



ESSEX COUNTY COLLEGE
REPORT ON FINANCIAL STATEMENTS AND
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04
YEARS ENDED JUNE 30, 2014 AND 2013



ESSEX COUNTY COLLEGE

**FINANCIAL STATEMENTS AND FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04**

YEARS ENDED JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Essex County College

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Essex County College (the "College") as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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

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, 2014 and 2013, and the respective changes in financial position and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2014, the College adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Adoption of Governmental Accounting Standards Board Statement No. 65 did not result in a retrospective change to the College's financial statements as of and for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of funding progress and schedule of employer contributions 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. 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, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2015 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



WISS & COMPANY, LLP

Iselin, New Jersey
April 13, 2015

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
UNAUDITED**

Years ended June 30, 2014 and 2013

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, 2014 and 2013. 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, 2014 and 2013, with presentation of certain comparative information presented for the year ended June 30, 2012. 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 2014

Enrollment

During fiscal year 2014, the total credit hours reported to the State were 312,674. This represents a decrease of 0.004% from fiscal year 2013 in which credit hours were 312,685.

The College charged Essex County residents \$108.50 per student credit hour in fiscal years 2014 and 2013.

Non-Essex County residents and foreign students were charged \$217.00 per credit hour for fiscal years 2014 and 2013.

Student Fees

The College charged a general student fee of \$26.50 per credit hour for fiscal years 2014 and 2013. In addition, a student activity fee of \$6.00 per credit hour was charged for fiscal years 2014 and 2013. The student activity fee supports solely student and administrative activities.

Student Aid Programs

The College participates in federal and state funded programs. Approximately 57% and 56% of the unduplicated student enrollment received student aid assistance during fiscal years 2014 and 2013, respectively. Federal and state grants expended for student financial aid in 2014 amounted to \$33,362,820 and \$7,323,402, respectively, as compared to \$32,172,052 and \$7,790,341 for 2013.

Financial Highlights – Fiscal Year 2013

Enrollment

During fiscal year 2013, the total credit hours reported to the State were 312,685. This represents an increase of 0.2% from fiscal year 2012 in which credit hours were 312,055.

The College charged Essex County residents \$108.50 per student credit hour in fiscal years 2013 and 2012.

Non-Essex County residents and foreign students were charged \$217.00 per credit hour for fiscal years 2013 and 2012.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION
UNAUDITED**

Years ended June 30, 2014 and 2013

Student Fees

The College charged a general student fee of \$26.50 per credit hour for fiscal years 2013 and 2012. In addition, a student activity fee of \$6.00 per credit hour was charged for fiscal years 2013 and 2012. The student activity fee supports solely student and administrative activities.

Student Aid Programs

The College participates in federal and state funded programs. Approximately 56% and 54% of the unduplicated student enrollment received student aid assistance during fiscal years 2013 and 2012, respectively. Federal and state grants received for student financial aid in 2013 amounted to \$32,172,052 and \$7,790,341, respectively, as compared to \$33,148,366 and \$8,299,422 for 2012.

Overview of the Financial Statements

This 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 addition, the College adopted GASB Standard No. 65, *Items Previously Reported as Assets and Liabilities*, which resulted in a reclassification of the deferred loss on refunded debt from an offset to bonds payable to a deferred outflows of resources on the College's Statements of Net Position.

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 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 financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Years ended June 30, 2014 and 2013

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 16 – 38 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, 2014, the College's assets and deferred outflows of resources exceeded liabilities by \$124,524,304, a \$6,458,527 decrease from June 30, 2013. At June 30, 2013, the College's assets and deferred outflows of resources exceeded liabilities by \$130,982,831 a \$3,911,572 decrease from June 30, 2012. Our analysis below focuses on the net position and changes in net position of the College's activities.

Approximately 76% for fiscal year 2014 and 71% for fiscal year 2013 of the College's net position reflect its net investment in capital assets (i.e., land, 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 \$1,679,101 in net investment in capital assets in 2014 resulted principally from renovation projects and equipment purchases of \$5,202,306 offset by depreciation of \$3,599,421, principal payment on related debt of \$425,000 and a loss on disposal of \$348,329. The decrease in net investment in capital assets of \$1,106,291 in 2013 resulted principally from renovating projects and equipment purchases of \$2,283,626 offset by depreciation of \$3,571,129, principal payment on related debt of \$399,545 and loss on disposal of \$218,333.

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 10% of the total net position at June 30, 2014 and 2013. Restricted net position at June 30, 2014 decreased \$983,818 as a result of minor capital awards and Chapter 12 fund revenues being exceeded by capital expenses due to additions and renovations to buildings as well as the acquisition of office equipment and computers. Restricted net position at June 30, 2013, decreased \$567,398 as a result of capital expenditures in excess of capital awards.

Unrestricted net position represented 15% and 19% of the total net position at June 30, 2014 and 2013, respectively. Unrestricted net position at June 30, 2014 decreased \$7,153,810 primarily from the use of designated funds for capital related items and to offset appropriations in the budget and other expenses related to salary and benefit increases and use of additional adjunct personnel during the 2014 fiscal year. Unrestricted net position at June 30, 2013 decreased \$2,237,883 primarily from the use of College designated funds for capital related items and funding of scholarships.

Current assets decreased due to current year operating results as the College's net position decreased \$6,458,527.

Current liabilities increased at June 30, 2014 by \$4,210,936 substantially due to unearned revenues received from the New Jersey Educational Facilities Authority (NJEFA) for the future use in the acquisition of technology and other equipment. Current liabilities increased at June 30, 2013 by \$574,983 substantially due to the increase in accounts payable, as a result of the timing of payments related to pension and health benefits, the liability resulting from the Higher Education Student Assistance Authority's limited management review and other liabilities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Years ended June 30, 2014 and 2013

Financial Analysis of the College as a Whole

Net Position

The following represents assets, deferred outflows of resources, liabilities and net position of the College at June 30, 2014, 2013 and 2012:

	<u>Year Ended June 30</u>			<u>% (Decrease)</u>	<u>% (Decrease)</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Increase</u> <u>2014/2013</u>	<u>Increase</u> <u>2013/2012</u>
Current and other assets	\$ 48,315,643	\$ 51,718,223	\$ 53,541,950	(6.7)	(3.4)
Capital assets, net of depreciation	98,300,482	97,089,099	98,551,762	1.3	(1.5)
Total assets	146,616,125	148,807,322	152,093,712	(1.5)	(2.2)
Deferred outflows of resources	218,218	239,000	259,781	(8.7)	(8.0)
Current liabilities	15,645,863	11,434,927	10,839,162	36.8	5.5
Noncurrent liabilities	6,664,176	6,628,564	6,619,928	0.5	0.1
Total liabilities	22,310,039	18,063,491	17,459,090	23.5	3.5
Net position:					
Net investment in capital assets	94,446,110	92,767,009	93,873,300	1.8	(1.2)
Restricted	12,071,002	13,054,091	7,041,339	(7.5)	85.4
Unrestricted	18,007,192	25,161,731	33,979,764	(28.4)	(26.0)
Total net position	<u>\$ 124,524,304</u>	<u>\$ 130,982,831</u>	<u>\$ 134,894,403</u>	<u>(4.9)</u>	<u>(2.9)</u>

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Years ended June 30, 2014 and 2013

Changes in Net Position

The following represents the College's changes in net position for the years ended June 30, 2014, 2013 and 2012:

	Year Ended June 30			% Increase (Decrease) 2014/2013	% (Decrease) Increase 2013/2012
	2014	2013	2012		
Operating revenues:					
Tuition and fees, net	\$ 39,752,471	\$ 39,084,448	\$ 39,738,348	1.7	(1.6)
Grants and contributions	49,197,048	47,745,954	49,928,206	3.0	(4.4)
Other	8,408,242	8,102,220	8,627,374	3.8	(6.1)
Total operating revenues	97,357,761	94,932,622	98,293,928	2.6	(3.4)
Operating expenses:					
Total operating expenses before depreciation	125,596,662	119,580,190	117,050,031	5.0	2.2
Depreciation	3,599,421	3,571,129	3,660,754	0.8	(2.4)
Total operating expenses	129,196,083	123,151,319	120,710,785	4.9	2.0
Operating loss	(31,838,322)	(28,218,697)	(22,416,857)	12.8	25.9
Nonoperating revenues (expenses), net	22,877,925	22,805,403	21,790,160	0.3	4.7
Other revenues	2,501,870	1,501,722	4,002,643	66.6	(62.5)
Change in net position	(6,458,527)	(3,911,572)	3,375,946	(65.1)	(215.9)
Total net position, beginning of year	130,982,831	134,894,403	131,518,457	(2.9)	2.6
Total net position, end of year	\$ 124,524,304	\$ 130,982,831	\$ 134,894,403	(4.9)	(2.9)

Tuition and fees revenue, net of waivers and appeals, increased in 2014 by 1.7% due to a decrease in voids after tenth day enrollment. Enrollment for the 2014 fiscal year decreased slightly and the tuition rate remained unchanged in 2014. Tuition and fees revenue, net of waivers and appeals, decreased in 2013 by 1.6% due to an increase in voids after tenth day enrollment.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Years ended June 30, 2014 and 2013

Revenues

The College had operating, non-operating and other revenues, in the amounts of \$123,329,134, \$119,673,393 and \$125,426,675 in 2014, 2013 and 2012, respectively. The following percentages represent the sources of operating, nonoperating and other revenues that each has contributed over the past three years:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues			
Tuition and fees	40.8 %	41.2 %	40.4 %
Federal grants	38.6	37.7	37.6
State grants	8.5	8.7	8.7
County and local grants	3.4	3.9	4.5
Charges for services	7.2	7.6	7.7
Other revenues	1.5	0.9	1.1
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Nonoperating revenues			
State appropriations	50.2 %	50.3 %	51.0 %
County appropriations	48.3	48.7	49.1
Interest and investment income (loss)	1.5	1.0	(0.1)
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Other revenues			
Capital appropriations	100.0	100.0	100.0
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Years ended June 30, 2014 and 2013

Expenses

The College expended its resources, in the amounts of \$129,787,661, \$123,584,965 and \$122,050,729 in 2014, 2013 and 2012 among the following categories:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Instruction	24.3 %	23.8 %	23.6 %
Public Service	3.6	4.0	3.7
Academic Support	2.7	2.5	2.3
Student Services	6.7	6.9	6.0
Institutional Support	19.2	18.6	18.5
Operation of Plant	8.6	8.1	7.7
Scholarships and fellowships	31.7	32.8	34.1
Depreciation	2.8	2.9	3.0
Interest and other	0.4	0.4	1.1
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Instruction expenses increased in 2014 due to an increase in salaries and the additional use of adjuncts to provide instruction to students. Operation of plant increased in 2014 due to the completion of major capital projects which caused an increase in maintenance and operational costs related to those projects. Scholarships and fellowships expenses for 2014 increased by 1.3% due to an increase in the number of students qualifying for federal scholarships and grants. Scholarships and fellowships expenses for 2013 decreased by 2.6% due to a decrease in students qualifying for federal and state scholarships for fiscal year 2013.

Grants and Contracts

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

For fiscal years 2014, 2013 and 2012, the College received the following funding from grants and contracts:

	<u>Year Ended June 30,</u>			<u>% Increase (Decrease)</u>	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014/2013</u>	<u>2013/2012</u>
Federal	\$ 4,162,985	\$ 3,517,868	\$ 3,570,413	18.3	(1.5)
State	980,644	1,064,833	848,665	(7.9)	25.5
County and local	3,227,043	3,594,002	4,367,980	(10.2)	(17.7)
Total	<u>\$ 8,370,672</u>	<u>\$ 8,176,703</u>	<u>\$ 8,787,058</u>	<u>2.4</u>	<u>(6.9)</u>

Funding for grants and contracts for 2014 increased 2.4%; principally, due to increased funding received from federal sources when compared to 2013. Fiscal year 2013 decreased 6.9% principally, due to decreased funding from county and local sources when compared to 2012.

**ESSEX COUNTY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Years ended June 30, 2014 and 2013

Capital Assets

Capital asset 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, 2014, 2013 and 2012 and percentage increase or decrease from the prior year:

	<u>June 30</u>			<u>% Increase (Decrease)</u>	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014/2013</u>	<u>2013/2012</u>
Land, non depreciable	\$ 3,796,647	\$ 3,796,647	\$ 3,796,647	0.0	0.0
Land improvements	59,721	71,062	127,879	(16.0)	(44.4)
Buildings and building improvements	89,335,794	88,673,490	89,627,219	0.7	(1.1)
Equipment	4,381,949	3,755,024	4,198,982	16.7	(10.6)
Library books	726,371	749,703	801,035	(3.1)	(6.4)
Total	<u>\$ 98,300,482</u>	<u>\$ 97,045,926</u>	<u>\$ 98,551,762</u>	<u>1.3</u>	<u>(1.5)</u>

Buildings and building improvement additions represent capital projects completed during the year which included additions to the mega-structure and other increases to buildings and building improvements in the current year.

Equipment additions represent purchases of office equipment, instructional equipment, furniture and computers.

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 2014, 2013 and 2012:

	<u>June 30</u>			<u>% Increase (Decrease)</u>	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2013/2012</u>	<u>2012/2011</u>
Due to the County of Essex	\$ 180,000	\$ 360,000	\$ 530,000	(50.0)	(32.1)
Bonds payable, net	3,892,590	4,157,917	4,408,243	(6.4)	(5.7)
Capital lease payable	139,498	-	-	100.0	-
Obligation for post employment benefits other than pensions	2,918,026	2,555,974	2,081,230	14.2	22.8
Total	<u>\$ 7,130,114</u>	<u>\$ 7,073,891</u>	<u>\$ 7,019,473</u>	<u>0.8</u>	<u>0.8</u>

The decrease in Due to the County of Essex and bonds payable, net is due to the payment of principal on debt during the 2014 fiscal year.

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

The increase in capital lease payable is due to the College entering into a lease agreement with The New Jersey Educational Facilities Authority that requires the College to repay a portion of the lease over ten years.

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 2014 fiscal year, state aid increased slightly by \$103,668 as compared to 2013. In addition, credit hours have decreased over the past few years and are not expected to increase significantly over the next few years.

In 2014, the College 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 intends to utilize designated net position to provide the local match required under the programs.

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
STATEMENTS OF NET POSITION

	June 30,	
	2014	2013
ASSETS		
Current assets:		
Unrestricted cash and equivalents	\$ 21,145,822	\$ 21,720,990
Cash held by bond trustee-NJEFA	4,054,502	-
Restricted cash and equivalents	4,624,782	5,588,444
Investments	2,359,177	2,339,134
Accounts receivable:		
Tuition and fees, net of allowance of \$1,726,026 and \$1,267,584 in 2014 and 2013, respectively	1,018,647	947,932
Grants	3,124,380	9,324,888
State and county	9,465,761	9,412,101
Other, net of allowance of \$984,125 and \$990,799 in 2014 and 2013, respectively	828,982	769,896
Inventories	1,640,031	1,525,478
Prepaid expenses	53,559	89,360
Total current assets	<u>48,315,643</u>	<u>51,718,223</u>
Noncurrent assets:		
Deferred charges	-	43,173
Capital assets, nondepreciable	3,796,647	3,796,647
Capital assets, net of accumulated depreciation	<u>94,503,835</u>	<u>93,249,279</u>
Total noncurrent assets	<u>98,300,482</u>	<u>97,089,099</u>
Total assets	<u>146,616,125</u>	<u>148,807,322</u>
Deferred outflows of resources - loss on refunding of debt	<u>218,218</u>	<u>239,000</u>
LIABILITIES		
Current liabilities:		
Accounts payable	4,151,233	4,375,384
Accrued payroll	2,634,396	2,142,751
Payroll taxes payable	94,657	198,320
Accrued compensated absences	93,244	77,469
Unearned revenue-NJEFA	3,915,004	-
Unearned tuition and fee revenue	359,472	442,924
Unearned grant revenue	384,762	353,002
Other liabilities	3,547,157	3,399,750
Due to the County of Essex	180,000	180,000
Capital lease payable	10,611	-
Bonds payable, net	<u>275,327</u>	<u>265,327</u>
Total current liabilities	<u>15,645,863</u>	<u>11,434,927</u>
Noncurrent liabilities:		
Long-term portion of due to the County of Essex	-	180,000
Long-term portion of bonds payable, net	3,617,263	3,892,590
Long-term portion of capital lease payable	128,887	-
Obligation for postemployment benefits other than pensions	<u>2,918,026</u>	<u>2,555,974</u>
Total noncurrent liabilities	<u>6,664,176</u>	<u>6,628,564</u>
Total liabilities	<u>22,310,039</u>	<u>18,063,491</u>
NET POSITION		
Net investment in capital assets	94,446,110	92,767,009
Restricted for:		
Grants, contracts and other governmental agreements	2,178,063	2,076,405
Capital outlays	8,734,271	9,515,872
Scholarships	1,158,668	1,462,543
Unrestricted	<u>18,007,192</u>	<u>25,161,002</u>
Total net position	<u>\$ 124,524,304</u>	<u>\$ 130,982,831</u>

See accompanying notes to basic financial statements.

ESSEX COUNTY COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended June 30,	
	2014	2013
OPERATING REVENUES:		
Tuition and fees, net of waivers and appeals of \$3,022,337 and \$2,648,398 in 2014 and 2013, respectively	\$ 39,752,471	\$ 39,084,448
Federal grants	37,594,155	35,805,899
State grants	8,304,046	8,277,698
County and local grants	3,227,043	3,594,002
Private contributions	71,804	68,355
Charges for services	7,052,120	7,262,836
Other revenues	1,356,122	839,384
Total operating revenues	97,357,761	94,932,622
OPERATING EXPENSES:		
Instruction	31,576,061	29,416,389
Public service	4,629,007	4,970,479
Academic support	3,525,986	3,098,974
Student services	8,643,280	8,498,186
Institutional support	24,968,872	23,047,105
Operation of plant	11,136,173	9,958,166
Scholarships and fellowships	41,117,283	40,590,891
Depreciation	3,599,421	3,571,129
Total operating expenses	129,196,083	123,151,319
OPERATING LOSS	(31,838,322)	(28,218,697)
NON-OPERATING REVENUES (EXPENSES):		
State appropriations	11,785,886	11,682,218
County appropriations	11,350,000	11,350,000
Interest and investment income	13,698	13,521
Unrealized gain on investments	319,919	193,310
Interest expense	(243,249)	(215,313)
Loss on disposal of assets	(348,329)	(218,333)
Total nonoperating revenues (expenses)	22,877,925	22,805,403
LOSS BEFORE OTHER REVENUES	(8,960,397)	(5,413,294)
OTHER REVENUES:		
State and county appropriations-capital	2,501,870	1,501,722
DECREASE IN NET POSITION	(6,458,527)	(3,911,572)
NET POSITION, BEGINNING OF YEAR	130,982,831	134,894,403
NET POSITION, END OF YEAR	\$ 124,524,304	\$ 130,982,831

See accompanying notes to basic financial statements.

ESSEX COUNTY COLLEGE
STATEMENTS OF CASH FLOWS

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees, including chargebacks	\$ 39,598,304	\$ 39,138,240
Tuition refunds/scholarships	(41,117,283)	(40,590,891)
Grants received	55,397,556	40,226,542
Grant payments	(8,367,483)	(8,478,005)
Restricted cash and cash equivalents	963,662	(2,315,371)
Payments to suppliers	(30,451,584)	(27,227,897)
Payments to employees	(45,165,646)	(42,744,003)
Charges for services	7,052,120	7,262,836
Other operating receipts	1,150,586	1,390,000
Net cash used in operating activities	<u>(20,939,768)</u>	<u>(33,338,549)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	11,785,886	11,682,218
County appropriations	<u>11,643,857</u>	<u>10,956,358</u>
Net cash provided by noncapital financing activities	<u>23,429,743</u>	<u>22,638,576</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(5,202,306)	(2,283,626)
Minor capital appropriations received from County of Essex	2,050,382	725,888
Minor capital appropriations received from State of New Jersey	441,001	372,251
Principal payments	(425,000)	(400,000)
Interest payments	<u>(242,794)</u>	<u>(211,104)</u>
Net cash used in capital and related financing activities	<u>(3,378,717)</u>	<u>(1,796,591)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales (purchases) of investments	299,876	(28,486)
Interest and investment income	<u>13,698</u>	<u>13,521</u>
Net cash provided by (used in) investing activities	<u>313,574</u>	<u>(14,965)</u>
Net (decrease) in cash and equivalents	(575,168)	(12,511,529)
Cash and equivalents at beginning of year	<u>21,720,990</u>	<u>34,232,519</u>
Cash and equivalents at end of year	<u>\$ 21,145,822</u>	<u>\$ 21,720,990</u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	(31,838,322)	(28,218,697)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,599,421	3,571,129
Changes in operating assets and liabilities:		
Accounts receivable	5,776,850	(7,294,393)
Restricted cash and cash equivalents	963,662	(2,315,371)
Inventories	(114,553)	(107,220)
Prepaid expenses	35,801	1,276
Unearned tuition and fee revenue	(83,452)	(739)
Accounts payable/accrued expenses	327,013	816,962
Obligation for postemployment benefits other than pensions	362,052	474,744
Unearned grant revenue	31,760	(266,240)
	<u>\$ (20,939,768)</u>	<u>\$ (33,338,549)</u>

See accompanying notes to basic financial statements.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)**

Years ended June 30, 2014 and 2013

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 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 GASB authoritative literature in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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, as defined by GASB Statements No. 34 and 35. 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 so 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.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)

Years ended June 30, 2014 and 2013

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. Amounts received from grants which have not yet been earned under the terms of the agreement are recorded as unearned grant revenue in the accompanying financial statements.

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

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (which is the net residual amount of the other elements). This statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" was changed to "net position" throughout the financial statements.

Net position represents the difference between assets, deferred outflows of resources and liabilities in the financial statements. Net investment in capital assets consists of capital assets net of accumulated depreciation, and any related debt associated with the capital assets. Net positions are 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.

GASB Statements No. 34, 35 and 63 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

- ***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.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)**

Years ended June 30, 2014 and 2013

1. Summary of Significant Accounting Policies (continued)

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.

- *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 and 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.

Deposits 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 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 an 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.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)

Years ended June 30, 2014 and 2013

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets include land, land improvements, building and building improvements, vehicles, property, plant, equipment, library books and reference media. 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
Building:	
New construction	50-75
Purchased	25 and 35
Library books	8
Equipment:	
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.

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, 2014 have been deferred to fiscal year 2015.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)**

Years ended June 30, 2014 and 2013

1. Summary of Significant Accounting Policies (continued)

Unearned Grant Revenue

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 from 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 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. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the College recorded a liability for accrued vacation leave of \$93,244 and \$77,469 as of June 30, 2014 and 2013, 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.

Other Postemployment Benefits

The College follows the guidance of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement established guidance for the financial reporting of other postemployment benefits (OPEB) cost 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.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)**

Years ended June 30, 2014 and 2013

1. Summary of Significant Accounting Policies (continued)

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.

Recently Adopted Accounting Standard

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"). This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB 65 is effective for the College's financial statements for the fiscal year ending June 30, 2014. The implementation of GASB No. 65 did not have a significant impact on the College's financial statements and did not result in the restatement of prior year net position.

Recently Issued Accounting Standard

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB No. 68"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and intraperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The requirements of this Statement are effective for financial statements for periods ending on or after June 30, 2015. The College has not completed the process of evaluating the impact that will result from adopting GASB No. 68.

Reclassifications

Certain amounts previously recorded in the 2013 financial statements were reclassified to conform to current year presentation. Such reclassifications were on the statements of net position. The College reclassified the receivable from the County of Essex from Other Accounts Receivable to State and County Accounts Receivable and a portion of its net position designated for capital outlays to restricted for capital outlays to conform to current year presentation. In connection with the adoption of GASB 65, unamortized deferred amounts from a debt refunding were reclassified from a reduction of bonds payable to deferred outflows of resources. The reclassifications had no impact on overall net position.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)**

Years ended June 30, 2014 and 2013

1. Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2014 through April 13, 2015, 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, 2014, 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 2014 and 2013, based on 24 semester credit hours, payable by a full-time in-county student is \$2,604, an out-of-county and out-of-state student is required to pay \$5,208.

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

In addition, the provisions of 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 U.S. 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.

During fiscal year 2014, 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 \$6,227,294 and \$1,591,953, respectively, and other New Jersey student assistance grants of \$81,611, for a grand total of \$7,900,858. The College also expended student assistance from the U.S. Department of Education for Pell grants of \$32,630,715, SEOG grants of \$250,000, and Federal Work Study of \$480,105, for a grand total of \$33,360,820.

During fiscal year 2013, 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 \$6,106,571 and \$1,574,895, respectively, and other New Jersey student assistance grants of \$108,875 for a grand total of \$7,790,341. The College also expended student assistance from the U.S. Department of Education for Pell grants of \$31,441,072, SEOG grants of \$250,000 and Federal Work Study of \$480,980, for a total of \$32,172,052.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)**

Years ended June 30, 2014 and 2013

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, 2014 and 2013, \$4,624,782 and \$5,588,444, respectively, represented cash and equivalents that are restricted for these purposes. In addition, the College had \$4,054,502 and \$0 in cash held by bond trustee – NJEFA (New Jersey Educational Facilities Authority) at June 30, 2014 and 2013, 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.

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 governmental 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 funds; 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, 2014, the College's carrying value of its deposits and cash on hand was \$16,752,305 and the bank balance was \$17,641,584. Of the bank balance, \$532,118 was covered by federal depository insurance and \$17,109,466 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with GUDPA.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)

Years ended June 30, 2014 and 2013

4. Cash and Equivalents and Investments (continued)

Deposits (continued)

GASB Statement No. 40 *Deposit and Investment Risk Disclosures* requires that the College disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the College would not be able to recover the value of its deposit or investment). 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.

As of June 30, 2013, the College held unrestricted certificates of deposit in the amount of \$300,000, with a rate of .50%. Of the above amount, \$250,000 of the certificates of deposit was insured by FDIC at June 30, 2013 and the remainder was covered by collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Government Unit Deposit Protection Act. During fiscal year 2014, these investments matured and were liquidated in full.

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") wherein 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.

The carrying amount of cash and equivalents in the State of New Jersey Cash Management Fund as of June 30, 2014 and 2013 was \$9,014,974 and \$8,997,247, respectively, which represented the amount on deposit with the Fund.

ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)

Years ended June 30, 2014 and 2013

4. Cash and Equivalents and Investments (continued)

Investments (continued)

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 No. 40 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.

Investments, which are recorded at fair value, are comprised of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Certificates of deposit	\$ -	\$ 300,000
Corporate stock (U.S. equities)	419,588	315,125
Mutual Funds	<u>1,939,589</u>	<u>1,724,009</u>
Total investments	<u>\$ 2,359,177</u>	<u>\$ 2,339,134</u>

The U.S. equities and open-end mutual fund portfolios consist of donations made by individuals many years 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.

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5. Capital Assets

The following is a summarization of changes in capital assets for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 3,796,647	\$ -	\$ -	\$ 3,796,647
Total capital assets, not being depreciated	3,796,647	-	-	3,796,647
Capital assets, being depreciated:				
Land improvements	1,325,167	-	-	1,325,167
Buildings and building improvements	122,043,801	3,063,117	687,000	124,419,918
Equipment and furniture	39,207,653	1,912,712	620,617	40,499,748
Library books	6,689,897	226,477	48,000	6,868,374
Total capital assets, being depreciated	169,266,518	5,202,306	1,355,617	173,113,207
Less accumulated depreciation:				
Land improvements	1,254,105	11,341	-	1,265,446
Buildings and building improvements	33,370,311	2,052,559	338,746	35,084,124
Equipment and furniture	35,452,629	1,285,712	620,542	36,117,799
Library books	5,940,194	249,809	48,000	6,142,003
Total accumulated depreciation	76,017,239	3,599,421	1,007,288	78,609,372
Total capital assets, being depreciated, net	93,249,279	1,602,885	348,329	94,503,835
Net capital assets	\$ 97,045,926	\$ 1,602,885	\$ 348,329	\$ 98,300,482

Depreciation expense for the years ended June 30, 2014 and 2013 was \$3,599,421 and \$3,571,129, respectively. Commitments outstanding on construction projects amounted to \$407,520 and \$651,432 as of June 30, 2014 and 2013, respectively.

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5. Capital Assets (continued)

The following is a summarization of changes in capital assets for the year ended June 30, 2013:

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 3,796,647	\$ -	\$ -	\$ 3,796,647
Total capital assets, not being depreciated	3,796,647	-	-	3,796,647
Capital assets, being depreciated:				
Land improvements	1,271,972	53,195	-	1,325,167
Buildings and building improvements	121,156,090	1,262,711	375,000	122,043,801
Equipment and furniture	38,555,661	743,990	91,998	39,207,653
Library books	6,538,460	223,730	72,293	6,689,897
Total capital assets, being depreciated	167,522,183	2,283,626	539,291	169,266,518
Less accumulated depreciation:				
Land improvements	1,144,093	110,012	-	1,254,105
Buildings and building improvements	31,528,871	1,998,107	156,667	33,370,311
Equipment and furniture	34,356,679	1,187,948	91,998	35,452,629
Library books	5,737,425	275,062	72,293	5,940,194
Total accumulated depreciation	72,767,068	3,571,129	320,958	76,017,239
Total capital assets, being depreciated, net	94,755,115	(1,287,503)	218,333	93,249,279
Net capital assets	<u>\$ 98,551,762</u>	<u>\$ (1,287,503)</u>	<u>\$ 218,333</u>	<u>\$ 97,045,926</u>

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6. Accounts Receivable – County of Essex

The College was awarded \$1,250,000 and \$750,000 in capital funding by the County of Essex for fiscal years 2014 and 2013, respectively. It is the practice of the College to request reimbursement only for expenses made and not anticipated. Accordingly, the College was reimbursed \$1,711,482 for award years 2010 through 2013 during fiscal year 2014. The following balances remain available from the County of Essex for minor capital awards not including the State portion of Chapter 12 funds:

<u>Fiscal year ended June 30, 2014:</u>	
2014	\$ 1,250,000
2013	420,283
2012	2,142,600
2010	353,455
2009	49,161
2008	15,119
2007	31,244
	<u>\$ 4,261,862</u>

7. Long-Term Liabilities

Building – Student Center

In November 1994, the College borrowed \$5,605,000 from the Essex County Improvement Authority (ECIA) to build an 18,000 square foot student center facility. To the extent that dedicated revenues in any year are insufficient to pay all amounts payable under this loan agreement, dedicated student fee revenues will be increased to eliminate any such deficiency. Payment of principal and interest on the bonds are additionally secured by a guarantee ordinance of the County, fully guaranteeing the principal and interest on the bonds.

Interest costs were capitalized during construction to the extent not offset by interest earned from the bond proceeds invested. Total interest costs associated with the Student Center amounted to \$203,830 and \$215,313 in 2014 and 2013, respectively. Interest costs were not capitalized in 2014 or 2013 due to completion of construction in prior years.

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7. Long-Term Liabilities (continued)

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, 2014, \$3,680,000 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.

At June 30, 2014, the bonds payable principal balance for the Refunding Bonds, Series 2006, is \$3,680,000. 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:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 255,000	\$ 186,506	\$ 441,506
2016	265,000	172,856	437,856
2017	285,000	158,419	443,419
2018	295,000	143,194	438,194
2019	315,000	118,913	433,913
2020-2024	1,840,000	360,412	2,200,412
2025	425,000	22,313	447,313
	<u>\$ 3,680,000</u>	<u>\$ 1,162,613</u>	<u>\$ 4,842,613</u>

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7. Long-Term Liabilities (continued)

Due to the County of Essex

The College owns the Police Academy building and land that was acquired from the County of Essex. This acquisition qualified for Chapter 12 funding and was financed equally by the State and County through bond guarantees given to the New Jersey Educational Facilities Authority, which sold the bonds.

Pursuant to a resolution agreement for the conveyance of the Police Academy, the College is required to repay the County debt portion of \$2,000,000 for this financing arrangement through an annual appropriation.

The repayment agreement has a 14½-year term and will be satisfied on August 1, 2014. The annual rate of interest chargeable to the College is 5.25%. Fiscal year principal and interest payments are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 180,000</u>	<u>\$ 4,905</u>	<u>\$ 184,905</u>

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 commence 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.

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Years ended June 30, 2014 and 2013

7. Long-Term Liabilities (continued)

Equipment Leasing Fund – Capital Lease Payable (continued)

The College did not have any capitalizable capital purchases through June 30, 2014 from this program. No principal or interest payments were required to be made as of June 30, 2014.

As of June 30, 2014, the capital lease payable principal balance is \$139,498. 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:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 10,611	\$ 9,319	\$ 19,930
2016	13,500	6,444	19,944
2017	14,176	5,770	19,946
2018	14,886	5,060	19,946
2019	15,629	4,316	19,945
2020-2023	70,696	9,053	79,749
	<u>\$ 139,498</u>	<u>\$ 39,962</u>	<u>\$ 179,460</u>

Changes in Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable:					
Series 2006	\$ 3,925,000	\$ -	\$ 245,000	\$ 3,680,000	\$ 255,000
Unamortized bond premium	232,917	-	20,327	212,590	20,327
Total bonds payable	<u>\$ 4,157,917</u>	<u>\$ -</u>	<u>\$ 265,327</u>	<u>\$ 3,892,590</u>	<u>\$ 275,327</u>
Obligation for postemployment benefits other than pensions	<u>\$ 2,555,974</u>	<u>\$ 485,401</u>	<u>\$ 123,349</u>	<u>\$ 2,918,026</u>	<u>\$ -</u>
Due to County of Essex	<u>\$ 360,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 180,000</u>	<u>\$ 180,000</u>
Capital Lease Payable	<u>\$ -</u>	<u>\$ 139,498</u>	<u>\$ -</u>	<u>\$ 139,498</u>	<u>\$ 10,611</u>

**ESSEX COUNTY COLLEGE
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Years ended June 30, 2014 and 2013

7. Long-Term Liabilities (continued)

During the year ended June 30, 2013, the following changes occurred in long-term liabilities:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable:					
Series 2006	\$ 4,155,000	\$ -	\$ 230,000	\$ 3,925,000	\$ 245,000
Unamortized bond premium	253,243	-	20,326	232,917	20,327
Total bonds payable	<u>\$ 4,408,243</u>	<u>\$ -</u>	<u>\$ 250,326</u>	<u>\$ 4,157,917</u>	<u>\$ 265,327</u>
Obligation for postemployment benefits other than pensions	<u>\$ 2,081,230</u>	<u>\$ 483,448</u>	<u>\$ 8,704</u>	<u>\$ 2,555,974</u>	<u>\$ -</u>
Due to County of Essex	<u>\$ 530,000</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 360,000</u>	<u>\$ 180,000</u>

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 \$60,000 for gasoline for the fleet of vehicles, continued dental coverage at a cost of \$580,371, solid waste management at a cost of \$125,000, and preventative maintenance agreement at a cost of \$494,031. In addition, contracts were awarded for the licensing and maintenance of information technology software in the amount of \$420,313. Insurance agreements were approved for workers compensation, comprehensive general liability, and student athlete insurance at a cost of \$725,793. Other major professional contracts were awarded at a cost of \$220,700.

In 2014, the College, along with other colleges and universities, was awarded multiple grants under the State of New Jersey's Building our Future Bond Act (\$14,993,738) as well as the NJEFA's Higher Education Technology Infrastructure Fund (\$3,413,535). The College did not incur any debt with respect to these new grant agreements, however, the College will be required to provide matching funds equal to 25% for the Building our Future Bond Act grant and matching funds equal to the grant amount for the Higher Education Technology Infrastructure Fund. The College has designated unrestricted net position in the amount of \$8,590,908 to meet its local matching obligation.

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NOTES TO BASIC FINANCIAL STATEMENTS
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8. Commitments and Contingencies (continued)

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, 2014, other than as disclosed in the following paragraph, 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.

The State of New Jersey's Department of Education, Office of Fiscal Accountability and Compliance ("OFAC") recently completed a fiscal audit of the College's Carl D. Perkins Grant pertaining to the 2011-2012 program year. The OFAC issued a report dated March 19, 2015 which included total disallowed costs related to the 2011-2012 program year of \$312,175. This amount has been recorded as an account payable in the accompanying financial statements. Due to the fiscal audit performed for the 2011-2012 program year, there is a possibility that the State could perform an additional review of the 2012-2013 program year. Management is not aware of any current audit being performed related to the 2012-2013 program year and as a result, are unable to determine the impact, if any, of any subsequent desk reviews on the financial statements for the year ended June 30, 2013. The OFAC is currently performing a program review of the 2013-2014 program year which could result in additional questioned costs. If additional questioned costs are identified, the College has the ability to appeal.

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 May 2014 and 2013, received payments of \$25,000 representing additional rent for the twelve-month periods ending April 30, 2014 and 2013. The College received base rent for the kitchen facilities of \$51,133 and \$46,000 for fiscal years 2014 and 2013.

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

The College also received \$143,212 and \$152,831 in rent and commissions for space allocated to vendors for vending machines for fiscal years 2014 and 2013.

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.

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10. Pension (continued)

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.

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 13/14 was 6.78% through June 2014. The College's actuarially determined contributions to PERS for the years ended June 30, 2014, 2013 and 2012 were \$2,330,244, \$2,326,042, and \$2,271,985, 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.

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 ended June 30, 2014, 2013 and 2012, amounted to \$90,788, \$82,111, and \$122,861, respectively.

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, 2014 amounted to \$942,484 as compared to \$897,632 for fiscal year 2013. In addition, the Division reimbursed the College for contributions made for adjunct faculty for fiscal years 2014, 2013 and 2012 in the amounts of \$242,437, \$226,437, and \$192,173, respectively, for a grand total of \$661,047.

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 \$84,025, \$68,404, and \$72,682 for the years ended June 30, 2014, 2013 and 2012, 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, 2014, 2013 and 2012, respectively amounted to \$19,326, \$22,287, and \$35,423, respectively.

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10. Pension (continued)

Other Postemployment Benefits Other Than Pensions – College Plan

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. The College follows the accounting provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement 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 thirteen 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 \$78,085 and \$62,743 for fiscal years 2014 and 2013, respectively. The College pays 100% of the cost of the surviving spouses’ Medicare Part B premium. The cost for these premiums amounted to \$4,028 and \$2,428 for fiscal years 2014 and 2013, respectively.

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, 2013, the College’s annual OPEB cost (expense) of \$483,448 was \$8,559 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, 2014:

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10. Pension (continued)

Other Postemployment Benefits Other Than Pensions – College Plan (continued)

Annual Required Contribution (ARC)	\$ 474,889
Interest on unfunded ARC	102,239
Adjustment to the ARC	<u>(91,727)</u>
Annual OPEB Cost	485,401
Less: Contributions Made/Funded	<u>123,349</u>
Unfunded ARC	362,052
Net OPEB obligation - beginning of year	<u>2,555,974</u>
Net OPEB obligation - end of year	<u>\$ 2,918,026</u>

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, 2014, 2013 and 2012 were as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Actual * College Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 485,401	\$ 123,349	25.4 %	\$ 2,918,026
2013	483,448	8,704	1.8	2,555,974
2012	574,714	101,551	17.7	2,081,230

*Actual retiree payments for Medicare Part B reimbursements and trust Contributions, for the periods 7/1/13 – 6/30/14, 7/1/12 – 6/30/13 and 7/1/11 – 6/30/12.

Funded status and funding progress. As of July 1, 2012, the date of the most recent actuarial valuation, the accrued liability for benefits was \$6,773,705; the unfunded actuarial accrued liability (UAAL) was \$6,566,397. The covered payroll (annual payroll of active employees covered by the plan) was \$33,339,051 and the ratio of the UAAL to the covered payroll was 19.7%. The value of the assets in the fund as of June 30, 2013 is \$207,308 (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.

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10. Pension (continued)

Other Postemployment Benefits Other Than Pensions – College Plan (continued)

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, 2008, 2010 and 2012 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 6.2% for medical and prescription drugs grading down to an ultimate rate of 3.8%. 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.

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.

11. 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, 2014 amounted to \$294,235 as compared to \$265,971 for fiscal year 2013.

For fiscal years 2014 and 2013, 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 2014. At June 30, 2014 and 2013, net position in the College's unemployment fund was \$556,188 and \$468,515, respectively.

**ESSEX COUNTY COLLEGE
NOTES TO BASIC FINANCIAL STATEMENTS
(SEE INDEPENDENT AUDITORS' REPORT)**

Years ended June 30, 2014 and 2013

12. Restricted and Designated Net Position

Net position is restricted by third parties for the following purposes at June 30, 2014 and 2013:

	June 30,	
	2014	2013
Student activities and other	\$ 2,178,063	\$ 2,076,405
Capital outlays - Chapter 12 funding	8,734,271	9,515,872
Scholarships	1,158,668	1,462,543
	<u>\$ 12,071,002</u>	<u>\$ 13,054,820</u>

The College President has designated certain unrestricted net position for the following purposes at June 30, 2014 and 2013:

	June 30,	
	2014	2013
Capital outlays-State bond projects	\$ 8,590,908	
Capital outlays-other projects	970,494	\$ 10,411,519
Scholarships	4,084,651	5,660,325
Subsequent year's budget	1,021,823	2,040,000
Retirement of bond indebtedness	3,191,776	3,433,175
	<u>\$ 17,859,652</u>	<u>\$ 21,545,019</u>

ESSEX COUNTY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POSTRETIREMENT HEALTH PLAN

YEAR ENDED JUNE 30, 2014

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, 2012	\$ 207,308	\$ 6,773,705	\$ 6,566,397	3.0%	\$ 33,339,051	19.7%
July 1, 2010	220,995	7,279,170	7,058,175	3.0	29,960,072	23.6
July 1, 2008	52,640	7,679,783	7,627,143	0.7	25,377,884	30.1

**ESSEX COUNTY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POSTRETIREMENT HEALTH PLAN**

YEAR ENDED JUNE 30, 2014

Fiscal Year Ended June 30,	Employer Contributions
2014	\$ 123,349
2013	8,704
2012	101,551

ESSEX COUNTY COLLEGE
COMBINING SCHEDULE OF NET POSITION - ALL FUNDS
SUPPLEMENTARY INFORMATION

June 30, 2014

	General Fund	Grants and Contracts	Scholarships and Student Grants in Aid	Capital Outlays	Retirement of Bond Indebtedness	Bookstore	Concessions and Gym	Other	Total
Assets									
Unrestricted cash and equivalents	\$ 17,879,540				\$ 3,264,632	\$ 1,650			\$ 21,145,822
Cash held by bond trustee-NJEFA	4,054,502								4,054,502
Restricted cash and equivalents			\$ 3,083,891	\$ 1,205,736				\$ 335,155	4,624,782
Investments	2,125,468		13,962	6				219,741	2,359,177
Accounts receivable:									
Tuition and fees, net	1,018,647								1,018,647
Grants		\$ 3,114,441	9,939						3,124,380
State and county	2,533,895		27,811	6,904,055					9,465,761
Other, net	773,019		13,806			42,494		(337)	828,982
Internal balances	(16,253,844)	(2,024,064)	3,660,791	9,118,033	(72,856)	5,963,735	\$ (2,553,083)	2,161,288	-
Inventories						1,624,094	15,937		1,640,031
Prepaid expenses	46,950	2,994	495					3,120	53,559
Capital assets, nondepreciable	3,796,647								3,796,647
Capital assets, net of accumulated depreciation	94,503,835								94,503,835
Total assets	110,478,659	1,093,371	6,810,695	17,227,830	3,191,776	7,631,973	(2,537,146)	2,718,967	146,616,125
Deferred outflow of resources									
	218,218	-	-	-	-	-	-	-	218,218
Liabilities									
Accounts payable	2,987,359	664,455	26,940	407,520		10,757	1,472	52,730	4,151,233
Accrued payroll	2,587,625	44,154				580		2,037	2,634,396
Payroll taxes payable	94,657								94,657
Accrued compensated absences	93,244								93,244
Unearned revenue-NJEFA	3,915,004								3,915,004
Unearned tuition and fee revenue	359,472								359,472
Unearned grant revenue		384,762							384,762
Other liabilities	3,309,624		47,401	17,672		171,121	1,253	86	3,547,157
Due to the County of Essex	180,000								180,000
Bonds payable	3,892,590								3,892,590
Capital lease payable	139,498								139,498
Obligation for postemployment benefits other than pensions	61,485							2,856,541	2,918,026
Total liabilities	17,620,558	1,093,371	74,341	425,192	-	182,458	2,725	2,911,394	22,310,039
Net Position									
Net investment in capital assets	94,446,110								94,446,110
Restricted net position			1,158,668	8,734,271				2,178,063	12,071,002
Unrestricted net position (deficit)	(1,369,791)		4,084,651	9,561,402	3,191,776	7,449,515	(2,539,871)	(2,370,490)	18,007,192
Total net position	\$ 93,076,319	\$ -	\$ 5,243,319	\$ 18,295,673	\$ 3,191,776	\$ 7,449,515	\$ (2,539,871)	\$ (192,427)	\$ 124,524,304

ESSEX COUNTY COLLEGE
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - ALL FUNDS

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

	General Fund	Grants and Contracts	Scholarships and Student Grants in Aid	Capital Outlays	Retirement of Bond Indebtedness	Bookstore	Concessions and Gym	Other	Total
Operating revenues:									
Tuition and fees, net	\$ 39,752,471								\$ 39,752,471
Federal grants	68,350	\$ 4,162,985	\$ 33,362,820						37,594,155
State grants		980,644	7,323,402						8,304,046
County and local grants		3,227,043							3,227,043
Private contributions			71,804						71,804
Charges for services						\$ 5,275,549	\$ 56,998	\$ 1,719,573	7,052,120
Other revenues	1,194,405					3,303		158,414	1,356,122
Total operating revenues	41,015,226	8,370,672	40,758,026	-	-	5,278,852	56,998	1,877,987	97,357,761
Operating expenses:									
Instruction	25,729,333	5,846,728							31,576,061
Public service	4,511,288	117,719							4,629,007
Academic support	2,871,202	654,784							3,525,986
Student services	5,152,732	1,736,441	28,572					1,725,535	8,643,280
Institutional support	19,793,650	15,000				4,587,553	82,856	489,813	24,968,872
Operation of plant	11,136,173								11,136,173
Scholarships and fellowships			41,117,283						41,117,283
Depreciation	3,599,421								3,599,421
Debt service:									
Principal	(425,000)			\$ 425,000					-
Capital outlay:									
Capital expenses	(5,202,306)			5,202,306					-
Total operating expenses	67,166,493	8,370,672	41,145,855	5,627,306	-	4,587,553	82,856	2,215,348	129,196,083
Operating (loss) income	(26,151,267)	-	(387,829)	(5,627,306)	-	691,299	(25,858)	(337,361)	(31,838,322)
Nonoperating revenues (expenses):									
State appropriations	11,785,886								11,785,886
County appropriations	11,350,000								11,350,000
Interest and investment income	8,786		1,526	683	\$ 1,850			843	13,698
Interest expense					(243,249)				(243,249)
Unrealized gain (loss) on investments	257,032		(221)					63,108	319,919
Loss on disposal of assets	(348,329)								(348,329)
Total nonoperating revenues (expenses)	23,053,375	-	1,315	683	(241,399)	-	-	63,951	22,877,925
(Loss)/Income before other revenues	(3,097,892)	-	(386,514)	(5,626,623)	(241,399)	691,299	(25,858)	(273,410)	(8,960,397)
Other revenues:									
State and county appropriations-capital				2,501,870					2,501,870
Total other revenues	-	-	-	2,501,870	-	-	-	-	2,501,870
Change in net position	(3,097,892)	-	(386,514)	(3,124,753)	(241,399)	691,299	(25,858)	(273,410)	(6,458,527)
Total net position - beginning (deficit)	96,174,211	-	7,122,868	19,927,391	3,433,175	6,758,216	(2,514,013)	80,983	130,982,831
Transfers			(1,493,035)	1,493,035					-
Total net position - ending (deficit)	\$ 93,076,319	\$ -	\$ 5,243,319	\$ 18,295,673	\$ 3,191,776	\$ 7,449,515	\$ (2,539,871)	\$ (192,427)	\$ 124,524,304

ESSEX COUNTY COLLEGE

SCHEDULE OF NET POSITION

BOOKSTORE, CONCESSIONS AND GYM

SUPPLEMENTARY INFORMATION

June 30, 2014

	<u>Bookstore</u>	<u>Concessions and Gym</u>	<u>Totals</u>
Assets			
Current assets:			
Unrestricted cash and equivalents	\$ 1,650	\$ -	\$ 1,650
Accounts receivable, net	42,494	-	42,494
Inventories	1,624,094	15,937	1,640,031
Internal balances	<u>5,963,735</u>	<u>(2,553,083)</u>	<u>3,410,652</u>
Total assets	<u>7,631,973</u>	<u>(2,537,146)</u>	<u>5,094,827</u>
Liabilities			
Current liabilities:			
Accounts payable	10,757	1,472	12,229
Accrued payroll	580	-	580
Other liabilities	<u>171,121</u>	<u>1,253</u>	<u>172,374</u>
Total liabilities	<u>182,458</u>	<u>2,725</u>	<u>185,183</u>
Net position			
Unrestricted (deficit)	<u>7,449,515</u>	<u>(2,539,871)</u>	<u>4,909,644</u>
Total net position (deficit)	<u>\$ 7,449,515</u>	<u>\$ (2,539,871)</u>	<u>\$ 4,909,644</u>

ESSEX COUNTY COLLEGE

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

BOOKSTORE, CONCESSIONS AND GYM

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

	<u>Bookstore</u>	<u>Concessions and Gym</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 5,275,549	\$ 56,998	\$ 5,332,547
Other revenues	<u>3,303</u>	<u>-</u>	<u>3,303</u>
Total operating revenues	5,278,852	56,998	5,335,850
Operating expenses:			
Cost of goods sold	3,999,036	9,360	4,008,396
Salaries	348,930	59,473	408,403
Employee benefits	104,297	13,334	117,631
General supplies and materials	-	689	689
Other direct expenses	<u>135,290</u>	<u>-</u>	<u>135,290</u>
Total operating expenses	<u>4,587,553</u>	<u>82,856</u>	<u>4,670,409</u>
Change in net position	691,299	(25,858)	665,441
Total net position (deficit), beginning of year	<u>6,758,216</u>	<u>(2,514,013)</u>	<u>4,244,203</u>
Total net position (deficit), end of year	<u>\$ 7,449,515</u>	<u>\$ (2,539,871)</u>	<u>\$ 4,909,644</u>

ESSEX COUNTY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

Funding Source/Federal Contract No./Program	Federal CFDA Number	Pass - Through Entity Identifying Number	Grant Period	Total 2014 Reported Expenditures
Direct Awards				
United States Department of Education:				
Student Financial Assistance Cluster:				
Federal Work-Study Program - P033A002560	84.033	N/A	07/01/13 - 06/30/14	\$ 480,105
Federal Pell Grant Program - P063P002345	84.063	N/A	07/01/13 - 06/30/14	32,630,715
Federal Supplemental Educational Opportunity Grants - P007A002560	84.007	N/A	07/01/13 - 06/30/14	250,000
Total Student Financial Assistance Cluster				<u>33,360,820</u>
Trio - Cluster:				
Student Support Services - P - 042A101094-12	84.042	N/A	09/01/12 - 08/31/13	63,028
Student Support Services - P - 042A101094-13	84.042	N/A	09/01/13 - 08/31/14	334,042
Total Trio - Cluster				<u>397,070</u>
PBI Grant - P031P110026-13	84.031P	N/A	10/01/13 - 09/28/14	174,884
PBI Grant - P031P110026-12	84.031P	N/A	10/01/12 - 09/28/13	54,171
Total United States Department of Education				<u>33,986,945</u>
United States National Science Foundation:				
Research and Development Cluster:				
Garden State - Louis Stokes Alliance for Minority Participation Grant - HRD-0902132-12	47.076	N/A	07/01/12 - 06/30/15	43,827
Total National Science Foundation				<u>43,827</u>
Total Direct Awards				<u>34,030,772</u>
Pass - Through Programs:				
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 - 09/30/14	60,832
Leveraging, Integrating, Networking & Coordinating Supplies	17.282	216000928	10/01/13 - 09/30/14	6,542
Total New Jersey Department of Labor & Workforce Development				<u>67,374</u>
United States Department of Education - Passed Through				
New Jersey Department of Education:				
Carl Perkins Voc. Ed. Grant - PKPP7130-14	84.048A	216000928	07/01/13 - 06/30/14	701,675
Adult Basic Education:				
DOL ABE Grant Level I & II - ABS-FY14006	84.002	216000928	07/01/13 - 06/30/14	2,407,952
DOL ABE Grant Level III - ABS-FY14006	84.002	216000928	07/01/13 - 06/30/14	13,572
Total Adult Basic Education				<u>2,421,524</u>
United States Department of Agriculture - Passed Through				
New Jersey Commission on Higher Education:				
Day Care Center - Child Care Food program - 03-14-160	10.558	216000928	07/01/13 - 06/30/14	57,873
United States Department of Health and Human Services - Passed Through				
New Jersey Department of Human Services:				
Child Development Center - CC10129	93.667	216000928	07/01/13 - 06/30/14	195,022
United States Department of Health and Human Services - Passed Through				
Tidewater Community College:				
ARRA - Health Information Technology Consortium - 90CC0080/02-06	93.721	99CC0080/01	04/01/10 - 09/30/14	49,565
Total Pass-Through Programs				<u>3,493,033</u>
Total Federal Grant Expenditures				<u>\$ 37,523,805</u>

N/A - Not Applicable

ESSEX COUNTY COLLEGE

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

<u>Funding Source/State Contract No./Program</u>	<u>Grant Period</u>	<u>Grant Amount</u>	<u>Total 2014 Reported Expenditures</u>	<u>Total 2014 Cash Received</u>
State Student Financial Aid Cluster:				
Higher Education Student Assistance Authority:				
Tuition Aid Grant - 2237	07/01/13 - 06/30/14	\$ 6,227,294	\$ 6,227,294	\$ 6,227,294
Urban Scholars Program - 2237	07/01/13 - 06/30/14	9,500	9,500	9,500
NJ STARS	07/01/13 - 06/30/14	72,111	72,111	72,111
Total Higher Education Student Assistance Authority		<u>6,308,905</u>	<u>6,308,905</u>	<u>6,308,905</u>
New Jersey Commission on Higher Education:				
Educational Opportunity Fund - 2237	07/01/12 - 06/30/13	577,456		144,364
Educational Opportunity Fund - 2237	07/01/13 - 06/30/14	577,456	577,456	577,456
Educational Opportunity Fund Article III - 2237	07/01/13 - 06/30/14	967,507	967,507	967,507
Educational Opportunity Fund Article III - Summer	07/01/13 - 06/30/14	46,990	46,990	48,083
Total New Jersey Commission on Higher Education		<u>2,169,409</u>	<u>1,591,953</u>	<u>1,737,410</u>
Total State Student Financial Aid Cluster		<u>8,478,314</u>	<u>7,900,858</u>	<u>8,046,315</u>
New Jersey Commission on Higher Education:				
State Aid for College Assistance - 100-082-2155-015	07/01/13 - 06/30/14	11,785,886	11,785,886	11,785,886
College Access Grant - 100-074-2400-KKKK-6140-11CAC	07/01/12 - 06/30/13	7,500	-	3,750
College Readiness Now Grant	12/01/13 - 08/08/14	43,926	-	35,141
Total New Jersey Commission on Higher Education		<u>11,837,312</u>	<u>11,785,886</u>	<u>11,824,777</u>
New Jersey Department of Law and Public Safety:				
Law Enforcement Officers Training and Equipment Fund	04/25/10 - 10/31/14	71,395	34,616	-
Law Enforcement Officers Training and Equipment Fund	04/25/11 - 10/31/14	80,470	80,470	-
Law Enforcement Officers Training and Equipment Fund	04/25/12 - 10/31/14	79,630	31,441	-
Law Enforcement Officers Training and Equipment Fund	04/25/13 - 10/31/14	51,467	-	51,467
Total New Jersey Department of Law and Public Safety		<u>282,962</u>	<u>146,527</u>	<u>51,467</u>
New Jersey Department of Human Services:				
Division of Youth and Family Services - 12ANG-M	07/01/13 - 06/30/14	91,971	91,971	91,971
Total New Jersey Department of Human Services		<u>91,971</u>	<u>91,971</u>	<u>91,971</u>
New Jersey Department of Agriculture:				
Youth Enrichment Program Summer Food - 2012-07-1103	07/08/13 - 08/15/13	10,154	10,154	10,154
Total New Jersey Department of Agriculture		<u>10,154</u>	<u>10,154</u>	<u>10,154</u>
New Jersey Department of Labor and Workforce Development:				
Reemployment and Eligibility Assessments (REA) Grant	04/01/12 - 12/31/13	318,300	73,000	73,000
Literacy 4 Jersey Consortium Grant - L4J-FY13-004	01/01/13 - 12/31/14	154,600	11,378	105,300
Customized Training Grant - CT120251	03/13/12 - 03/13/14	146,519	25,748	-
Total New Jersey Department of Vocational Rehabilitation		<u>619,419</u>	<u>110,126</u>	<u>178,300</u>
New Jersey Department of Treasury:				
Alternate Benefit Program	07/01/13 - 06/30/14	1,421,847	1,421,847	1,013,018
Total New Jersey Department of Treasury		<u>1,421,847</u>	<u>1,421,847</u>	<u>1,013,018</u>
New Jersey Division of Highway Traffic Safety:				
CTSP Grant	01/01/13 - 12/31/13	8,608	7,860	-
CTSP Grant	10/01/13 - 09/30/14	75,600	46,704	26,738
Total New Jersey Division of Highway Traffic Safety		<u>83,608</u>	<u>54,564</u>	<u>26,738</u>
Total State Grant Expenditures		<u>\$ 22,825,587</u>	<u>\$ 21,521,933</u>	<u>\$ 21,242,740</u>

Essex County College

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

June 30, 2014

1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the federal and state grant activity of Essex County College (the "College") and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *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) Circular A-21, Cost Principles for Educational Institutions. Under those cost principles, 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, 2014, the State of New Jersey, Department of Treasury made payments on behalf of the College to the Alternate Benefit Program of \$1,421,847. 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, 2014. The June 30, 2014 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of state financial assistance.

4. Contingencies

The State of New Jersey's Department of Education, Office of Fiscal Accountability and Compliance ("OFAC") recently completed a fiscal audit of the College's Carl D. Perkins Grant pertaining to the 2011-2012 program year. The OFAC issued a report dated March 19, 2015 which included total disallowed costs related to the 2011-2012 program year of \$312,175. This amount has been recorded as an account payable in the accompanying financial statements. Due to the fiscal audit performed for the 2011-2012 program year, there is a possibility that the State could perform an additional review of the 2012-2013 program year. Management is not aware of any current audit being performed related to the 2012-2013 program year and as a result, are unable to determine the impact, if any, of any subsequent desk reviews on the financial statements for the year ended June 30, 2013. The OFAC is currently performing a program review of the 2013-2014 program year which could result in additional questioned costs. If additional questioned costs are identified, the College has the ability to appeal.

**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

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"), which comprise the statements of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and have issued our report thereon dated April 13, 2015.

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 College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

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

Purpose of this Report

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



WISS & COMPANY, LLP

Iselin, New Jersey
April 13, 2015

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

Independent Auditors' Report

The Board of Trustees
Essex County College

Report on Compliance for Each Major Federal and State Program

We have audited Essex County College's (the "College") compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* and New Jersey OMB *State Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and State of New Jersey ("state") programs for the year ended June 30, 2014. The College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of New Jersey Department of Treasury's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Basis for Qualified Opinion on Carl Perkins Vocational Education Grant

As described in the accompanying schedule of findings and questioned costs, the College did not comply with requirements regarding CFDA 84.048A Carl Perkins Vocational Education Grant as described in finding number 2014-001 for Level of Effort. Compliance with such requirements is necessary, in our opinion, for the College to comply with the requirements applicable to that program.

Qualified Opinion on Carl Perkins Vocational Education Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Carl Perkins Vocational Education Grant program for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal and State Programs

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 other major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matter

The College's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133 and New Jersey OMB Circular 04-04, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

The College's response to the internal control over compliance 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 compliance, and, accordingly, we express no opinion on the response.

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 OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purposes.



WISS & COMPANY, LLP

Iselin, New Jersey
April 13, 2015

Essex County College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Part I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified? Yes X None reported

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? X Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Cluster:
84.033	Federal Work-Study Program (FWS)
84.063	Federal Pell Grant Program (PELL)
84.007	Supplemental Educational Opportunity Grant (SEOG)
84.048A	Carl Perkins Vocational Education Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$1,125,714

Auditee qualified as low-risk auditee? X Yes No

Essex County College
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Part I - Summary of Auditors' Results (continued)

State Awards

Internal control over major programs:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs: Unmodified for state programs

Any audit findings disclosed that are required to be reported in accordance with New Jersey OMB Circular 04-04? ☐ Yes ☒ No

Identification of major programs:

GMIS/State Grant Number	Name of State Program or Cluster
100-082-2155-015	State Aid for College Assistance - New Jersey Commission on Higher Education
100-082-2155-017	Alternate Benefit Program - New Jersey Department of Treasury

Dollar threshold used to distinguish between Type A and Type B programs: \$645,657

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Essex County College
Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2014

Part II – Schedule of Financial Statement Findings

None reported.

Essex County College
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

Part III – Schedule of Federal and State Award Findings

Material Weakness/Material Noncompliance (Qualified Opinion)

2014-001 Level of Effort – Use of Federal program funds to supplant funds from non-Federal sources

Federal Programs:

U.S. Department of Education passed through the State Department of Education
Carl Perkins Vocational Education Grant (84.048A)

State of New Jersey Programs:

None

Criteria: In accordance with Section 311(a) of Perkins IV (20 USC 2391(a), the College may use funds for career and technical education activities that shall supplement, and shall not supplant, non-Federal funds expended to carry out career and technical education activities and tech-prep activities.

Statement of Condition: The College used Perkins funds to provide services for participating students that the College provided with non-Federal funds for nonparticipating students. In addition, the College had a deficiency in internal controls in that it was unable to prevent or detect the supplanting of funds.

Questioned Costs: \$325,031.55. This amount was determined by totaling all the expenditures that were deemed to have benefited the general population of the College in the same manner as career and technical education students for whom the expenditures were intended to benefit. The expenditures questioned relate to the following:

- Integration of Patient Simulations - \$6,700.00
- Media Production Technology - \$193,735.90
- Tutorial Support - \$46,570.28
- Bilingual Studies - \$25,297.93
- Student Development and Counseling - \$52,727.44

Context: During our testing of Perkins Level of Effort requirements, we identified instances where the College expended funds that were deemed not to have a direct effect on the improvement of career and technical education programs. These expenditures were deemed to have benefited the general population of the College in the same manner as career and technical education students for whom the expenditures were intended to benefit. Further, the College used Perkins IV funds to provide services and purchase equipment provided with non-Federal funds

for non-career and technical education students but charged to Perkins IV funds for career and technical education students.

Cause and Effect: Violations of grant requirements could lead to a potential reduction in funding or return of questioned costs.

Recommendation: We suggest management of the College implement procedures to ensure that program expenditures for the Perkins program are made in accordance with Section 311(a) of Perkins IV (20 USC 2391(a)). In addition, management of the College should implement procedures to ensure that expenditures be made only for the direct benefit of the development of career, technical, vocational, and academic skills of CTE students. We also suggest the College develop a Perkins grant procedural manual to ensure that applicable compliance requirements are adhered to. In addition, when preparing the annual application and budget related to the Perkins program, we suggest the College provide more explanatory language as to how the funds are intended to be used to ensure the State has an understanding for its approval process.

Views of Responsible Officials and Planned Corrective Action: Beginning with its FY2015 Perkins Grant Proposal, the College has provided clear and detailed programmatic and fiscal explanations in order to comply with State and Federal regulations as well as the State approval process. Also, the College has developed and implemented a Financial Grant Procedures Manual to ensure that program expenditures for the Perkins program are made in accordance with Section 311(a) of the Perkins IV (20 USC 2391(a)) to ensure that expenditures are made only for the direct benefit of the development of career, technical, vocational, and academic skills of CTE students. In addition, the College has requested technical and fiscal training by the State for its FY2015 and future proposals.

Essex County College
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2014

Not applicable.