	$ 305,327	$ 3,026,609	$ 315,327
Obligation for postemployment benefits other than pensions	$ 4,193,463	$ 457,797	$ -	$ 4,651,260	$ -
Capital lease payable	$ 115,387	$ -	$ 14,177	$ 101,210	$ 14,886
Net pension liability	$ 68,096,393	$ 23,676,906	$ -	$ 91,773,299	$ -

7. Long-Term Liabilities *(continued)*

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	$ -
Due to County of Essex	$ -	$ -	$ -	$ -	$ -
Capital lease payable	$ 128,887	$ -	$ 13,500	$ 115,387	$ 14,176
Net pension liability	$ 54,409,377	$ 13,687,016	$ -	$ 68,096,393	$ -

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 $651,000, sold waste management at a cost of $165,000, 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 $2,654,477 as of June 30, 2017 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, 2017, 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 2017 and September 2016, received payments of $9,500 and $9,500, respectively, representing additional rent for the twelve-month periods ending April 30, 2017 and 2016. The College received base rent for the kitchen facilities of $55,000 for fiscal years 2017 and 2016.

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

The College also received $157,261 and $166,024 in rent and commissions for space allocated to vendors for vending machines for fiscal years 2017 and 2016, 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, 2017 amounted to $1,066,930 as compared to $1,063,717 for fiscal year 2016. In addition, the Division reimbursed the College for contributions made for adjunct faculty for fiscal years 2017, 2016 and 2015 in the amounts of $229,133, $235,583 and $252,694, 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 $104,663, $109,655 and $115,764 for the years ended June 30, 2017, 2016 and 2015, 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, 2017, 2016 and 2015, amounted to $1,287, $28,502 and $31,372, 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	$ 166,637	$ 160,716
Inactive plan members entitled to but not yet receiving benefits	703	730
Active plan members	259,161	266,526
Total	$ 426,501	$ 427,972

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 2017, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2015 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 16/17 was 7.20% through June 2017. The College's actuarially determined contributions to PERS for the years ended June 30, 2017, 2016 and 2015 were $2,619,812, $2,673,344 and $2,544,530, 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, 2017, the College reported a liability of $89,124,330 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, 2016, the College's proportion was 0.3009215422 percent, which was an increase of 0.0049536615 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the College recognized full accrual pension expense of $9,294,282 in the financial statements. At June 30, 2017, 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	$ 18,461,801	$ -
Difference between expected and actual experience	1,657,442	-
Changes in proportion	3,026,727	-
Net difference between projected and actual investment earnings on pension plan investments	3,398,392	-
College contributions subsequent to the measurement date	2,619,812	-
	$ 29,164,174	$ -

10. Pension *(continued)*

A balance of $2,619,812 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,	
2018	$ 6,185,509
2019	6,185,509
2020	6,185,507
2021	6,086,636
2022	1,901,201
Thereafter	-
	$26,544,362

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. 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, 2016	June 30, 2015
Inflation rate	3.08%	3.04%
Salary increases 2026:		
Through 2026	1.65-4.15% based on age	2.15 - 4.40% based on age
Thereafter	2.65-5.15% based on age	3.15 - 5.40% based on age
Investment rate of return	7.65%	7.90%

10. Pension *(continued)*

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale.

Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 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, 2016 and 2015 are summarized in the following table:

10. Pension *(continued)*

Asset Class	June 30, 2016 Target Allocation	June 30, 2016 Long-Term Expected Real Rate of Return	June 30, 2015 Target Allocation	June 30, 2015 Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%	5.00%	1.04%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds / Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	100.00%		100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date 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 District'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 District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
College's proportionate share of the net pension liability	$109,211,464	$ 89,124,330	$72,540,659

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 Public Employees Retirement System.

Additional Information

Collective Local Group balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	$ 8,685,338,380
Collective deferred inflows of resources	$ 870,133,595
Collective net pension liability	$29,617,131,759
College's Proportion	0.3009215422%

10. Pension *(continued)*

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 is $2,830,763,540 and $1,481,308,816, respectively.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at June 30, 2016, 2015 and 2014 is 5.57, 5.72 and 6.44 years, 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	$41,824	$40,334
Inactive plan members entitled to but not yet receiving benefits	51	55
Active plan members	40,359	40,106
Total	$82,234	$80,495

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.

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 2017, the State was required to make a minimum contribution representing 5/7th of the actuarially determined contribution amount based on the July 1, 2015 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, 2017, 2016 and 2015, amounted to $120,901, $113,064 and $80,889, 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, 2017, the College reported a liability of $2,648,969 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, 2016, the College's proportion was 0.0138670883 percent, which was a decrease of 0.0039158161 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the College recognized full accrual pension expense of $357,999 in the financial statements. At June 30, 2017, 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	$ 366,904	$ -
Difference between expected and actual experience	-	17,364
Changes in proportion	518,518	159,755
Net difference between projected and actual investment earnings on pension plan investments	185,608	-
College contributions subsequent to the measurement date	120,901	-
	$1,191,931	$ 177,119

10. Pension *(continued)*

A balance of $120,901 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,	
2018	$200,333
2019	200,333
2020	200,332
2021	213,805
2022	79,108
Thereafter	-
	$893,911

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The actuarial assumptions used in the June 30, 2015 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, 2016	June 30, 2015
Inflation rate	3.08%	3.04%
Salary increases 2026:		
Through 2026	2.10-8.98% based on age	2.60 - 9.48% based on age
Thereafter	3.10-9.98% based on age	3.60 - 10.48% based on age

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

10. Pension *(continued)*

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 and 2015 are summarized in the following table:

	June 30, 2016		June 30, 2015	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%	5.00%	1.04%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds / Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	100.00%		100.00%	

10. Pension *(continued)*

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 contribution rate in the most recent fiscal year. 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, 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, 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 (4.55%) or 1-percentage-point higher (6.55%) than the current rate:

	At 1% Decrease 4.55%	At Current Discount Rate 5.55%	At 1% Increase 6.55%
College's proportionate share of the net pension liability	$ 3,415,651	$ 2,648,969	$ 2,023,786

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 Local Group at June 30, 2016 are as follows:

Collective deferred outflows of resources	$ 4,547,316,543
Collective deferred inflows of resources	688,197,590
Collective net pension liability	20,706,699,056
College's Proportion	0.0138670883%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 and 2015 $2,255,296,958 and $1,645,612,699, respectively.

The average of the expected remaining service lives of all plan members is 5.58, 5.53 and 6.17 years for 2016, 2015 and 2014, 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, 2016 and 2015 are 0.0138670883% and 0.0099512722% and the non-employer contributing entities' contribution for the year ended June 30, 2016 and 2015 was $8,524 and $7,567. The State's proportionate share of the net pension liability attributable to the College for the years ended June 30, 2016 and 2015 was $222,448 and $145,360, 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 \$78,011 and \$104,328 for fiscal years 2017 and 2016, respectively. The College pays 100% of the cost of the surviving spouses' Medicare Part B premium. The cost for these premiums amounted to \$13,351 and \$17,855 for fiscal years 2017 and 2016, 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, 2017, the College's annual OPEB cost (expense) of $759,445 was $16,487 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, 2017:

Annual Required Contribution (ARC)	$ 742,958
Interest on unfunded ARC	160,357
Adjustment to the ARC	(143,870)
Annual OPEB cost	759,445
Less: contributions made/funded	117,112
Unfunded ARC	642,333
Net OPEB obligation - beginning of year	4,008,927
Net OPEB obligation - end of year	$ 4,651,260

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, 2017, 2016 and 2015 were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual * College Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	$ 759,445	$ 117,112	15.4 %	$ 4,651,260
2016	617,043	17,854	2.9	4,193,463
2015	580,513	90,092	15.5	3,517,201

*Actual retiree payments for Medicare Part B reimbursements and trust Contributions, for the periods 7/1/16 – 6/30/17, 7/1/15 – 6/30/16 and 7/1/14 – 6/30/15.

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

Funded status and funding progress. As of July 1, 2016, the date of the most recent actuarial valuation, the accrued liability for benefits was $12,789,321; the unfunded actuarial accrued liability (UAAL) was $12,616,809. The covered payroll (annual payroll of active employees covered by the plan) was $28,767,442 and the ratio of the UAAL to the covered payroll was 43.9%. The value of the assets in the fund as of July 1, 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 2016 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 5.9% for medical and prescription drugs grading down to an ultimate rate of 3.9%. 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, 2017 amounted to $475,726 as compared to $162,379 for fiscal year 2016.

For fiscal years 2017 and 2016, 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 2017. At June 30, 2017 and 2016, net position in the College's unemployment fund was $806,370 and $718,678, respectively.

13. Actions of the Middle States Commission on Higher Education

On September 29-30 2016, the Middle States Commission on Higher Education (the "Commission") visited Essex County College to determine its compliance with Standard 3 (Institutional Resources), Standard 4 (Leadership and Governance), Standard 5 (Administration), Standard 6 (Integrity) and Standard 8 (Student Admissions and Retention). On November 17, 2017, the Commission acted to accept the monitoring report and to note the visit by the Commission's representatives. The Commission warned the College that its accreditation may be in jeopardy because of insufficient evidence that the College was in compliance with Standard 3, Standard 4, and Standard 8. The Commission noted that the College remains accredited while on warning. The Commission requested a monitoring report documenting evidence that the College has achieved and can sustain compliance with Standards 3, 4 and 8, including but not limited to evidence of the development and implementation of (1) adequate institutional controls to deal with financial operations, with evidence that rational policies and procedures for expenditure control are being consistently followed (Standard 3); (2) (a) procedures for the periodic assessment of the effectiveness of institutional leadership and governance, including annual evaluations of the president and self-assessment by the Board, and the use of such assessment results to inform decision making and continuous improvement, and (b) conflict of interest policy for the Board which ensures that potential conflicts are disclosed and that they do not interfere with the impartiality of Board members or outweigh the greater duty to secure the academic and fiscal integrity of the College (Standard 4); and (3) a comprehensive enrollment management program, including the assessment of how effectively such practices support admission, retention, remediation, and relation services.

13. Actions of the Middle States Commission on Higher Education (continued)

(Standard 8). The Commission will direct a prompt liaison guidance visit to discuss the Commission's expectations. The Commission noted the College's obligations to inform the Commission about any and all significant developments related to any investigation(s) conducted by state, federal, or other agencies. Copies of the report(s) that follow from any of these investigations must be submitted to the Commission within ten business days of their completion. Upon reaffirmation of accreditation, the College will return to its established evaluation schedule. The College has implemented corrective action and believes that it has achieved and can sustain compliance with Standards 3, 4 and 8.

14. Restricted and Unrestricted Net Position

Net position is restricted by third parties for the following purposes at June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
Grants, contracts, governmental agreements and other	$ 2,472,540	$ 1,988,577
Capital outlays - Chapter 12 funding	8,873,968	9,146,219
Scholarships	1,052,667	1,066,106
	$ 12,399,175	$ 12,200,902

Unrestricted net position at June 30, 2017 and 2016 is comprised of the following:

	June 30, 2017	June 30, 2016
Designated		
Capital outlays - State bond projects	$ 2,654,477	$ 8,295,248
Scholarships	3,831,086	3,831,086
Retirement of bond indebtedness	2,719,932	2,841,555
Undesignated:		
Cumulative impact of GASBs 68/71 on net position	(64,335,026)	(57,468,997)
Cumulative impact of GASB 45 on net position	(4,651,260)	(4,193,463)
Undesignated	7,226,863	2,640,562
Total Unrestricted	$(52,553,928)	$ (44,054,009)

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

Required Supplementary Information
Schedule of Funding Progress
Postretirement Health Plan
June 30, 2017

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, 2016	$ 172,422	$ 12,789,231	$ 12,616,809	1.4 %	$ 28,767,442	43.9 %
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

Essex County College
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Required Supplementary Information
Schedule of Employer Contributions
Postretirement Health Plan
June 30, 2017

Fiscal Year Ended June 30,	Employer Contributions
2017	$ 117,112
2016	17,854
2015	90,092

Essex County College
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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, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
College's proportion of the net pension liability (asset) - Local Group	0.300921542%	0.2959678807%	0.2826643339%
College's proportionate share of the net pension liability (asset)	$ 89,124,330	$ 66,438,858	$ 52,922,494
College's covered-employee payroll	$ 18,716,496	$ 20,731,354	$ 20,429,420
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	476.18%	320.48%	259.05%
Plan fiduciary net position as a percentage of the total pension liability-Local Group	40.14%	47.93%	48.62%

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 4.90% as of June 30, 2015 to 3.98 % as of June 30, 2016.

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

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	$ 2,619,812	$ 2,673,344	$ 2,544,530
Contributions in relation to the contractually required contribution	(2,619,812)	(2,673,344)	(2,544,530)
Contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll	$ 18,716,496	$ 20,172,950	$ 20,731,354
Contributions as a percentage of covered-employee payroll	14.00%	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
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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, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
College's proportion of the net pension liability (asset) - Local Group	0.0138670883%	0.0099512722%	0.0118202912%
College's proportionate share of the net pension liability (asset)	$ 2,648,969	$ 1,657,535	$ 1,486,883
College's covered-employee payroll	$ 321,980	$ 305,353	$ 274,183
College's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	822.71%	542.83%	542.30%
Plan fiduciary net position as a percentage of the total pension liability-Local Group	52.01%	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 5.79% as of June 30, 2015 to 5.55 % as of June 30, 2016.

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, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	$ 120,901	$ 113,064	$ 80,889
Contributions in relation to the contractually required contribution	(120,901)	(113,064)	(80,889)
Contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll	$ 270,194	$ 321,980	$ 305,353
Contributions as a percentage of covered-employee payroll	44.75%	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
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Supplementary Information
Combining Schedule of Net Position - All Funds
June 30, 2017

	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	$ 13,293,618	$ -	$ -	$ -	$ 3,291,606	$ 16,846	$ -	$ -	$ 16,602,070
Cash held by bond trustee-NJEFA	1,948,224	-	-	-	-	-	-	-	1,948,224
Restricted cash and equivalents	-	-	1,514,432	1,215,699	-	-	-	347,925	3,078,056
Investments	2,373,362	-	13,506	79	-	-	-	188,564	2,575,511
Accounts receivable									
Tuition and fees, net	754,955	-	-	-	-	-	-	-	754,955
Grants	-	945,726	59,291	-	-	-	-	-	1,005,017
State and county	-	-	30,256	10,343,263					10,373,519
Other, net	2,056,435	-	13,806	-	-	78,565		41,173	2,189,979
Internal balances	(11,844,699)	(472,233)	3,306,367	2,969,467	(571,674)	6,290,072	(2,667,590)	2,990,290	-
Inventories	-			-	-	1,371,467	15,937	-	1,387,404
Prepaid expenses	60,785	8,504	973			(1,206)	-	1,655	70,711
Capital assets, nondepreciable	3,796,647	-	-	-	-	-	-	-	3,796,647
Capital assets, net of accumulated depreciation	95,821,078	-	-	-	-	-	-	-	95,821,078
Total assets	108,260,405	481,997	4,938,631	14,528,508	2,719,932	7,755,744	(2,651,653)	3,569,607	139,603,171
Deferred outflows of resources									
Pension deferrals	30,356,105	-	-	-	-	-	-		30,356,105
Deferred loss on refunding	-	-	-	155,872	-	-	-	-	155,872
Total deferred outflows of resources	30,356,105	-	-	155,872	-	-	-	-	30,511,977
Liabilities									
Accounts payable	3,987,110	328,782	(6,684)	111,654	-	12,430	636	28,102	4,462,030
Accrued payroll and payroll taxes payable	2,555,629	(6,530)	(1,355)	-	-	2,210	-	9,312	2,559,266
Accrued compensated absences	6,705	-	-	-	-	-	-	-	6,705
Unearned revenue - NJEFA	1,808,675	-	-	-	-	-	-	-	1,808,675
Unearned tuition and fee revenue	658,038	-	-	-	-	-	-	-	658,038
Unearned grant revenue	-	159,745	-	-	-	-	-	-	159,745
Other liabilities	3,788,323	-	62,917	17,672	-	369,917	1,253	86	4,240,168
Bonds payable	-	-	-	3,026,609	-	-	-	-	3,026,609
Capital lease payable	101,210	-	-	-	-	-	-	-	101,210
Obligation for postemployment benefits other than pensions	-	-	-	-	-	-	-	4,651,260	4,651,260
Net pension liability	91,773,299	-	-	-	-	-	-	-	91,773,299
Total liabilities	104,678,989	481,997	54,878	3,155,935	-	384,557	1,889	4,688,760	113,447,005
Deferred inflows of resources									
Pension deferrals	177,119	-	-	-	-	-	-	-	177,119
Total deferred inflows of resources	177,119	-	-	-	-	-	-	-	177,119
Net position									
Net investment in capital assets	96,645,777	-	-	-	-	-	-	-	96,645,777
Restricted			1,052,667	8,873,968	-	-	-	2,472,540	12,399,175
Unrestricted (deficit)	(62,885,375)	-	3,831,086	2,654,477	2,719,932	7,371,187	(2,653,542)	(3,591,693)	(52,553,928)
Total net position	$ 33,760,402	$ -	$ 4,883,753	$ 11,528,445	$ 2,719,932	$ 7,371,187	$ (2,653,542)	$ (1,119,153)	$ 56,491,024

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, 2017

	General Fund	Grants and Contracts	Scholarship and Student Grants in Aid	Capital Outlays	Retirement of Bond Indebtedness	Bookstore	Concessions and Gym	Other	Total
Operating revenues									
Tuition and fees, net	$ 35,184,711	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 35,184,711
Federal grants	162,009	4,500,627	24,271,602	-	-	-	-	-	28,934,238
State grants	-	1,099,661	5,512,942	-	-	-	-	-	6,612,603
County and local grants	-	1,397,510		-	-	-	-	-	1,397,510
Private contributions	-	-	97,580	-	-	-	-	-	97,580
Charges for services	-	-	-	-	-	3,106,496	52,221	1,649,368	4,808,085
Other revenues	1,876,833	-	-	-	-	243		126,451	2,003,527
Total operating revenues	37,223,553	6,997,798	29,882,124	-	-	3,106,739	52,221	1,775,819	79,038,254
Operating expenses									
Instruction	23,063,653	4,025,481	35,616						27,124,750
Public service	3,730,045	92,911	-	-	-	-	-	-	3,822,956
Academic support	2,460,781	1,054,313	-	-	-	-	-	3,036	3,518,130
Student services	5,243,763	1,809,353	-	-	-	10,371	-	1,495,240	8,558,727
Institutional support	18,429,740	15,740				3,157,137	82,929	591,669	22,277,215
Operation of plant	10,928,892	-	-	-	-	-	-	-	10,928,892
Scholarships and fellowships	-	-	29,872,794	-	-	-	-	-	29,872,794
Depreciation	3,471,351	-	-	-	-	-	-	-	3,471,351
Debt service									
Principal	(278,850)	-	-	278,850	-	-	-	-	-
Capital outlay									
Capital expenses	(5,640,423)	-	-	5,640,423	-	-	-	-	-
Total operating expenses	61,408,952	6,997,798	29,908,410	5,919,273		3,167,508	82,929	2,089,945	109,574,815
Operating (loss) income	(24,185,399)	-	(26,286)	(5,919,273)	-	(60,769)	(30,708)	(314,126)	(30,536,561)
Nonoperating revenues (expenses)									
State appropriations	11,588,285	-	-	-	-	-	-	-	11,588,285
County appropriations	12,950,000	-	-	-	-	-	-	-	12,950,000
Interest and investment income	442,688	-	13,029	6,251	16,924	-	-	1,811	480,703
Interest expense	-	-	-	-	(138,547)	-	-	-	(138,547)
Unrealized (loss) on investments	(189,941)	-	(182)	-		-	-	12,390	(177,733)
Total nonoperating revenues (expenses)	24,791,032		12,847	6,251	(121,623)			14,201	24,702,708
Change in net position	605,633	-	(13,439)	(5,913,022)	(121,623)	(60,769)	(30,708)	(299,925)	(5,833,853)
Total net position - beginning	33,154,769	-	4,897,192	17,441,467	2,841,555	7,431,956	(2,622,834)	(819,228)	62,324,877
Transfers									-
Total net position - ending	$ 33,760,402	-	$ 4,883,753	$ 11,528,445	$ 2,719,932	$ 7,371,187	$ (2,653,542)	$ (1,119,153)	$ 56,491,024

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, 2017

	Bookstore	Concessions and Gym	Totals
ASSETS			
Current Assets			
Unrestricted cash and equivalents	$ 16,846	$ -	$ 16,846
Accounts receivable, net	78,565	-	78,565
Inventories	1,371,467	15,937	1,387,404
Internal balances	6,290,072	(2,667,590)	3,622,482
Prepaid expenses	(1,206)	-	(1,206)
Total assets	7,755,744	(2,651,653)	5,104,091
LIABILITIES			
Current liabilities			
Accounts payable	12,430	636	13,066
Accrued payroll	2,210	-	2,210
Other liabilities	369,917	1,253	371,170
Total liabilities	384,557	1,889	386,446
NET POSITION			
Unrestricted (deficit)	7,371,187	(2,653,542)	4,717,645
Total net position (deficit)	$ 7,371,187	$ (2,653,542)	$ 4,717,645

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, 2017

	Bookstore	Concessions and Gym	Totals
Operating revenues			
Charges for services	$ 3,106,496	$ 52,221	$ 3,158,717
Other revenues	243	-	243
Total operating revenues	3,106,739	52,221	3,158,960
Operating expenses			
Cost of goods sold	2,641,402	699	2,642,101
Salaries	342,370	68,204	410,574
Employee benefits	125,622	14,026	139,648
General supplies and materials	213	-	213
Other direct expenses	57,901	-	57,901
Total operating expenses	3,167,508	82,929	3,250,437
Change in net positon	(60,769)	(30,708)	(91,477)
Total net position (deficit), beginning of year	7,431,956	(2,622,834)	4,809,122
Total net position (deficit), end of year	$ 7,371,187	$ (2,653,542)	$ 4,717,645

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, 2017

Funding Source/Federal Contract No/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Total 2017 Reported Expenditures
Direct Awards				
United States Department of Education				
Student Financial Assistance Cluster				
Federal Work-Study Program - P033A002560	84.033	N/A	07/01/2016 - 06/30/2017	$ 492,107
Federal Pell Grant Program - P063P002345	84.063	N/A	07/01/2016 - 06/30/2017	23,529,495
Federal Supplemental Educational				
Opportunity Grants - P007A002560	84.007	N/A	07/01/2016 - 06/30/2017	250,000
Total Student Financial Assistance Cluster				24,271,602
Trio-Cluster				
Browns Grant - V - 191D150022-16	84.042A	N/A	09/01/2015 - 08/31/2016	203,275
Browns Grant - V - 191D150022-17	84.042A	N/A	09/01/2015 - 08/31/2016	158,954
Total Trio-Cluster				362,229
PBI Grant - P031P110026-16	84.031P	N/A	10/01/2015 - 09/30/2017	221,659
Total United States Department of Education				24,855,490
United States National Science Foundation				
Research and Development Cluster				
Garden State - Louis Stokes Alliance for				
Minority Participation Grant - HRD-0902132-16	47.076	N/A	07/01/2015 - 06/30/2016	2,180
Garden State - Louis Stokes Alliance for				
Minority Participation Grant - HRD-0902132-17	47.076	N/A	07/01/2016 - 06/30/2017	8,967
Total National Science Foundation				11,147
Total Direct Awards				24,866,637
Pass - Through Programs				
National Aeronautics and Space Administration - Passed Through				
Rutgers University				
Essex Peer Tutoring Grant	43.008	Unavailable	07/01/2016 - 06/30/2017	13,193
Essex STEM Bio Chemical Grant	43.008	Unavailable	07/01/2016 - 06/30/2017	8,596
				21,789
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 - 09/30/2017	517,791
Leveraging, Integrating, Networking & Coordinating Supplies	17.282	216000928	10/01/13 - 09/30/2017	282,032
New Jersey Prep Health Tech - TC-26459-14-60-A-34	17.282	216000928	10/01/15 - 09/30/2016	59,019
New Jersey Prep Health Tech - TC-26459-15-60-A-34	17.282	216000928	10/01/16 - 09/30/2017	326,508
Total Trade Adjustment Assistance Community College				
and Career Training				1,185,350
Training to Empower, Advance, and Maintain (TEAM)	17.270	216000928	07/01/15 - 09/30/2018	304,814
Transportation Logistic Division Talent Network Grant - TLD	17.285	216000928	07/01/16 - 09/30/2017	124,120
Total United States Department of Labor - Passed Through				428,934
New Jersey Department of Labor & Workforce Development				1,614,284
United States Department of Education - Passed Through				
New Jersey Department of Education				
Carl Perkins Voc. Ed. Grant - PKPP7130-17	84.048A	216000928	07/01/16 - 06/30/2017	405,221
Adult Basic Education				
ABE Grant Level I & II - ABS-FY16006	84.002	216000928	07/01/16 - 06/30/2017	1,570,390
ABE Grant Level III - ABS-FY16006	84.002	216000928	07/01/16 - 06/30/2017	10,670
Total Adult Basic Education				1,581,060
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	07/01/16 - 06/30/2017	50,442
United States Departmnet of Health and Human Services -				
Passed Through New Jersey Department of Human Services				
Child Development Center - CC10129	93.667	216000928	07/01/15 - 06/30/2016	283,239
Total Pass-Through Programs				3,956,035
Total Federal Grant Expenditures				$28,822,672

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, 2017

Funding Source/State Contract No/Program	Grant/Account or Other I.D. Number	Grant Period	Grant Amount	Total 2017 Reported Expenditures	Total 2017 Cash Received
State Student Financial Aid Cluster					
Higher Education Student Assistance Authority					
Tuition Aid Grant	100-074-2405-007	07/01/16 - 06/30/17	$ 4,305,975	$ 4,305,975	$ 4,305,975
Urban Scholars Program	100-074-2405-278	07/01/16 - 06/30/17	5,500	5,500	5,500
NJ STARS	100-074-2405-313	07/01/16 - 06/30/17	66,915	66,915	66,915
Total Higher Education Student Assistance Authority			4,378,390	4,378,390	4,378,390
New Jersey Commission on Higher Education					
Educational Opportunity Fund	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/16 - 06/30/17	650,976	650,976	650,976
Educational Opportunity Fund Article III	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/16 - 06/30/17	1,035,641	1,035,641	1,035,641
Educational Opportunity Fund Article III - Summer	100-050-5400-177, 100-074-2601-001, 100-074-2401-001	07/01/16 - 06/30/17	63,295	63,295	42,618
Gear Up Scholarships	100-074-2400-026	07/01/16 - 06/30/17	35,616	35,616	32,729
Total New Jersey Commission on Higher Education			1,785,528	1,785,528	1,761,964
Total State Student Financial Aid Cluster			6,163,918	6,163,918	6,140,354
New Jersey Commission on Higher Education					
State Aid for College Assistance	100-082-2155-015	07/01/16 - 06/30/17	11,587,935	11,587,935	11,587,935
College Readiness New Grant	100-074-2400-055	07/01/16 - 06/30/17	50,000	50,000	50,000
Total New Jersey Commission on Higher Education			11,637,935	11,637,935	11,637,935
New Jersey Department of Law and Public Safety					
Law Enforcement Officers Training and Equipment Fund	Not available	04/25/14 - 10/31/15	61,796	6,267	-
Law Enforcement Officers Training and Equipment Fund	Not available	04/25/15 - 10/31/16	14,308	14,308	-
Law Enforcement Officers Training and Equipment Fund	Not available	04/25/16 - 10/31/17	60,717	5,180	60,717
Total New Jersey Department of Law and Public Safety			136,821	25,755	60,717
New Jersey Department of Human Services					
Division of Youth and Family Services	15ANG-M	07/01/16 - 06/30/17	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	07/08/16 - 08/15/16	10,198	10,198	10,198
Total New Jersey Department of Agriculture			10,198	10,198	10,198
New Jersey Department of Labor & Workforce Development					
ABLE Bodied Adults without Dependants(Abawds) Grant			206,000	206,000	206,000
Total New Jersey Department of Labor & Workforce Development			206,000	206,000	206,000
New Jersey Department of Treasury					
Alternate Benefit Program	100-082-2155-017	07/01/16 - 06/30/17	1,066,930	1,066,930	1,066,930
Total New Jersey Department of Treasury			1,066,930	1,066,930	1,066,930
New Jersey Division of Highway Traffic Safety					
Comprehensive Traffic Safety Program	Not available	10/01/15 - 09/30/16	75,000	14,551	14,551
Comprehensive Traffic Safety Program	Not available	10/01/16 - 09/30/17	75,000	60,407	28,497
Total New Jersey Division of Highway Traffic Safety			150,000	74,958	43,048
New Jersey Office of the Secretary of Higher Education					
Building Our Future Bond Act - Foundation for Instructional	021-05	4/29/13 - project completion	3,073,220	1,400,151	1,400,151
Building Our Future Bond Act - First Year Success - Specialized Classrooms for Rapid Completion of Developmental Coursework	021-01	4/29/13 - project completion	5,484,375	26,835	26,835
Building Our Future Bond Act - Information Commons	021-03	4/29/13 - project completion	4,836,050	2,979,362	2,979,362
Total New Jersey Office of the Secretary of Higher Education			13,393,645	4,406,348	4,406,348
Total State Grant Expenditures			$ 32,857,418	$ 23,684,013	$ 23,663,501

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) Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (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, 2017, the State of New Jersey, Department of Treasury made payments on behalf of the College to the Alternate Benefit Program of $1,066,930. 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, 2017. The June 30, 2017 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of state financial assistance.

4. Sub-recipients

Of the Federal expenditures presented in the Schedule of Expenditures of Federal Awards, the University did not provide Federal awards to sub-recipients.

5. Indirect Cost Rate

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

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 19, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

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Compliance and Other Matters

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

College's Response to Finding 2017-001

The College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial 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 College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

December 19, 2017

Report on Compliance for Each Major Federal and State Program and on Internal Control over Compliance Required by the Uniform Guidance and New Jersey OMB Circular 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 the *New Jersey State Aid/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, 2017. The College's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state 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 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, Uniform Guidance and New Jersey OMB Circular 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.

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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, 2017.

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.

Purpose of this Report

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 15-08. Accordingly, this report is not suitable for any other purposes.

PKF O'Connor Davies, LLP

December 19, 2017

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

Schedule of Findings and Questioned Costs
June 30, 2017

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		Yes	X	No
2) Significant deficiency(ies) that are not considered to be material weakness(es)?	X	Yes		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	$864,680			
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, 2017

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
100-082-2155-015	State Aid for College Assistance
100-082-2155-017	Alternate Benefit Program

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

Schedule of Findings and Questioned Costs
June 30, 2017

Part II – Schedule of Financial Statement Findings

2017-001 Significant Deficiency in Internal Control

Criteria:
Timely and accurate financial reporting is an important element of the College's control environment. Financial reporting provides the foundation for financial analysis, a critical component needed to be able to respond timely to financial related issues.

Condition:
The College did not maintain a general ledger that was in agreement with the College's underlying accounting records nor were entries made in a timely manner. Balances in the general ledger were not examined or reconciled to detailed analyses on an ongoing basis.

Context:
Management's preparation and review of the financial statements and related supporting schedules in regards to various accounts were not performed timely and consistently.

Cause and Effect:
As a result, the College's financial records for the year ending June 30, 2017 were not finalized until several months after fiscal year end and financial information provided throughout the year may not have accurately reflected the financial activity of the College. A large number of adjusting journal entries were needed to ensure completeness and accuracy of the financial statements at year end.

Recommendation:
We suggest that the College maintain a general ledger that is reconciled monthly to underlying accounting records. The College should also strengthen controls to ensure accurate and timely posting of the financial activity for the fiscal period so that actions can be taken and informed decisions can be made in a timely manner.

View of Responsible Officials and Planned Corrective Action:
The College will develop a monthly general ledger reconciliation process and checklist to ensure the general ledger accounts balances are accurate and complete. The finance team will utilize the Banner system General Ledger Account Analysis tool to complete account reconciliations on a monthly basis. The College will implement the proper internal controls and review process to ensure the general ledger account reconciliations are completed on a monthly basis.

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

Schedule of Findings and Questioned Costs
June 30, 2017

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) of the Uniform Guidance 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, 2017

2016-001

Statement of 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.

Status: The College has implemented improvements in this area and as a result, while the deficiency in internal controls still exists, it was deemed to be less severe than in the prior year and is now deemed to be a significant deficiency in internal controls over financial reporting (Finding 2017-001).

2016-002

Statement of 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.

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