

The County College of Monmouth



BROOKDALE



Report on Financial Statement Audit

Fiscal Year Ended June 30, 2018

Through the Corncrib (Photo by Kevin Burkitt)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2018

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BROOKDALE COMMUNITY COLLEGE
(A Component Unity of the County of Monmouth)

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Honorable President and
Members of the Board of Trustees of
Brookdale Community College
Lincroft, New Jersey

Report on Financial Statements

We have audited the accompanying financial statements of Brookdale Community College (a component unit of the County of Monmouth) (the "College"), which comprise the statements of net position as of June 30, 2018, the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the financial statements of the Brookdale Community College Foundation as of June 30, 2018 and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended. Our responsibility is to express an opinion on the financial statements based on our audit.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the College as of June 30, 2018 and the changes in net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 10 to the financial statements, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for fiscal year 2018. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information as listed 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the College, taken as a whole. The Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State of New Jersey Awards as listed in the table of contents be presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and State of New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* is not a required part of the basic financial statements. Both schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

March 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis
For the fiscal years ended June 30, 2018 and 2017

Management's Discussion and Analysis ("MD&A") presents the financial performance of Brookdale Community College (the "College") during the fiscal year ended June 30, 2018. This MD&A will provide various financial analyses comparing fiscal year 2018 to fiscal year 2017.

Enrollment

The College enrollment is comprised of credit and noncredit full-time equated students ("FTEs"). A full-time equated student represents a student or combination of students taking 30 credits.

	<u>2018</u>	<u>2017</u>	<u>Change 2017-2018</u>
Credit FTEs	8,929	9,236	(307)
Noncredit FTEs	<u>488</u>	<u>561</u>	<u>(73)</u>
Total FTEs	<u><u>9,417</u></u>	<u><u>9,797</u></u>	<u><u>(380)</u></u>

Full-time equated enrollment for credit and noncredit enrollment in fiscal year 2018 was 9,417, compared to fiscal year 2017 FTE enrollment of 9,797. This represents a 3.9 percent decrease.

- Credit enrollment decreased from 9,236 FTEs in fiscal year 2017 to 8,929 FTEs in fiscal year 2018, which represents a 3.3 percent decrease.
- Noncredit enrollment decreased from 561 FTEs in fiscal year 2017 to 488 FTEs in fiscal year 2018, which represents a 13.0 percent decrease.
- Credit enrollment decreases followed a national trend across the higher education sector.

General Financial Information

The College's basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The financial statements are prepared in accordance with the accounting principles established by the Governmental Accounting Standards Board ("GASB").

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2018 and 2017

Financial Highlights

Condensed Schedule of Net Position

The following represents assets, liabilities and net position of the College as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>	<u>Change 2017-2018</u>
Current assets	\$ 15,731,642	14,551,340	1,180,302
Noncurrent assets:			
Capital assets	<u>160,095,135</u>	<u>162,711,079</u>	<u>(2,615,944)</u>
Total assets	<u>\$ 175,826,777</u>	<u>177,262,419</u>	<u>(1,435,642)</u>
Deferred outflow of resources	<u>\$ 14,447,374</u>	<u>20,342,437</u>	<u>(5,895,063)</u>
Current liabilities	\$ 13,401,945	14,198,962	(797,017)
Noncurrent liabilities	<u>80,375,544</u>	<u>98,783,421</u>	<u>(18,407,877)</u>
Total liabilities	<u>\$ 93,777,489</u>	<u>112,982,383</u>	<u>(19,204,894)</u>
Deferred inflows of resources	<u>\$ 16,210,117</u>	<u>6,385,305</u>	<u>9,824,812</u>
Net position:			
Net investment in capital assets	\$ 122,888,708	123,808,316	(919,608)
Restricted	708,533	1,193,330	(484,797)
Unrestricted	<u>(43,310,695)</u>	<u>(46,764,478)</u>	<u>3,453,783</u>
Total net position	<u>\$ 80,286,546</u>	<u>78,237,168</u>	<u>2,049,378</u>

The increase in current assets of \$1,180,302 is due to the following:

- An increase in cash and equivalents of \$4,750,813.
- A decrease in accounts receivable of \$2,351,528 due to a decrease in State and County receivables.
- A decrease in deposits held by trustee of \$484,797 mainly due to assets held by trustees under the Equipment Leasing Fund ("ELF") and the Higher Education Technology Improvement ("HETI") agreements with New Jersey Educational Facilities Authority being expended on technology projects.
- A decrease in inventory of \$623,643 due to the sale and liquidation of the bookstore inventory according to the "Bookstore Operating Agreement Between Brookdale Community College and Follett Higher Education Group, Inc." dated May 24, 2018.
- A decrease in prepaid expenses of \$110,543.

Net capital assets decreased by \$2,615,944, due to capital asset additions net of retirements of \$3,752,625 less net change in accumulated depreciation of \$6,368,568.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2018 and 2017

Financial Highlights – Continued

Condensed Schedule of Net Position – Continued

Deferred outflows of resources decreased \$5,895,063 due to a decrease in net pension liability of \$5,723,232 and deferred loss on bond refinancing of \$171,831.

The decrease in current liabilities of \$797,017 is due to the following:

- Accounts payable and accrued expenses decreased \$308,143.
- Unearned student tuition and fees decreased \$441,526.
- Unearned grant revenue decreased \$18,089.
- Current portion of long-term debt decreased \$29,259.

Non-current liabilities decreased \$18,407,877 due to the following:

- Long-term debt decreased \$1,838,908. The College made bond principal payments totaling \$1,729,256 and amortized bond premium of \$138,910.
- Net pension liability decreased \$16,568,969 representing the net pension liability allocated to Brookdale Community College in the State of New Jersey Public Employees' Retirement System and State of New Jersey Police and Firemen's Retirement System audit reports.

Capital Asset Activity

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	<u>2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>
Land	\$ 5,882,462	-	-	-
Construction in progress	16,810,468	-	-	(16,810,468)
Buildings and improvements	240,028,553	3,500,357	-	16,810,468
Furniture and equipment	13,120,242	317,178	(64,910)	-
Total	<u>275,841,725</u>	<u>3,817,535</u>	<u>(64,910)</u>	<u>-</u>
Less accumulated depreciation	<u>(113,130,647)</u>	<u>(6,419,320)</u>	<u>50,752</u>	<u>-</u>
Capital assets, net	<u>\$ 162,711,078</u>	<u>(2,601,785)</u>	<u>(14,158)</u>	<u>-</u>

As a best practice, the College contracts with a third-party firm to conduct an independent physical inventory of all College assets every 5 years, and as such conducted a physical inventory during 2016.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2018 and 2017

Summary of Revenues, Expenses, and Changes in Net Position

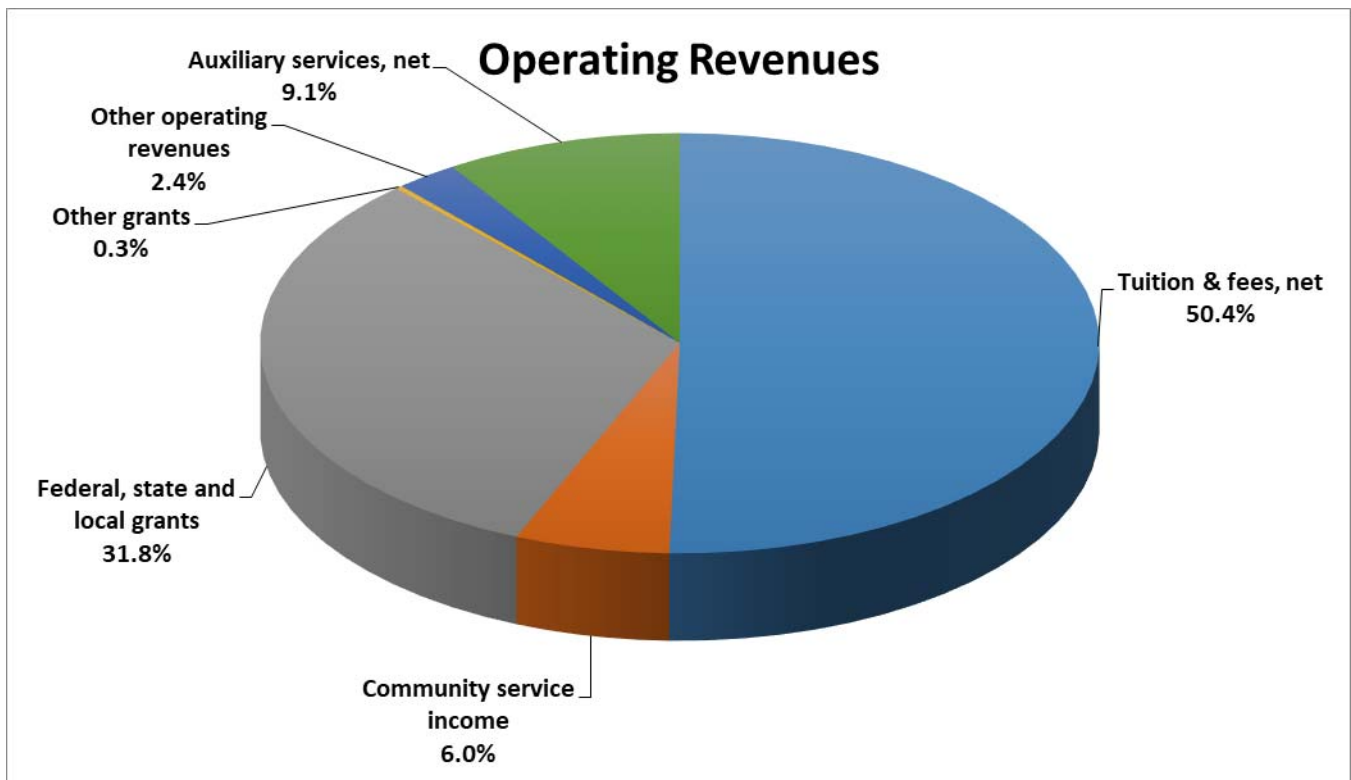
The College receives revenue from three main sources: student tuition and fees, state aid, and county support. The balance of revenue is from miscellaneous sources, which include Continuing Professional Services, grants and Auxiliary services (bookstore, dining & events).

	<u>2018</u>	<u>2017</u>	<u>Change 2017-2018</u>
Operating revenues:			
Tuition, net	\$ 21,259,259	22,732,966	(1,473,707)
Fees	4,547,313	5,918,816	(1,371,503)
Chargebacks to other counties	265,960	256,750	9,210
Community service income	3,084,201	3,007,892	76,309
Federal, state and local grants	16,831,794	15,039,477	1,792,317
Other grants	149,842	158,642	(8,800)
Other operating revenues	1,251,857	754,635	497,222
Auxiliary services, net	4,728,486	5,273,405	(544,919)
Total operating revenues	52,118,712	53,142,583	(1,023,871)
Operating expenses	101,932,636	104,163,737	2,231,101
Operating loss	(49,813,924)	(51,021,154)	1,207,230
Nonoperating revenues (expenses):			
State appropriations	10,325,921	10,414,993	(89,072)
Local appropriations	20,027,019	20,027,019	-
Pell Grants	14,233,433	13,210,632	1,022,801
Other nonoperating revenues	6,059,385	3,692,306	2,367,079
Other nonoperating expenses	(352,889)	(104,515)	(248,374)
Interest expense	(1,570,672)	(1,650,441)	79,769
Net nonoperating revenues	48,722,197	45,589,994	3,132,203
Loss before other revenues	(1,091,727)	(5,431,160)	4,339,433
Other revenues:			
Capital appropriations	3,141,105	14,630,542	(11,489,437)
Increase in net position	2,049,378	9,199,382	(7,150,004)
Net position as of beginning of year	78,237,168	69,037,786	9,199,382
Net position as of end of year	\$ 80,286,546	78,237,168	2,049,378

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2018 and 2017

Revenues

The College charged \$135.00 and \$129.75 per student credit hour ("SCH") to a maximum of \$2,025.00 and \$1,946.25 per term in fiscal years 2018 and 2017, respectively. In addition, the College charged a General Service Fee of 25% and 24% of tuition, or \$33.75 and \$31.14 per student credit hour to a maximum of \$506.25 and \$467.10, respectively during the same periods. Those fees helped fund technology enhancements, student life and activities, capital improvements and debt service obligations.



Net tuition, fee, and chargeback revenue decreased \$2,836,000. A 4.7% increase in tuition and fee rates were offset by a 3.3% decline in FTE enrollment resulting in a decrease in revenue of \$1,464,497. In addition, scholarship allowances increased \$1,420,362.

The College's Auxiliary Services revenue, (Bookstore, Event Management and Dining Services) decreased \$156,135, a direct correlation to the decrease in enrollment.

Nonoperating revenues

State aid decreased by \$89,072 due to a reallocation of funding to the 19 community colleges based on audited FY17 enrollment data.

Total County aid of \$20,027,019 remained unchanged from 2017 to 2018.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2018 and 2017

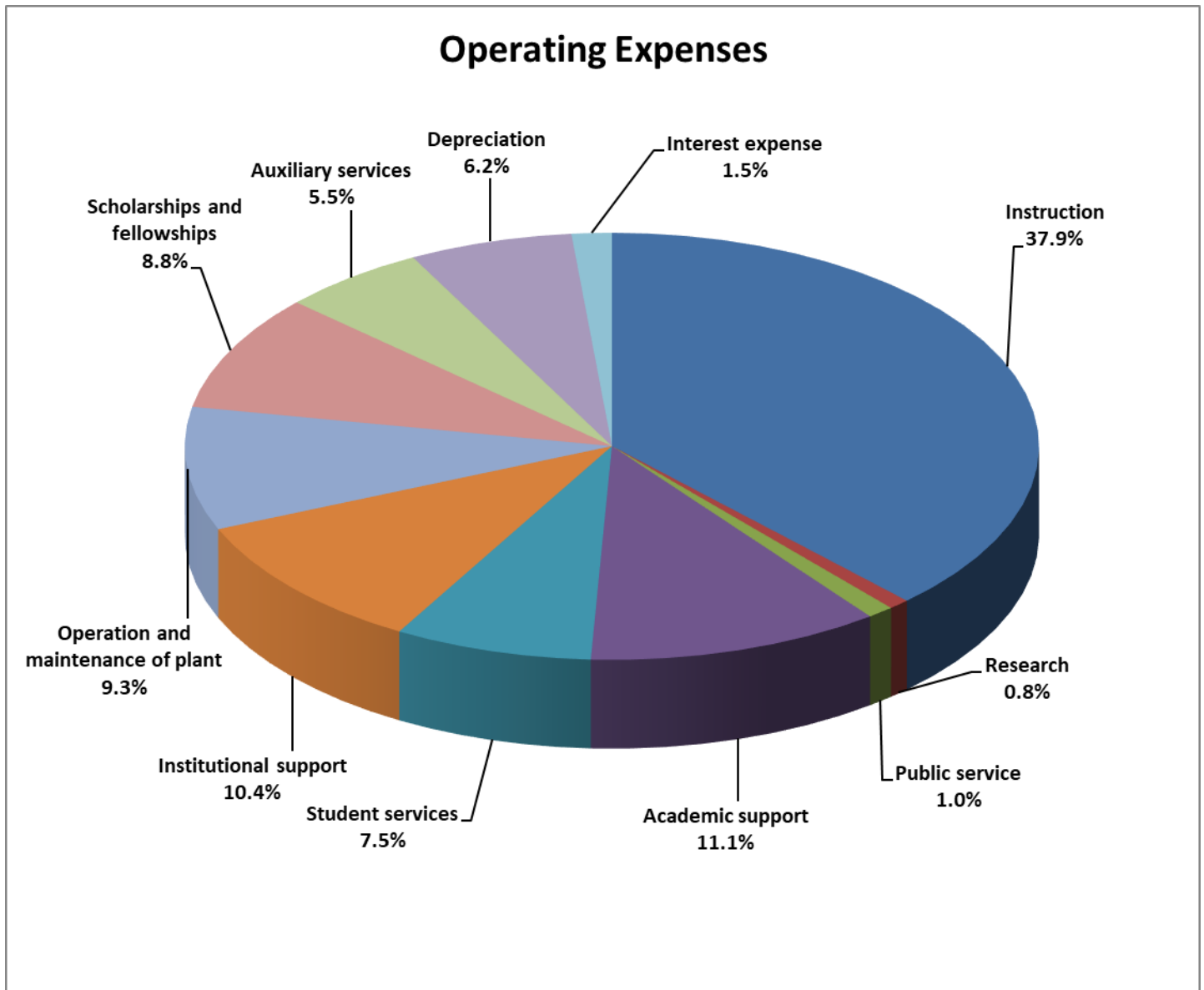
Expenses

Operating expenses are those expenses paid by the College to acquire or produce goods and services to fulfill its mission. Naturally, the majority of expenses were integral to the College's core mission – student success. The College had total operating and interest expense of \$103,503,308 in FY18 compared to \$105,814,178 in FY17. The operating expenses of the College by functional classification for the years ended June 2018 and 2017 were:

	<u>2018</u>	<u>2017</u>	<u>Change 2017-2018</u>
Operating expenses:			
Instruction	\$ 39,203,721	\$ 41,493,143	\$ 2,289,422
Research	822,961	1,039,731	216,770
Public service	1,041,138	775,640	(265,498)
Academic support	11,498,779	11,351,283	(147,496)
Student services	7,761,263	7,881,811	120,548
Institutional support	10,717,361	11,855,075	1,137,714
Operation and maintenance of plant	9,635,343	9,445,969	(189,374)
Scholarships and fellowships	9,121,701	8,092,859	(1,028,842)
Auxiliary services	5,711,049	5,867,184	156,135
Depreciation	<u>6,419,320</u>	<u>6,361,042</u>	<u>(58,278)</u>
Total operating expenses	101,932,636	104,163,737	2,231,101
Interest expense	<u>1,570,672</u>	<u>1,650,441</u>	<u>79,769</u>
Total operating and interest expenses	<u><u>\$ 103,503,308</u></u>	<u><u>\$ 105,814,178</u></u>	<u><u>\$ 2,310,870</u></u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2018 and 2017

Expenses – Continued



Operating and interest expense in fiscal year 2018 decreased \$2,310,870 from fiscal year 2017. The decrease is the result of the College's continued focus on expenditures reduction in an effort to minimize reliance on self-funding the annual budget. The most significant contributor to the decrease in operating expenses was personnel costs attributable to attrition. Decisions not to fill or to delay hiring for open positions created by retirements and resignations resulted in lower salaries expense offset by increases to the cost of health care and other benefit obligations.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis - Continued
For the fiscal years ended June 30, 2018 and 2017

Summary of Net Position

The following table provides a summary of the net position of the College as of June 30, 2018 compared to June 30, 2017:

	<u>2018</u>	<u>2017</u>	<u>Change 2017-2018</u>
Net position:			
Unrestricted	\$ 3,321,162	\$ 888,305	\$ 2,432,857
Restricted	708,533	1,193,330	(484,797)
Impact of GASB 68	(46,631,857)	(47,652,783)	1,020,926
	<u>(42,602,162)</u>	<u>(45,571,148)</u>	<u>2,968,986</u>
 Net investment in capital assets	 <u>122,888,708</u>	 <u>123,808,316</u>	 <u>(919,608)</u>
 Total net position	 <u><u>\$ 80,286,546</u></u>	 <u><u>\$ 78,237,168</u></u>	 <u><u>\$ 2,049,378</u></u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)

Statement of Net Position

As of June 30, 2018

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Statement of Net Position
As of June 30, 2018

Assets	Brookdale Community College	Brookdale Community College Foundation
Current assets:		
Cash and equivalents (notes 2 and 3)	\$ 10,484,880	760,378
Accounts receivable, net of allowance of \$1,173,908 (note 4)	4,123,373	102,223
Deposits held by trustees (note 3)	708,533	—
Prepaid expenses	414,856	4,736
Total current assets	15,731,642	867,337
Noncurrent assets:		
Endowment investments (note 3)	—	5,725,671
Capital assets, net of accumulated depreciation of \$119,499,215 (note 6)	160,095,135	—
Total noncurrent assets	160,095,135	5,725,671
Total assets	175,826,777	6,593,008
Deferred Outflows of Resources		
Related to pensions	11,439,206	—
Deferred loss on bond refinancing (note 7)	3,008,168	—
	14,447,374	—
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (notes 5 and 9)	9,172,803	28,634
Unearned student tuition and fees	2,427,658	—
Unearned grant revenue	101,486	—
Long-term debt, current portion (note 7)	1,699,997	—
Total current liabilities	13,401,944	28,634
Noncurrent liabilities:		
Long-term debt, net of current portion (note 7)	38,514,598	—
Net pension liability	41,860,946	—
Total noncurrent liabilities	80,375,544	—
Total liabilities	93,777,488	28,634
Deferred Inflows of Resources		
Related to pensions	16,210,117	—
Net Position		
Net investment in capital assets	122,888,708	—
Restricted:		
Nonexpendable:		
Scholarships	—	1,238,562
Library	—	994,975
Expendable:		
Capital	708,533	—
Scholarships	—	3,146,554
Unrestricted (note 8)	(43,310,695)	1,184,283
Total net position	\$ 80,286,546	6,564,374

See accompanying notes to financial statements.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Statements of Revenues, Expenses, and Changes in Net Position
For the fiscal year ended June 30, 2018

	Brookdale Community College	Brookdale Community College Foundation
Operating revenues:		
Student revenues:		
Tuition, net of scholarship allowances of \$17,368,919	\$ 21,259,259	—
Chargebacks to other counties	265,960	—
	<u>21,525,219</u>	<u>—</u>
Auxiliary services, net of scholarships of \$992,893	4,728,486	—
Fees	4,547,313	—
Net student revenues	30,801,018	—
Community service income	3,084,201	—
Federal grants	12,031,281	—
State grants	4,053,302	—
Local grants	747,211	—
Other grants	149,842	—
Special events	—	296,712
Other operating revenues	1,251,857	—
Total operating revenues	<u>52,118,712</u>	<u>296,712</u>
Operating expenses:		
Instruction	39,203,721	—
Research	822,961	—
Public service	1,041,138	—
Academic support	11,498,779	—
Student services	7,761,263	—
Institutional support	10,717,361	236,815
Operation and maintenance of plant	9,635,343	—
Scholarships and fellowships	9,121,701	826,205
Auxiliary services	5,711,049	—
Depreciation	6,419,320	—
Total operating expenses	<u>101,932,636</u>	<u>1,063,020</u>
Operating loss	<u>(49,813,924)</u>	<u>(766,308)</u>
Nonoperating revenues (expenses):		
State appropriations	10,325,921	—
Local appropriations	20,027,019	—
Pell Grants	14,233,433	—
Contributions	—	571,427
Investment income	—	381,222
Other nonoperating revenues	6,059,385	—
Other nonoperating expenses	(352,889)	—
Interest expense	(1,570,672)	—
On-behalf payments - other post-employment benefits:		
Revenues	10,089,697	—
Expenses	(10,089,697)	—
On-behalf payments - alternate benefit program:		
Revenues	2,010,258	—
Expenses	(2,010,258)	—
On-behalf payments - police & firemen's retirement system:		
Revenues	73,321	—
Expenses	(73,321)	—
Net nonoperating revenues	<u>48,722,197</u>	<u>952,649</u>
Increase (decrease) in net position	<u>(1,091,727)</u>	<u>186,341</u>
Other Revenues		
Capital appropriations	3,141,105	—
Increase in net position	2,049,378	186,341
Net position as of beginning of year	78,237,168	6,378,033
Net position as of end of year	<u>\$ 80,286,546</u>	<u>6,564,374</u>

See accompanying notes to financial statements.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Statement of Cash Flows
For the fiscal year ended June 30, 2018

	Brookdale Community College
Cash flows from operating activities:	
Student tuition and fees (including chargebacks to other counties)	\$ 25,721,043
Noncredit revenue	3,014,058
Grants and contracts	16,423,849
Grant payments	(31,215,069)
Payments to suppliers	(5,863,635)
Payments to employees	(45,658,455)
Payments for scholarships and fellowships	(8,128,808)
Auxiliary services:	
Bookstore and dining services receipts	4,306,531
Bookstore and dining services payments	(3,985,937)
Other auxiliary services payments	(1,714,583)
Other operating receipts	1,251,856
Net cash used in operating activities	(45,849,150)
Cash flows from noncapital financing activities:	
State appropriations	10,325,921
Local appropriations	20,027,019
Pell Grants	14,400,380
Contributions	5,706,496
Net cash provided by noncapital financing activities	50,459,816
Cash flows from capital financing activities:	
Payments on capital debt	(1,696,336)
Capital appropriations	6,602,633
Interest paid on capital debt	(1,602,371)
Purchases of capital assets	(3,648,576)
Net cash used in capital financing activities	(344,650)
Cash flows from investing activities:	
Net increase in cash and equivalents	4,266,016
Cash and equivalents as of beginning of year	6,927,397
Cash and equivalents as of end of year	\$ 11,193,413
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (49,813,924)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	6,419,320
Bad debt expense	135,948
Net pension expense	(1,020,926)
Changes in assets and liabilities:	
Grants and other receivables	(1,412,895)
Inventories	623,643
Prepaid expenses	110,543
Accounts payable and accrued expenses	(431,244)
Unearned student tuition and fees	(441,526)
Unearned grant revenue	(18,089)
Net cash used in operating activities	\$ (45,849,150)

See accompanying notes to financial statements.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2018

(1) Organization

Brookdale Community College (the “College”) was established in 1967 as a unit of the New Jersey Master Plan for Higher Education and became part of a statewide network of 19 county colleges. The College offers pre-baccalaureate preparation (A.S. and A.A. degrees) as well as programs and certificates which are designed to prepare students for employment (A.A.S. degrees). The College also maintains a comprehensive Continuing and Professional Studies operation which provides lifelong learning opportunities to the citizens and businesses of the County of Monmouth (the “County”). The College opened its doors to students on September 29, 1969.

The work of the College is centered on the main campus in Lincroft, New Jersey, on the site of the former Brookdale Farm. The main campus is spread across more than 200 acres of woodlands and rolling hills and includes 27 buildings comprised of classrooms, library, theatre/auditorium, student center, bookstore, sports arena, dining facilities, administrative offices, maintenance shop, and the Monmouth Museum.

The College also operates the Brookdale at Freehold Campus and Brookdale at Wall Campus, as well as three Higher Education Centers located throughout the County in Neptune, Long Branch, and Hazlet. Offerings at these sites include GED preparation, Adult Basic Education, English as a Second Language, and a variety of credit courses. Additionally, the College has developed unique partnerships with four-year institutions to offer Brookdale students the ability to earn associate, bachelor and master’s degrees at Brookdale locations.

(2) Summary of Significant Accounting Policies

Component Unit

The College organized Brookdale Community College Foundation (the “Foundation”), a legally separate component unit, in 1973, under the laws of the State of New Jersey, for the sole benefit of the College, faculty, and students. The purpose of the Foundation is to receive, hold, invest, administer, encourage, and solicit contributions from the general public for the benefit of the College. The Foundation’s efforts benefit the College in the undertaking of projects which foster and promote educational philosophy, mission and goals of the College; in providing funds for the development of curriculum and education media; and in the creation of scholarships. The financial statements of the Foundation are presented discretely in the College’s financial statements because of the nature and significance of its relationship with the College, including its ongoing financial support of the College. Copies of the Foundation’s financial statements can be obtained by writing to Brookdale Community College Foundation, Lincroft, New Jersey.

Deferred Outflows and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred inflows of resources and deferred outflows of resources. Deferred outflows of resources, reported after Total Assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reports after Total Liabilities, represents an increase of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(2) Summary of Significant Accounting Policies (continued)

Deferred Outflows and Deferred Inflows of Resources (continued)

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board ("GASB") standards. The College is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the College's proportion of expenses and liabilities to the pension as a whole, differences between the College's pension contribution and its proportionate share of contributions, and the College's pension contributions subsequent to the pension valuation measurement date.

Deferred Loss on Bond Refinancing – In a transaction involving current refundings or advance refundings resulting in defeasance of debt, any difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized to interest expense over a period of time that is the shorter of the remaining life of the old debt or the life of the new debt.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and Police and Fire Retirement System ("PFRS") and additions to/deductions from PERS's and PFRS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Government Accounting Pronouncements

GASB Statement 83 – *Certain Asset Retirement Obligations* ("AROs") is effective for periods beginning after June 15, 2018. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be combined and shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management has not completed its review of the requirements of this standard and its applicability.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(2) Summary of Significant Accounting Policies (continued)

New Government Accounting Pronouncements (continued)

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Placements* is effective for years beginning after June 15, 2018. Implementation of this standard will require additional disclosures in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this standard and its applicability.

Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus in accordance with *Government Auditing Standards*. The College reports its financial statements as a business-type activity, as defined by GASB Statement 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(2) Summary of Significant Accounting Policies (continued)

Net Position

The College classifies its resources into three net position categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted:*
 - Nonexpendable* – Net position subject to externally-imposed stipulations that must be maintained permanently by the College.
 - Expendable* – Net position whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted* – Net position not subject to externally-imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position are 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.

Other

Other significant accounting policies followed in the preparation of the accompanying financial statements are outlined below:

- (a) Cash and equivalents consist of cash on deposit with banks and money market funds with original maturities of three months or less when purchased.
- (b) Investments are stated at fair value, which is based upon quoted market prices, and consist of certificates of deposit, equities, bonds and notes, and mutual funds. Interest, dividends and change in the fair value of investments consisting of both realized and unrealized gains or losses, are reported as investment income on the statements of revenues, expenses and changes in net position.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(2) Summary of Significant Accounting Policies (continued)

Other (continued)

- (c) Capital assets are recorded at historical cost and include land, buildings and building improvements and furniture and equipment over \$5,000. The costs of normal maintenance and repairs that do not add value to the asset are not capitalized. Major outlays for capital assets are capitalized as the projects are constructed and transferred to the appropriate asset category upon completion. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Useful Lives</u>
Buildings and building improvements	10 - 45 years
Furniture and equipment	5 - 10 years

- (d) The County is generally responsible for the issuance of certain bonds and notes for the College's capital expenditures which are financed by County bond ordinances; unexpended bond ordinances are available for capital expenditures in subsequent years. The County is also responsible for the payment of interest on this issued debt and the retirement of such obligations. Accordingly, this debt is reported in the financial statements of the County and is not included in the accompanying financial statements of the College. However, The Monmouth County Improvement Authority has issued Lease Revenue Bonds for which the College is responsible for future debt service payments (see Note 7).
- (e) Student tuition and fees and auxiliary services 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 period incurred. Student tuition and fees collected for courses that are held subsequent to fiscal year-end are recorded as unearned student tuition and fees in the accompanying statements of net position.
- (f) Grants receivable represent amounts awarded to, but not yet received by the College. Revenues are recognized as the grants are expended. Amounts received from grants which have not yet been earned under the terms of the agreements are recorded as unearned grant revenue in the accompanying statement of net position.
- (g) Revenue from State of New Jersey and the County appropriations is recognized in the fiscal years during which the State of New Jersey and the County appropriate the funds to the College.
- (h) Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts.
- (i) Auxiliary services expenses include direct and indirect administration and general costs related to their operations.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(2) Summary of Significant Accounting Policies (continued)

Other (continued)

- (j) Chargebacks to other counties represent the amount the College charges the counties in which out-of-county students reside for their portion of the College's operating expenses, as provided by the criteria and procedures specified in the Statement of Auditing and Accounting Standards for County Colleges recommended by the Council of County Colleges and for use by the Department of Treasury pursuant to New Jersey Statutes Annotated ("N.J.S.A.") 18A:64A-22 and 29.
- (k) The College receives appropriations from the State of New Jersey and the County. The College is economically dependent on these appropriations to carry on its operations. The College is considered as a component unit of the County.
- (l) Grants and contributions are recorded as unrestricted revenue or restricted net position depending on the absence or existence of any donor restrictions. Unconditional grants and contributions are recognized as revenue when the related promise to give is disclosed.
- (m) Donor-restricted grants and contributions whose restrictions are satisfied in the same period as funds are recognized are reported as unrestricted support in the statements of revenues, expenses and changes in net position.
- (n) The College's policy defines operating activities in the statements of revenues, expenses, and changes in net position as those that serve the College's principal purpose and generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary services and (3) most federal, state, and local grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State of New Jersey and the County, contributions and investment income. Interest expense is reported as a nonoperating expense.
- (o) The College is exempt from federal income taxes under Internal Revenue Code Section 115. The Foundation is an organization described under Section 501(c)(3) of the Internal Revenue Code ("Code") and therefore is exempt from federal income taxes under 501(a) of the Code.
- (p) 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 these estimates. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation and determining the net pension and OPEB liabilities.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(3) Cash and Equivalents and Investments

Cash and Equivalents

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned. Although the College does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies.

As of June 30, 2018, the College's and Foundation's combined bank balances of \$12,524,669 were insured, collateralized or uninsured as follows:

	<u>Brookdale Community College</u>	<u>Brookdale Community College Foundation</u>
Insured	\$ 250,000	\$ 250,000
Collateralized under GUDPA	11,414,549	-
Uninsured	<u>11,486</u>	<u>598,634</u>
	<u>\$ 11,676,035</u>	<u>\$ 848,634</u>

Deposits Held by Trustees

Deposits held by trustees represent assets held by trustees under the terms of various agreements with the New Jersey Educational Facilities Authority ("NJEFA"). Deposits held by trustees are carried in the financial statements at fair value and consist entirely of cash and equivalents. As of June 30, 2018, the College's deposits held by trustees are \$708,533.

Investments

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, or are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. The Foundation's investments for the fiscal year ended June 30, 2018 are \$5,725,671, in certificates of deposit, mutual funds, bonds and notes, and equities at various financial institutions.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(3) Cash and Equivalents and Investments (continued)

Investments *(continued)*

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, to mitigate this risk, most investments purchased have a maturity date of no more than one year. The Foundation monitors the investment maturities of bond investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. does not limit the investment types that County Colleges may purchase, and the College has no investment policy that limits its investment choices. The Foundation's investment policy establishes guidelines for permissible investments, which include certificates of deposits, mutual funds, equities and bonds.

Foreign Currency Credit Risk

As of June 30, 2018, the Foundation's exposure to foreign current risk is as follows:

<u>Investment</u>	<u>Currency</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Ontario Province	Canadian dollar	2/12/2021	\$ 20,526	A+
BP Capital Markets	Pound Sterling	5/4/2026	6,696	A-
Medtronic Global Holdings	European euro	4/1/2017	<u>6,817</u>	A
			<u>\$ 34,039</u>	

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(3) Cash and Equivalents and Investments (continued)

Investments *(continued)*

Concentration of Credit Risk

The College and the Foundation do not place a limit on the amount that may be invested in any one issuer. The risk categories for the bond fund holdings held by the Foundation as of June 30, 2018, are as follows:

<u>Investment rating*</u>	
AAA	\$ 364,876
AA+	131,407
AA	49,123
AA-	57,732
A+	70,027
A	66,018
A-	336,552
BBB+	205,402
BBB	132,679
BBB-	46,891
BB+	48,257
	<u>\$ 1,508,964</u>

*These ratings are determined by Standard & Poor's, a division of McGraw-Hill Companies, Inc. All ratings represent the opinions of the research provider and are disclaimed as not representations or guarantees of performance.

The Foundation investments as of June 30, 2018 are stated at fair value and consist of the following:

Investment Maturities (in years)

<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More</u>
Corporate bonds	\$ 991,934	56,119	526,998	228,283	180,534
Government bonds	369,299	13,012	253,079	-	103,208
Municipal bonds	113,692	-	59,020	14,598	40,074
Foreign bonds	34,039	-	9,900	24,139	-
	<u>1,508,964</u>	69,131	848,997	267,020	323,816

Other investments

Mutual funds	9,849
Preferred stock	132,203
Equities	<u>4,074,655</u>
	<u>\$ 5,725,671</u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(3) Cash and Equivalents and Investments (continued)

Investments (continued)

Foundation investment income for the year ended June 30, 2018 is as follows:

Dividends and investment income	\$ 120,038
Realized gain on investments	66,957
Unrealized gain on investments	213,429
Investment management fees	<u>(19,202)</u>
Total investment income	<u>\$ 381,222</u>

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

Common stocks, preferred stocks, equities, corporate bonds, municipal bonds, foreign bonds and U.S Government securities: Valued at the closing price recorded on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net asset value of the shares held by the Foundation at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2018, all investments of the Foundation are categorized in Level 1 of the fair value hierarchy. As of June 30, 2018, the College holds no investments.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(4) Accounts Receivable

Accounts receivable consisted of the following as of June 30, 2018:

	Brookdale Community College	Brookdale Community College Foundation
Federal, state and local grants receivable	\$ 1,864,690	\$ -
Student accounts receivable	2,321,977	-
Community development receivables	226,906	-
Other receivables	883,708	102,223
	<u>5,297,281</u>	<u>102,223</u>
Less allowance for doubtful accounts	<u>1,173,908</u>	<u>-</u>
	<u><u>\$ 4,123,373</u></u>	<u><u>\$ 102,223</u></u>

(5) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of June 30, 2018:

	Brookdale Community College	Brookdale Community College Foundation
Vendors	\$ 495,562	\$ -
Construction	927,196	-
Payroll	2,979,642	-
Pension contribution	1,898,631	-
Compensated absences - vacation	2,129,628	-
State of New Jersey unemployment	428,404	-
Other	313,740	28,634
	<u><u>\$ 9,172,803</u></u>	<u><u>\$ 28,634</u></u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(6) Capital Assets

Capital assets consisted of the following as of June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Reclassifications	Balance June 30, 2018
Depreciable assets:					
Buildings and building improvements	\$ 240,028,553	3,500,357	-	16,810,468	260,339,378
Equipment	<u>13,120,242</u>	<u>317,178</u>	<u>(64,910)</u>	<u>-</u>	<u>13,372,510</u>
	<u>253,148,795</u>	<u>3,817,535</u>	<u>(64,910)</u>	<u>16,810,468</u>	<u>273,711,888</u>
Less accumulated depreciation:					
Buildings and building improvements	(103,706,077)	(5,385,798)	-	-	(109,091,875)
Equipment	<u>(9,424,570)</u>	<u>(1,033,522)</u>	<u>50,752</u>	<u>-</u>	<u>(10,407,340)</u>
	<u>(113,130,647)</u>	<u>(6,419,320)</u>	<u>50,752</u>	<u>-</u>	<u>(119,499,215)</u>
Depreciable assets, net	140,018,148	(2,601,785)	(14,158)	16,810,468	154,212,673
Construction in progress	16,810,468	-	-	(16,810,468)	-
Nondepreciable asset - land	<u>5,882,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,882,462</u>
Capital Assets, Net	<u>\$ 162,711,078</u>	<u>(2,601,785)</u>	<u>(14,158)</u>	<u>-</u>	<u>160,095,135</u>

(7) Long-Term Debt

Long-term debt consisted of the following as of June 30, 2018:

	Brookdale Community College			
	June 30, 2017	Increase	Decrease	June 30, 2018
A. Lease revenue bonds - Series 2008 issue:				
Serial bonds (interest rates from 3.25% to 6% due on various dates through fiscal year 2019)	\$ 1,210,000	\$ -	\$ (590,000)	\$ 620,000
B. Lease revenue bonds - Series 2009 issue:				
Serial bonds (interest rates from 2.0% to 5.125%; due on various dates through fiscal year 2023)	2,890,000	-	(435,000)	2,455,000
Term bonds (interest rate from 3.5% to 4.0%; due in fiscal years 2025 to 2032)	5,695,000	-	-	5,695,000
C. Lease revenue bonds - Series 2012 issue:				
Serial bonds (interest rates from 2.0% to 5.0%; due on various dates through fiscal year 2026)	5,455,000	-	(460,000)	4,995,000
D. Equipment leasing fund (interest rate of 5% due on various dates through fiscal year 2019)	226,068	-	(144,257)	81,811
E. Lease revenue bonds - Series 2015 issue:				
Serial bonds (interest rates from 3.0% to 5.0%; due on various dates through fiscal year 2036)	19,325,000	-	(100,000)	19,225,000
Term bonds (interest rate 3.5%; due through fiscal year 2039)	5,005,000	-	-	5,005,000
F. Bond premium	<u>2,276,694</u>	<u>-</u>	<u>(138,910)</u>	<u>2,137,784</u>
	<u>\$ 42,082,762</u>	<u>\$ -</u>	<u>\$ (1,868,167)</u>	<u>\$ 40,214,595</u>
Less current portion				<u>(1,699,997)</u>
				<u>\$ 38,514,598</u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(7) Long-Term Debt (continued)

- A. The lease revenue bonds – Series 2008 were issued by The Monmouth County Improvement Authority (“MCIA”) pursuant to an agreement with the College for the purpose of funding for the Big Four Projects, which was comprised of renovations to the Collins Arena, Fitness Center, AutoTech facility, and the Freehold campus. The agreement with MCIA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings and building improvements, and equipment.

On September 2, 2015, the MCIA pursuant to an agreement with the College issued lease revenue Bond Series 2015. As a result, the Series 2008 is considered partially defeased and the liability in the amount of \$22,820,000 for this bond has been decreased to \$1,775,000. A payment of \$590,000 was made during the fiscal year. The final bond principal payment of \$620,000 is due on August 1, 2018.

- B. The lease revenue bonds – Series 2009 were issued by MCIA pursuant to an agreement with the College for the purpose of refinancing the funding for construction of a multi-purpose student life center on the Lincroft campus of the College. The agreement with MCIA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings and building improvements, and equipment.

Except for extraordinary optional redemption as described in the debt agreement, the Series 2009 bonds are not subject to redemption prior to August 1, 2019 and are redeemable thereafter at par plus accrued interest.

Bond principal payments are due August 1 of each year starting in the year 2010 and ending in the year 2029. A bond principal payment of \$435,000 was made on August 1, 2017. A bond principal payment of \$460,000 is due on August 1, 2018; subsequent bond principal payments incrementally increase thereafter to a maximum of \$730,000 on August 1, 2031.

- C. The lease revenue bonds – Series 2012 were issued MCIA pursuant to an agreement with the College for the purpose of providing funds to MCIA to fund an escrow, the proceeds of which were used for the purpose of refunding all of MCIA’s outstanding Lease Revenue Bonds - Series 2003 and paying certain costs in connection with the issuance of the bonds. As a result, the Series 2003 was considered to be defeased and the liability has been removed from the financial statements. The agreement with MCIA requires the pledging of certain rental revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings and building improvements.

Except for extraordinary optional redemption as described in the debt agreement, the Series 2012 bonds are not subject to redemption prior to August 1, 2022 and are redeemable thereafter at par plus accrued interest.

Bond principal payments are due August 1 of each year starting in the year 2012 and ending in the year 2026. A bond principal payment of \$460,000 was made on August 1, 2017. A bond principal payment of \$480,000 is due on August 1, 2018; subsequent bond principal payments incrementally increase thereafter to a maximum of \$635,000 on August 1, 2026.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(7) Long-Term Debt (continued)

- D. In fiscal year 2015, New Jersey Educational Facilities Authority (“NJEFA”) leased certain equipment to the College. The State’s Equipment Leasing Fund provides funds to support the purchase of scientific, engineering, technical, computer, communications, and instructional equipment for public and private institutions of higher education. The equipment was purchased with the proceeds of a NJEFA bond issuance. The total amount of equipment to be financed is \$2,724,217. The College’s basic rent as set forth in the loan schedule is equal to approximately 22% of the debt service on the bonds, consisting of principal of \$609,466 and interest of \$101,124.

The bonds issued by the NJEFA are tax exempt and require annual and semiannual principal and interest payments, respectively, which commenced on November 1, 2014 for interest and May 1, 2015 for principal. Final payment to include principal, interest, and other expenses is due on May 1, 2020. A bond principal payment of \$144,256 was made on May 1, 2018. A bond principal payment of \$39,997 is due on May 1, 2019. At the completion of the lease term in fiscal year 2020, title to the equipment will be transferred to the College.

- E. The lease revenue bonds – Series 2015 were issued by MCIA pursuant to an agreement with the College for the purpose of providing funds to MCIA to fund an escrow, the proceeds of which are to be used for the purpose of refunding all but \$1,775,000 MCIA’s presently outstanding Lease Revenue Bonds – Series 2008 and pay certain costs in connection with the issuance of the bonds. As a result, the Series 2008 is considered partially defeased and the liability in the amount of \$22,820,000 has been reduced to \$1,775,000. The purpose of the original bond was for the Big Four Projects, which was comprised of renovations to the Collins Arena, Fitness Center, Autotech and the Freehold campus. The agreement with MCIA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings and building improvements, and equipment.

Except for extraordinary optional redemption as described in the debt agreement, the Series 2015 bonds are not subject to redemption prior to August 1, 2025 and are redeemable thereafter at par plus accrued interest.

Bond principal payments are due August 1 of each year starting in fiscal year 2017 and ending in the year 2039. A bond principal payment of \$100,000 was made on August 1, 2017. A bond principal payment of \$100,000 is due on August 1, 2018; subsequent bond principal payments incrementally increase thereafter to a maximum of \$1,730,000 in August 1, 2038.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(7) Long-Term Debt (continued)

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2018:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,699,997	\$ 1,467,443	\$ 3,167,440
2020	1,766,814	1,396,917	3,163,731
2021	1,795,000	1,328,375	3,123,375
2022	1,860,000	1,250,580	3,110,580
2023	1,940,000	1,165,042	3,105,042
2024-2028	10,330,000	4,516,434	14,846,434
2029-2033	7,070,000	2,340,683	9,410,683
2034-2038	9,885,000	882,688	10,767,688
2039	1,730,000	5,046	1,735,046
	<u>\$ 38,076,811</u>	<u>\$ 14,353,208</u>	<u>\$ 52,430,019</u>

Interest expense for fiscal year 2018 was \$1,570,672.

In connection with the refinancing of the Lease Revenue Bonds - Series 2003 with the Lease Revenue Bonds - Series 2012, the premium on the bond refinancing was \$764,690 and deferred loss on the bond refinancing was \$415,734. Bond premium and deferred loss on the bond refinancing are amortized over 15 years (the life of the bond). As of June 30, 2018, the balance of the bond premium is \$452,443 and the deferred loss is \$245,947. The premium on the bond is included in long-term debt on the statement of net position. Deferred loss on the bond refinancing is included in deferred outflows of resources on the statements of net position. The amount of premium charged as a reduction of interest expense for fiscal year 2018 was \$50,979.

In connection with the refinancing of the Lease Revenue Bonds - Series 2008 with the Lease Revenue Bonds - Series 2015, the premium on the bond refinancing was \$1,934,479 and deferred loss on the bond refinancing was \$3,170,549. Bond premium and deferred loss on the bond refinancing are amortized over 22 years (the life of the bond). As of June 30, 2018, the balance of the bond premium is \$1,685,341 and the deferred loss is \$2,762,221. The premium on the bond is included in long-term debt on the statement of net position. Deferred loss on the bond refinancing is included in deferred outflows of resources on the statement of net position. For fiscal year 2018 the amount of premium charged as a reduction of interest expense was \$87,931 for and the amount of deferred loss charged as a reduction of interest expense was \$144,116.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(8) Designations of Unrestricted Net Position

As of June 30, 2018, the College had designated portions of its unrestricted net position as follows:

Designated:	
Auxiliary services	\$ 59,128
Risk management	(78,525)
Appropriation to succeeding fiscal years' budgets	<u>3,340,559</u>
	3,321,162
Impact of pension adjustments	<u>(46,631,857)</u>
	<u>\$ (43,310,695)</u>

(9) Retirement Plans

Plan Descriptions

The College participates in four major retirement plans for its employees – the State of New Jersey Public Employees' Retirement System ("PERS"), Police and Firemen's Retirement System ("PFRS"), Defined Contribution Retirement Program ("DCRP") and Alternate Benefit Program ("ABP"). ABP presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund ("TIAA/CREF"), VOYA Financial, AXA Equitable Life Insurance, MASS Mutual, Metlife, VALIC and Prudential Retirement. ABP alternatives are administered by a separate Board of Trustees. PERS and PFRS are cost-sharing, multiple-employer defined benefit pension plans administered by the State of New Jersey. Generally, all employees, except certain part-time employees, participate in one of these plans. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information.

PERS and PFRS Information

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State of New Jersey or public agency, provided the employee is not a member of another State of New Jersey-administered retirement system. PFRS was established under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county and municipal police or firemen and State of New Jersey firemen appointed after June 30, 1994.

PERS Benefits Provided

The following represents the membership tiers for PERS:

Tier Definitions

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(9) Retirement Plans (continued)

PERS Benefits Provided (continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1 /60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

PFRS Benefits Provided

The following represents the membership tiers for PFRS:

Tier Definitions

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

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

PERS Funding Policy

PERS members are required to contribute 7.34% of their annual covered salary for the years ended June 30, 2018. The College is required to contribute at an actuarially determined rate for the year ended June 30, 2018. During the year ended June 30, 2018, the College's annual contributions to PERS was \$1,565,705. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

PFRS Funding Policy

PFRS members are required to contribute 10% of their annual covered salary for the years ended June 30, 2018. The College contribution is based upon annual actuarially determined percentages of total compensation of all active members. The College's annual contribution approximates the actuarially determined pension cost for the year and is included in the accompanying financial statements. During fiscal year ended June 30, 2018, the College's contribution to PFRS was \$332,926. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(9) Retirement Plans (continued)

DCRP Information

In September 2010, the State of New Jersey mandated that employees otherwise eligible to enroll in PERS, who do not work the minimum required number of hours per week for PERS, but who earn salary of at least \$5,000 annually, are now being enrolled in a defined contribution retirement program ("DCRP"). DCRP members are required to contribute 5.5% of their annual base salary and the College is required to contribute 3%. The contribution requirements of the plan are established and may be amended by the State of New Jersey.

Alternate Benefit Program Information

ABP is organized under Section 410(a) of the Internal Revenue Code and provides the choice of seven investment carriers all of which are privately operated defined contribution retirement plans. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting.

Participating College employees are required to contribute 5% and may contribute voluntary additional contributions of salary up to the maximum federal statutory limit, on a pre-tax basis. Employer contributions, some of which are reimbursed by the State of New Jersey, are 8% of base salary.

During the year ended June 30, 2018, ABP contributions, based upon participating employee salaries of \$25,128,226, were \$1,335,148 from employees and \$1,798,882 from the College. The State of New Jersey reimbursed the College \$2,010,258 for qualified employees and this amount is included in the accompanying financial statements as on-behalf payments.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

A special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a nonemployer, is required to pay the additional costs incurred by Local employers. The amount recognized by the College as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the College as of the June 30, 2017 measurement date are as follows:

	<u>Measurement Date 2017</u>
College's Proportionate Share of Net Pension Liability	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the College	<u>599,408</u>
	<u>\$ 599,408</u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(9) Retirement Plans (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The following information is related to the PERS and PFRS are cost sharing multiple-employer defined benefit pension plans.

As of June 30, 2018, the College reported a liability of \$41,860,946 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarial determined.

The College's proportion of the net pension liability was based on its share of the State of New Jersey's collective pension amounts allocated on the basis of actual fringe benefits charges assessed to the College for the fiscal year 2018. The State of New Jersey's proportionate share was based on actual employer contributions to the PERS and PFRS for fiscal year 2018 related to total contributions of all participating employers for the fiscal year. At June 30, 2018, the College's proportion was 0.075% for PERS and 0.025% for PFRS.

For the year ended June 30, 2018, the College's recognized pension expense of \$485,867 for PERS and \$404,733 for PFRS, respectively. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018					
	Deferred Outflows of Resources			Deferred Inflows of Resources		
	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Differences Between Expected and Actual Experience	\$ 859,672	\$ 34,717	\$ 894,389	\$ -	\$ 31,409	\$ 31,409
Changes of Assumptions	7,355,404	659,894	8,015,298	7,328,438	876,412	8,204,850
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	248,605	102,118	350,723	-	-	-
Changes in Proportion and Differences Between College's Contributions and Proportionate Share of Contributions	-	280,165	280,165	7,507,416	466,442	7,973,858
College's Contributions Subsequent to the Measurement Date	1,565,705	332,926	1,898,631	-	-	-
	<u>\$ 10,029,386</u>	<u>\$ 1,409,820</u>	<u>\$ 11,439,206</u>	<u>\$ 14,835,854</u>	<u>\$ 1,374,263</u>	<u>\$ 16,210,117</u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(9) Retirement Plans (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

As of June 30, 2018, \$1,898,631 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2018	\$ (4,824,236)	174,307	(4,649,929)
2019	(7,279,889)	472,078	(6,807,811)
2020	(4,411,240)	95	(4,411,145)
2021	5,866,961	(654,242)	5,212,719
2022	4,276,231	(289,607)	3,986,624
	<u>\$ (6,372,173)</u>	<u>(297,369)</u>	<u>(6,669,542)</u>

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation	2.25%	2.25%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2010 - June 30, 2013

Adjustments for mortality improvements are based on Society of Actuaries Scale AA.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(9) Retirement Plans (continued)

Actuarial Assumptions (continued)

The Long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plans' target asset allocation as of the June 30, 2017 measurement date (see the discussion of the pension plans investment policy) are summarized in the following tables:

<u>Asset Class</u>	<u>PERS</u>		<u>PERS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%	5.00%	5.51%
Cash equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment grade credit	10.00%	3.78%	10.00%	3.78%
Public high yield	2.50%	6.82%	2.50%	6.82%
Global diversified credit	5.00%	7.10%	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%	1.00%	6.60%
Debt related private equity	2.00%	10.63%	2.00%	10.63%
Debt related real estate	1.00%	6.61%	1.00%	6.61%
Private real estate	2.50%	11.83%	2.50%	11.83%
Equity related real estate	6.25%	9.23%	6.25%	9.23%
U.S equity	30.00%	8.19%	30.00%	8.19%
Non- U.S. developed markets equity	11.50%	9.00%	11.50%	9.00%
Emerging markets equity	6.50%	11.64%	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%	8.25%	13.08%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan is 5.00% and for PFRS plan is 6.14%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from employers will be made at contractually required rates (actuarial determined), and contributions from the State will be made at current statutorily required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(9) Retirement Plans (continued)

Discount Rate (continued)

The following represents the College's proportionate share of the net pension liability calculated using a discount rate of 5.00% for PERS plan and 6.14% for PFRS plan as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

PERS			
	1% Decrease <u>4.00%</u>	Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
College's Proportionate Share of the Net Pension Liability	<u>\$ 45,292,501</u>	<u>\$ 36,509,491</u>	<u>\$ 29,192,155</u>
PFRS (Non-Special Funding Situation)			
	1% Decrease <u>5.14%</u>	Current Discount Rate <u>6.14%</u>	1% Increase <u>7.14%</u>
College's Proportionate Share of the Net Pension Liability	<u>\$ 6,641,338</u>	<u>\$ 5,351,455</u>	<u>\$ 3,462,114</u>
PFRS (Special Funding Situation)			
	1% Decrease <u>5.14%</u>	Current Discount Rate <u>6.14%</u>	1% Increase <u>7.14%</u>
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability	<u>743,886</u>	<u>599,408</u>	<u>387,786</u>
	<u>\$ 743,885.80</u>	<u>\$ 599,408.00</u>	<u>\$ 387,785.91</u>

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated above.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(10) Other Post-Employment Benefits

General Information about the OPEB Plan

The College is in a “special funding situation”, as described in GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (“GASB Statement 75”), in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the College.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. In accordance with GASB Statement 75, the State Health Benefit Local Education Retired Employees Plan is classified as a single employer defined benefit other post employment benefit (“OPEB”) plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement 75. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Public Employees’ Retirement System (“PERS”), the Police and Firemen Retirement System (“PFRS”), or the Alternate Benefit Program (“ABP”). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total non-employer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

Basis of Presentation

The schedule presents the State of New Jersey's obligation under NJSA 52:14-17.32f. The Schedule does not purport to be a complete presentation of the financial position or changes in financial position of the State Health Benefit Local Education Retired Employees Plan or the State of New Jersey. The accompanying Schedule was prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the State of New Jersey to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(10) Other Post-Employment Benefits (continued)

Actuarial Assumptions

The total non-employer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total non-employer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. The actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement

Inflation rate	2.50%	
	PERS	PFRS
Salary increases:	2.15 - 4.15%	2.10 - 8.98%
Through 2026	based on age	based on age
Thereafter	3.15 - 5.15%	3.15 - 5.15%
	based on age	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Post retirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the actuarial experience studies for the periods July 1, 2010 – June 30, 2013 and July 1, 2011 – June 30, 2014 for PFRS and PERS, respectively.

Plan Membership

At June 30, 2016, the Program membership consisted of the following:

	<u>June 30, 2016</u>
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	142,331
	<u>366,078</u>

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(10) Other Post-Employment Benefits (continued)

OPEB Liabilities, Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2018 the College recognized OPEB expense of \$10,089,697 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with a special funding situation, there is no allocation of the OPEB liability or recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017, the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources Related to OPEB

Contributions made in fiscal year ending June 30, 2018 after June 30, 2017 measurement date	\$ 1,190,373,242
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Deferred Inflows of Resources Related to OPEB

Changes in assumptions	\$ 6,343,769,032
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the state:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Total</u>
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Threereafter	<u>(2,629,618,547)</u>
	<u>\$ (6,343,769,032)</u>

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (“PPO”) medical benefits, this amount initially is 5.9% and decreases to 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (“HMO”) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(10) Other Post-Employment Benefits (continued)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58%. and 2.58%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1.0% Decrease 2.58%	Current Discount Rate 3.58%	1.0% Increase 4.58%
State of New Jersey's Proportionate Share of total OPEB Obligations Associated with the College	\$ 148,822,620	\$ 125,369,482	\$ 106,766,230
State of New Jersey's Total Nonemployer OPEB liability	\$ 63,674,362,200	\$ 53,639,841,858	\$ 45,680,364,953

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share if the net OPEB liability would be if were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher then the current healthcare cost trend rates:

	1.0% Decrease	Current Healthcare Cost Trend Rates	1.0% Increase
State of New Jersey's Proportionate Share of total OPEB Obligations Associated with the College	\$ 103,104,279.47	\$ 125,369,482	\$ 154,937,409
State of New Jersey's Total Nonemployer OPEB liability	\$ 44,113,584,560	\$ 53,639,841,858	\$ 66,290,599,457

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(10) Other Post-Employment Benefits (continued)

Changes in the State of New Jersey's Total OPEB Liability

The changes in the State of New Jersey's Total OPEB liability and the College's portion for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	<u>State OPEB Liability</u>	<u>College Portion of OPEB Liability</u>
Balance at June 30, 2016	\$ 57,831,784,184	\$ 133,006,566
Changes for Year:		
Service cost	2,391,878,884	7,653,957
Interest on the total OPEB liability	1,699,441,736	3,969,249
Changes of assumptions	(7,086,599,129)	(16,463,392)
Contributions from members	45,748,749	106,925
Gross benefit payments by the state	<u>(1,242,412,566)</u>	<u>(2,903,823)</u>
Net changes	<u>(4,191,942,326)</u>	<u>(7,637,084)</u>
Balance at June 30, 2017	<u><u>\$ 53,639,841,858</u></u>	<u><u>\$ 125,369,482</u></u>

(11) Commitments and Contingencies

Commitments

The College leases the Neptune Higher Education building. Net rental expenses were approximately \$273,000 in fiscal year 2018. Future minimum annual rental commitments, net of sublease rentals, will approximate \$144,891 for the year ending June 30, 2019.

Contingencies

The College is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, damage to the environment or noncompliance with environmental requirements, and natural and other unforeseen disasters. The College has insurance to cover all buildings, contents or related risks in case of loss, and insures its vehicles and equipment for claims and assessments arising from bodily injury, property damages and other perils. Unfavorable judgments, claims or losses incurred by the College are covered by these policies.

(12) Compensated Absences

The College has recorded a liability for compensated absences in the amount of \$2,129,628 as of June 30, 2018, which is included in accounts payable and accrued expenses in the accompanying statements of net position. The liability is based upon employees' accrued vacation leave as of fiscal year-end. No amounts are recorded for accrued sick leave as the College does not make payments for accrued sick leave to employees upon termination.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements (continued)
June 30, 2018

(13) Other Postretirement Benefits

Plan Description - The College contributes to the New Jersey State Health Benefits Program (“SHBP”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey, Division of Pension and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in the N.J.S.A., Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey, Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP.

Funding Policy - P.L. 1987, c.384 and P.L. 1990, c.6 required the Public Employees’ Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State’s contribution rate is based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a school district or county college with 25 years of service. Employees who attained 20 years of service on June 28, 2011 and continue to work for a total of 25 years will be eligible for State-paid health benefits. Employees who did not have 20 years of service on June 28, 2011 pay the full premium for retiree health benefits.

(14) Related Party Transactions

The Foundation utilized office space and received certain administrative assistance from the College at no charge during the year ended June 30, 2018. The fair value of this space and these services is estimated at \$159,407 and is included in the Foundation’s statements of revenues, expenses, and changes in net position for the year ended June 30, 2018.

During the fiscal year 2018, certain services and expenses are received and paid between the Foundation and the College. All such expenses are put on account and settled periodically between the two parties. As of June 30, 2018, the Foundation was indebted to the College in the amount of \$28,634, representing student scholarships and operating expenses paid by the College on behalf of the Foundation. This amount is noninterest-bearing and is currently payable.

(15) Litigation

The College is also a party to various legal actions arising in the ordinary course of business. Although it is not possible to predict the outcome of these actions, it is the opinion of management that there is no exposure to such matters that, if decided adversely, would be material to the College’s financial position or are not adequately covered by insurance.

REQUIRED SUPPLEMENTARY INFORMATION

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedules of Proportionate Share of Net Pension Liability
Public Employee's Retirement System ("PERS")
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.07%	0.09%	0.09%	0.10%
College's proportionate share of the net pension liability	\$ 36,509,491	\$ 51,541,272	\$ 42,539,037	\$ 39,460,262
College's covered-employee payroll	\$ 10,960,631	\$ 10,660,882	\$ 11,066,065	\$ 12,617,839
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	333.10%	483.46%	384.41%	312.73%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedules of Proportionate Share of Net Pension Liability
Police and Firemen's Retirement System ("PFRS")
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.02%	0.03%	0.02%	0.03%
College's proportionate share of the net pension liability	\$ 5,351,455	\$ 6,888,643	\$ 5,487,577	\$ 4,569,789
College's covered-employee payroll	\$ 704,241	\$ 730,814	\$ 710,851	\$ 676,551
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	759.89%	942.60%	771.97%	675.45%
Plan fiduciary net position as a percentage of the total pension liability	58.60%	51.01%	56.31%	62.14%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedules of Proportionate Share of Net Pension Liability
Police and Firemen's Retirement System ("PFRS")(Special Funding)
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.03%	0.04%	0.03%	0.04%
College's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the College	<u>599,408</u>	<u>578,475</u>	<u>481,242</u>	<u>492,089</u>
Total	<u>\$ 599,408</u>	<u>\$ 578,475</u>	<u>\$ 481,242</u>	<u>\$ 492,089</u>
College's covered-employee payroll	\$ 704,241	\$ 730,814	\$ 710,851	\$ 676,551
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	85.11%	79.15%	67.70%	72.73%
Plan fiduciary net position as a percentage of the total pension liability	100.00%	100.00%	100.00%	100.00%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedules of Contributions - Pension
Public Employee's Retirement System ("PERS")
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,565,705	\$ 1,459,999	\$ 1,546,015	\$ 1,629,195
Contributions in relation to the contractually required contribution	<u>(1,565,705)</u>	<u>(1,459,999)</u>	<u>(1,546,015)</u>	<u>(1,629,195)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered employee payroll	\$ 10,960,631	\$ 10,660,882	\$ 11,066,065	\$ 12,617,839
Contributions as a percentage of covered-employee payroll	14.28%	13.69%	13.97%	12.91%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedules of Contributions - Pension
Police and Firemen's Retirement System ("PFRS")
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 332,926	\$ 306,783	\$ 294,023	\$ 267,798
Contributions in relation to the contractually required contribution	<u>(332,926)</u>	<u>(306,783)</u>	<u>(294,023)</u>	<u>(267,798)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered employee payroll	\$ 704,241	\$ 730,814	\$ 710,851	\$ 676,551
Contributions as a percentage of covered-employee payroll	47.27%	41.98%	41.36%	39.58%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedules of Contributions - Pension
Police and Firemen's Retirement System ("PFRS") (special funding)
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 29,973	\$ 22,165	\$ 25,051	\$ 20,433
Contributions in relation to the contractually required contribution	<u>(29,973)</u>	<u>(22,165)</u>	<u>(25,051)</u>	<u>(20,433)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered employee payroll	\$ 704,241	\$ 730,814	\$ 710,851	\$ 676,551
Contributions as a percentage of covered-employee payroll	4.26%	3.03%	3.52%	3.02%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedules of Required Supplementary Information
Schedule of Changes in the College's Proportionate
Share of Total OPEB Liability
(Unaudited)

For the Fiscal Year Ended June 30,

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 7,653,957
Interest on the total OPEB liability	3,969,249
Changes of assumptions	(16,463,392)
Contributions from members	106,925
Gross benefit payments by the state	<u>(2,903,823)</u>
Net Change in Total OPEB Liability	(7,637,084)
Total OPEB Liability - Beginning	<u>133,006,566</u>
Total OPEB Liability - Ending	<u><u>\$ 125,369,482</u></u>
College's proportionate share	\$ -
State's proportionate share	<u>\$ 125,369,482</u>
Total OPEB Liability - Ending	<u><u>\$ 125,369,482</u></u>
Covered-Employee Payroll	\$ 11,462,224
Total OPEB Liability as a Percentage of Covered-Employee Payroll:	1093.76%

Notes:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to the Required Supplementary Information
(Unaudited)
June 30, 2018

(1) State of New Jersey Public Employees' Retirement System (PERS) - Pension

Change in Benefit Terms

None

Change in Assumptions

The discount rate was 5.00%, 3.98%, 4.90% and 5.39% for the years ended June 30, 2017, 2016, 2015 and 2014, respectively.

(2) Police and Firemen's Retirement System (PFRS) - Pension

Change in Benefit Terms

None

Change in Assumptions

The discount rate was 6.14%, 5.55%, 5.79% and 6.32% for the years ended June 30, 2017, 2016, 2015 and 2014, respectively.

(3) State Health Benefit Local Education Retired Employees Plan - OPEB

Change in Benefit Terms

None

Changes in Assumptions

The discount rate was 3.58% and 2.58% for the years ended June 30, 2017 and 2016, respectively.

SINGLE AUDIT SECTION



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

To the Honorable President and
Members of the Board of Trustees of
Brookdale Community College
Lincroft, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Brookdale Community College (a Component Unit of the County of Monmouth) (the "College") which comprise the statement of net position as of June 30, 2018, the related statement of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and we have issued our report thereon dated March 26, 2019. We also performed the audit of the Brookdale Community College's Foundation's financial statements, as of and for the year ended June 30, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

March 26, 2019



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

To the Honorable President and Members of the Board of Trustees of
Brookdale Community College
Report on Compliance for Each Major Federal and State of New Jersey Program

We have audited Brookdale Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* and State of New Jersey *State Grant Compliance Supplement* that could have a direct and material effect on each of Brookdale Community College's major Federal and State of New Jersey programs for the year ended June 30, 2018. Brookdale Community College's major Federal and State of New Jersey programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Brookdale Community College's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal and State of New Jersey programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Brookdale Community College's major Federal and State of New Jersey programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (the "Uniform Guidance"); and State of New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal or State of New Jersey program occurred. An audit includes examining, on a test basis, evidence about Brookdale Community 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 of New Jersey program. However, our audit does not provide a legal determination of Brookdale Community College's compliance.

Opinion on Compliance on Each Major Federal and State of New Jersey Program

In our opinion, Brookdale Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State of New Jersey programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Brookdale Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered Brookdale Community 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 of New Jersey 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 of New Jersey program and to test and report on internal control over compliance in accordance with Federal Uniform Guidance and State of New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brookdale Community College's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State New Jersey Awards

We have audited the financial statements of the College, as of and for the year ended June 30, 2018. We issued our report thereon dated March 26, 2019 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and Schedule of State of New Jersey Awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State of New Jersey. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State of New Jersey Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

March 26, 2019

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

Federal grantor/ pass-through grantor/ program or cluster title	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Identifier	Current year expenditures	Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards					
Federal Direct Student Loan	84.268	N/A	N/A	\$ 9,121,850	\$ —
Federal Supplemental Educational Opportunity Grant (including administrative cost allowance of \$16,883)	84.007	N/A	N/A	410,083	—
Federal Pell Grant Program	84.063	N/A	N/A	14,233,433	—
Federal Work-Study Program (including administrative cost allowance of \$8,093)	84.033	N/A	N/A	169,955	—
Federal Work-Study Program (Job Location and Development)	84.033	N/A	N/A	23,227	—
Total Student Financial Assistance Cluster				<u>23,958,548</u>	<u>—</u>
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation:					
Direct Awards					
Education and Human Resources	47.076	N/A	N/A	179,911	—
Pass Through Awards					
Education and Human Resources	47.076	Rider University	NOYCE-1621	15,494	—
Education and Human Resources	47.076	Stevens Institute of Technology	2102423-02	29,801	—
				<u>45,295</u>	<u>—</u>
Total Research and Development Cluster				<u>225,206</u>	<u>—</u>
NON-CLUSTER					
National Security Agency:					
Direct Awards					
GenCyber Grants Program	12.903	N/A	N/A	8,180	—
GenCyber Grants Program	12.903	N/A	N/A	33,837	—
				<u>42,017</u>	<u>—</u>
U.S. Dept of Labor:					
Pass Through Awards					
Trade Adjustment Assistance Community College and Career Training Grants	17.282	Bergen Community College	PO7478	368,783	—
National Aeronautics and Space Administration:					
Pass Through Awards					
Education	43.008	Rutgers University	5515	12,071	—
U.S. Small Business Administration:					
Direct Awards					
Small Business Administration and Seminar	59.000	N/A	N/A	11,635	—
Pass Through Awards					
Small Business Development Center:	59.037	Rutgers University	5591	52,749	—
Small Business Development Center:	59.037	Rutgers University	5865	89,188	—
Small Business Development Centers	59.037	Rutgers University	5825	27,700	—
				<u>169,637</u>	<u>—</u>
U.S. Department of Education:					
Direct Awards					
Federal Title III Program Grant	84.031	N/A	N/A	51,203	—
Department of Education Office of Career, Technical and Adult Education					
Pass Through Awards					
Adult Education- Basic Grants to States	84.002	New Jersey Department of Labor & Workforce Development	None	541,932	191,924
Career & Technical Education - Basic Grants to the States	84.048	New Jersey Department of Education	25 7111	540,899	—
Career & Technical Education - Basic Grants to the States	84.048A	New Jersey Department of Education	17-BE53-G06	342,784	—
				<u>1,425,615</u>	<u>191,924</u>
Total expenditures of federal awards				<u>\$ 26,264,715</u>	<u>\$ 191,924</u>

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2018

State of New Jersey grantor/program or cluster title	Grant number/ State of New Jersey account number	Award amount	Grant period	Current year expenditures	Total Grant Expenditures To Date
Student Financial Assistance Cluster:					
N.J. Commission of Higher Education:					
Educational Opportunity Fund Article III - FY 17	100-074-2401-001	\$ 244,932	06/01/17-07/31/18	\$ 253,134	\$ 253,134
Educational Opportunity Fund Article III - Summer	100-074-2401-001	15,862	06/01/17-08/31/18	19,925	19,925
Tuition Aid Grant	100-074-2405-007	2,412,080	07/01/17-06/30/18	2,933,873	2,933,873
NJ Stars	100-074-2405-313	424,444	07/01/17-06/30/18	391,390	391,390
Total Student Financial Assistance Cluster				3,598,322	3,598,322
NON-CLUSTER:					
N.J. Commission of Higher Education:					
Educational Opportunity Fund – Article IV					
Educational Opportunity Fund Summer	100-074-2401-002	21,833	07/01/17-08/31/18	23,302	21,442
Educational Opportunity Fund Regular	100-074-2401-002	206,568	06/01/17-08/31/18	211,732	242,720
				235,034	264,162
N.J. Department of Children and Families					
Displaced Homemaker	2011-15863028-01	128,575	07/01/17-06/30/18	150,000	150,000
N.J. Educational Facilities Authority:					
Higher Education Equipment Leasing Fund	100-082-2155-036	2,724,303	01/01/14 - Completion	157,194	2,040,841
Higher Education Technology Infrastructure Fund	100-082-2155-059	1,160,562	01/01/14 - Completion	9,600	1,125,225
				166,794	3,166,066
N.J. Office of the Secretary of Higher Education:					
N.J. Council of County Colleges					
College Readiness IV	Unavailable	77,510	07/01/17-06/30/18	69,945	69,945
N.J. Department of Treasury Higher Education Administration:					
Operational Costs – County Colleges	100-082-2155-015	10,378,691	07/01/17-06/30/18	10,325,921	10,325,921
Alternate Benefit Program	100-082-2155-017	2,066,580	07/01/17-06/30/18	2,010,258	2,010,258
P.L. 1971, Chapter 12 Debt Service	100-082-2155-016	2,601,746	07/01/17-06/30/18	1,729,256	1,729,256
Building Our Future Bond Act- Wall	586-074-2400-024	12,000,000	03/01/14 - Completion	159,857	12,000,000
Building Our Future Bond Act - MAS Science Lab	586-074-2400-074	1,200,000	03/01/17 - Completion	565,023	1,078,297
				14,790,315	27,143,732
Total expenditures of State of New Jersey awards				\$ 19,010,410	\$ 34,392,227

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Schedules of Expenditures of Federal and State of New Jersey Awards
June 30, 2018

(1) General

The accompanying Schedules of Expenditures of Federal and State of New Jersey Awards includes the Federal award activity of Brookdale Community College (the “College”) under programs of the Federal Government for the year ended June 30, 2018. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

(3) Indirect Cost Rate

The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(4) Federal Student Loan Programs

The College disbursed \$9,121,850 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. It is not practical to determine the balances of the loans outstanding to students of the College under the program as of June 30, 2018. The College is only responsible for the performance of certain administrative duties and, accordingly, these loans are not included in the College’s financial statements.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ no

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Federal Awards

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

Internal control over major programs:

- Material weaknesses identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ no

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ☐ yes ☒ no

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Pell Grant Program	84.063
Federal Direct Student Loans (Note 4)	84.268
Career and Technical Education – Basic Grants to States	84.048

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? ☒ yes ☐ no

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedule of Findings and Questioned Costs - Continued
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results – Continued

State of New Jersey

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

Unmodified

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are
not considered to be material weaknesses? _____ yes x no

Any audit findings disclosed that are required
to be reported in accordance with State of
New Jersey OMB Circular 15-08 and listed
in Section V of this schedule?

_____ yes x no

Identification of Major Programs:

Name of State Program or Cluster	State of New Jersey Account or Grant Number
Operational Costs – County Colleges	100-082-2155-015

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedule of Findings and Questioned Costs - Continued
For the Year Ended June 30, 2018

Section II – Financial Statement Findings:

None

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Schedule of Findings and Questioned Costs - Continued
For the Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs:

None

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Findings and Questioned Costs – State of New Jersey Awards
For the Year Ended June 30, 2017

Section IV – State of New Jersey Award Findings and Questioned Costs:

None

Management's Summary of Prior Year Audit Findings
For the Year Ended June 30, 2018

Section V – Management's Summary of Prior Year Federal Audit Findings

Finding number: 2017-001
Federal agency: U.S. Department of Education
Program: Federal Pell Grant
CFDA #: 84.063
Award year: 2017

Condition

In order to receive a Title IV award, students must adhere to the College's satisfactory academic progress ("SAP") policy. This policy requires students to meet a minimum grade point average and be on pace to complete their educational program within 150% of the published length of time. The Financial Aid office utilizes software to calculate a student's SAP at the end of each academic semester.

If the student does not meet the College's SAP requirement, they are then placed on warning status for the next academic semester. If the student does not meet the College's SAP policy while under warning status, the student is then placed on suspension status. Under suspension status, the student will not be awarded financial aid unless they appeal. If the College's Appeal Committee approves the appeal, the student is placed on Probation status and is eligible to receive Title IV aid.

During the testing of return of Title IV awards, one student who received a Federal Pell Grant was on academic suspension and therefore was ineligible to receive Title IV aid.

Current Year Status

Corrective action was taken in the current year. The auditors' test in this area resulted in no findings.

Management's Summary of Prior Year Audit Findings - Continued
For the Year Ended June 30, 2018

Finding number: 2017-002
Federal agency: U.S. Department of Education
Programs: Federal Pell Grants
Federal Direct Student Loans
Federal Supplemental Educational Opportunity Grant
CFDA #: 84.063, 84.268, 84.007
Award year: 2017

Condition

Whenever Title IV aid, state and private aid is disbursed to a student, their account is reviewed to determine if the disbursement caused a credit balance. Once a credit balance is discovered, the student is issued a refund check. If the credit balance was caused by Title IV aid and the check is not cashed within 240 days the funds must be returned to the Department of Education.

Current Year Status

Corrective action was taken in the current year. The auditors' test in this area resulted in no findings.

Management's Summary of Prior Year Audit Findings - Continued
For the Year Ended June 30, 2018

Section VI – Management's Summary of Prior Year State of New Jersey Audit Findings

Finding number: 2017-001
State agency: N.J. Commission of Higher Education
Program: Tuition Aid Grant
GMIS Number #: 100-074-2405-007
Award year: 2017

Condition

According to New Jersey Administrative Code - § 9A:9-2.5 Student Notification:

Students shall be notified of grant eligibility through the Student Eligibility Notice issued by the Higher Education Student Assistance Authority. The amount of the grant is subject to change based on the annual level of appropriations and other resources available to the student (see N.J.A.C. 9A:9-2.9). The institution's written notification to the student regarding State financial assistance shall contain a clause indicating the State is not responsible for funding of the grant in the event of fraudulent, inaccurate or misleading information.

During the audit, it was noted that award letters sent to all students that were awarded a Tuition Aid Grant did not contain a clause with the above information.

Current Year Status

Corrective action was taken in the current year. The auditors' test in this area resulted in no findings.