

The County College of Monmouth



# BROOKDALE



## Report on Financial Statement Audit

Fiscal Year Ended June 30, 2017

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

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

**June 30, 2017 and 2016**

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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, 2017 and 2016**

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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, 2017 and 2016, the related statements of revenues and expenses, statement of changes in net position and statements of 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, 2017 and 2016 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 respective financial position of the College as of June 30, 2017 and 2016, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters****Restatement of Prior Year Financial Statements**

As discussed in Note 2 to the financial statements, the College restated prior balances to adjust accumulated depreciation due to a building being depreciated prior to completion. Our opinion is not modified with respect to this matter.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-12, the schedules of the College's proportionate share of the net pension liability on pages 49-51 and the schedules of the College's contributions on page 52-54 and the notes to the required supplemental information on page 55 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 on pages 60 and the Schedule of Expenditures of State of New Jersey Awards on page 61 is 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 December 19, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor and Duen, P.C.

**Certified Public Accountants  
Braintree, Massachusetts**

December 19, 2017

# **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, 2017 and 2016

Management's Discussion and Analysis ("MD&A") presents the financial performance of Brookdale Community College (the "College") during the fiscal year ended June 30, 2017. This MD&A will provide various financial analyses comparing fiscal year 2017 to fiscal year 2016, as well as fiscal year 2015 activity.

**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 thirty (30) credits.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Change 2016-2017</u>
Credit FTEs	9,236	9,818	10,184	(582)
Noncredit FTEs	<u>561</u>	<u>556</u>	<u>541</u>	<u>5</u>
Total FTEs	<u>9,797</u>	<u>10,374</u>	<u>10,725</u>	<u>(577)</u>

Full-time equated enrollment for credit and noncredit enrollment in fiscal year 2017 was 9,797, compared to fiscal year 2016 FTE enrollment of 10,374. This represents a 5.6 percent decrease.

- Credit enrollment decreased from 9,818 FTEs in fiscal year 2016 to 9,236 FTEs in fiscal year 2017, which represents a 5.9 percent decrease.
- Noncredit enrollment increased from 556 FTEs in fiscal year 2016 to 561 FTEs in fiscal year 2017, which represents a 0.9 percent increase.
- Credit enrollment decreases followed a national trend across the higher education sector.

**General Financial Information**

The College's basic financial statements include the statements of net position, statements of revenues, expenses, and changes in net position, and statements 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, 2017 and 2016

**Financial Highlights**

**Condensed Schedule of Net Position**

The following represents assets, liabilities and net position of the College as of June 30, 2017, 2016 and 2015:

	<u>2017</u>	<u>Restated 2016</u>	<u>2015</u>	<u>Change 2016-2017</u>
Current assets	\$ 14,551,340	16,238,551	20,629,077	(1,687,211)
Noncurrent assets:				
Capital assets	<u>162,711,079</u>	<u>152,359,293</u>	<u>148,315,025</u>	<u>10,351,786</u>
Total assets	<u>\$ 177,262,419</u>	<u>168,597,844</u>	<u>168,944,102</u>	<u>8,664,575</u>
Deferred outflow of resources	<u>\$ 20,342,437</u>	<u>11,788,197</u>	<u>3,638,495</u>	<u>8,554,240</u>
Current liabilities	\$ 14,198,962	15,402,356	14,298,935	(1,203,394)
Noncurrent liabilities	<u>98,783,421</u>	<u>90,248,287</u>	<u>84,499,145</u>	<u>8,535,134</u>
Total liabilities	<u>\$ 112,982,383</u>	<u>105,650,643</u>	<u>98,798,080</u>	<u>7,331,740</u>
Deferred inflows of resources	<u>\$ 6,385,305</u>	<u>5,697,612</u>	<u>4,195,734</u>	<u>687,693</u>
Net position:				
Net investment in capital assets	\$ 123,808,316	111,721,806	106,668,991	12,086,510
Restricted	1,193,330	1,523,003	3,884,789	(329,673)
Unrestricted	<u>(46,764,478)</u>	<u>(44,207,023)</u>	<u>(40,964,997)</u>	<u>(2,557,455)</u>
Total net position	<u>\$ 78,237,168</u>	<u>69,037,786</u>	<u>69,588,783</u>	<u>9,199,382</u>

The decrease in current assets of \$1,687,211 is due to the following:

- An increase in cash and cash equivalents of \$666,598.
- A decrease in accounts receivable of \$1,216,792, mainly the result of a decrease in State and County receivables.
- A decrease in deposits held by trustee of \$329,673, 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 prepaid expenses of \$685,616

Capital assets increased in the net by \$10,351,786, which is due to net additions of \$16,542,960, less the net change in accumulated depreciation of \$6,191,174.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis - Continued  
For the fiscal years ended June 30, 2017 and 2016

**Financial Highlights – Continued**

**Condensed Schedule of Net Position**

Deferred outflows of resources increase of \$8,554,240 is due to an increase of \$8,726,072 related to net pension liability offset by a decrease of \$171,832 related to the deferred loss on bond refinancing.

The decrease in current liabilities of \$1,203,394 is due to the following:

- Accounts payable and accrued expenses decreased \$1,669,958 due to a decrease in capital accounts payable for construction of the Wall project as the project is near completion.
- Unearned student tuition and fees increased \$511,636.

Non-current liabilities increased \$8,535,134 due to the following:

- Long-term debt decreased \$1,868,167. The College made bond principal payments totaling \$1,767,645 and amortized bond premium of \$138,910.
- Net pension liability increased \$10,403,301 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.

**Restatement of Prior Year Financial Statements**

During the year ended June 30, 2017, the College discovered that it had begun to depreciate a building that was under construction during the year ended June 30, 2016. As a result of the restatement, the College's capital assets, net of accumulated depreciation and net investment in capital assets increased by \$187,013 and depreciation expense decreased by \$187,013.

The cumulative effect on the financial statement as reported for June 30, 2016 is as follows:

	<u>As Reported 2016</u>	<u>Prior Period Adjustments</u>	<u>Restated 2016</u>
Depreciable assets	\$ 253,416,303	(5,940,924)	247,475,379
Accumulated depreciation	(107,126,485)	187,013	(106,939,472)
Construction in progress	—	5,940,924	5,940,924
Nondepreciable asset, land	5,882,462	—	5,882,462
Capital assets, net of accumulated depreciation	<u>152,172,280</u>	<u>187,013</u>	<u>152,359,293</u>
Depreciation	<u>6,436,833</u>	<u>(187,013)</u>	<u>6,249,820</u>
Net investment in capital assets	111,534,793	187,013	111,721,806
Restricted - capital expenditures	1,523,003	—	1,523,003
Unrestricted	<u>(44,207,023)</u>	<u>—</u>	<u>(44,207,023)</u>
Total net position	<u>\$ 68,850,773</u>	<u>187,013</u>	<u>69,037,786</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, 2017 and 2016

**Capital Asset Activity**

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	<u>Restated 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>2017</u>
Land	\$ 5,882,462	—	—	5,882,462
Construction in progress	5,940,924	10,869,544	—	16,810,468
Building and improvements	234,665,699	5,362,854	—	240,028,553
Furniture and equipment	<u>12,809,680</u>	<u>489,208</u>	<u>(178,646)</u>	<u>13,120,242</u>
Total	259,298,765	16,721,606	(178,646)	275,841,725
Less accumulated depreciation	<u>(106,939,472)</u>	<u>(6,361,042)</u>	<u>169,868</u>	<u>(113,130,646)</u>
Capital assets, net	<u>\$ 152,359,293</u>	<u>10,360,564</u>	<u>(8,778)</u>	<u>162,711,079</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. Building and improvements, furniture and equipment additions are the product of our MAS Science Lab renovation. Construction in progress included the construction of a 37,000 square foot building located at our Wall Branch Campus. In July 2017, construction of the building was completed; the building opened in September of 2017. Funding for the project came from three sources: State of New Jersey grant programs, the County of Monmouth, and College contribution. Retirements included equipment past a useful life cycle.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis - Continued  
For the fiscal years ended June 30, 2017 and 2016

**Summary of Revenues, Expenses, and Changes in Net Position**

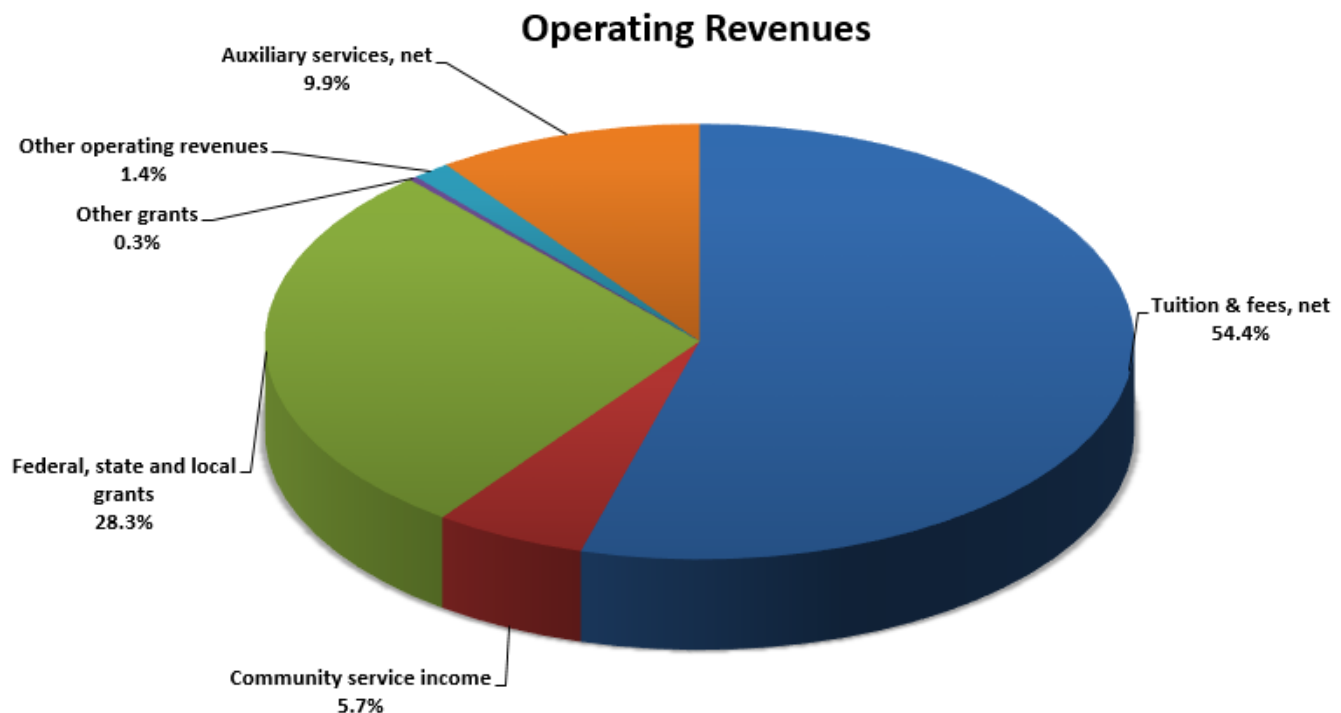
The College receives revenue from three main sources: student tuition and fees, state aid, and county support. The balance of revenue was from miscellaneous sources, which include Continuing Professional Services, grants and Auxiliary services (bookstore, dining & events).

	<u>2017</u>	<u>Restated 2016</u>	<u>2015</u>	<u>Change 2016-2017</u>
Operating revenues:				
Tuition, net	\$ 22,732,966	21,639,935	21,005,531	1,093,031
Fees	5,918,816	6,057,579	5,997,306	(138,763)
Chargebacks to other counties	256,750	303,826	315,482	(47,076)
Community service income	3,007,892	3,042,276	2,679,006	(34,384)
Federal, state and local grants	15,039,477	16,770,318	18,327,669	(1,730,841)
Other grants	158,642	146,895	178,537	11,747
Other operating revenues	754,635	857,976	934,289	(103,341)
Auxiliary services, net	5,273,405	5,797,205	5,845,950	(523,800)
	<u>53,142,583</u>	<u>54,616,010</u>	<u>55,283,770</u>	<u>(1,473,427)</u>
Total operating revenues				
Operating expenses	<u>104,163,737</u>	<u>109,225,573</u>	<u>113,747,225</u>	<u>(5,061,836)</u>
Operating loss	<u>(51,021,154)</u>	<u>(54,609,563)</u>	<u>(58,463,455)</u>	<u>3,588,409</u>
Nonoperating revenues (expenses):				
State appropriations	10,414,993	10,378,691	10,350,862	36,302
Local appropriations	20,027,019	20,027,019	20,027,019	—
Pell Grants	13,210,632	15,451,175	16,434,086	(2,240,543)
Investment income	—	—	47,450	—
Other nonoperating revenues	3,692,306	3,760,423	3,659,699	(68,117)
Other nonoperating expenses	(104,515)	(89,380)	(20,918)	(15,135)
Bond issuance expense	—	(473,930)	—	473,930
Interest expense	(1,650,441)	(1,652,816)	(2,031,898)	2,375
	<u>45,589,994</u>	<u>47,401,182</u>	<u>48,466,300</u>	<u>(1,811,188)</u>
Net nonoperating revenues				
Loss before other revenues	(5,431,160)	(7,208,381)	(9,997,155)	1,777,221
Other revenues:				
Capital appropriations	<u>14,630,542</u>	<u>6,657,384</u>	<u>5,047,293</u>	<u>7,973,158</u>
	<u>9,199,382</u>	<u>(550,997)</u>	<u>(4,949,862)</u>	<u>9,750,379</u>
Increase (Decrease) in net position				
Net position as of beginning of year	<u>69,037,786</u>	<u>69,588,783</u>	<u>74,538,645</u>	<u>(550,997)</u>
Net position as of end of year	<u>\$ 78,237,168</u>	<u>69,037,786</u>	<u>69,588,783</u>	<u>9,199,382</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, 2017 and 2016

**Revenues**

The College charged \$129.75 and \$122.75 per student credit hour ("SCH") to a maximum of \$1,946.25 and \$1,841.25 per term in fiscal years 2017 and 2016, respectively. In addition, the College charged a General Service Fee of 24% of tuition, or \$31.14 and \$29.46 per student credit hour to a maximum of \$467.10 and \$441.90, respectively during the same periods. Those fees helped fund technology enhancements, student life and activities, capital improvements and debt service obligations.



Tuition, fee, and chargeback revenue decreased by \$815,892; this decrease was offset by a decrease in scholarship allowances of \$1,723,084, for an overall net increase of \$907,192. Lower enrollment resulted in lower general service fees, and reduced revenue figures. The increase is due to an increase in tuition rates offset by a decline in credit enrollment.

The Bookstore, Event Management and Dining Services operations make up the main components of the College's Auxiliary Services. The decrease in Auxiliary Services revenue of \$523,800 was indicative of the decreased enrollment and affected the bookstore gross revenue.

**Nonoperating revenues**

State aid increased by \$36,302 due to a reallocation of funding to the 19 community colleges based on audited FY16 enrollment data. Overall State aid funding to the sector remained flat in FY17.

Total County aid of \$20,027,019 remained flat from 2016 to 2017.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis - Continued  
For the fiscal years ended June 30, 2017 and 2016

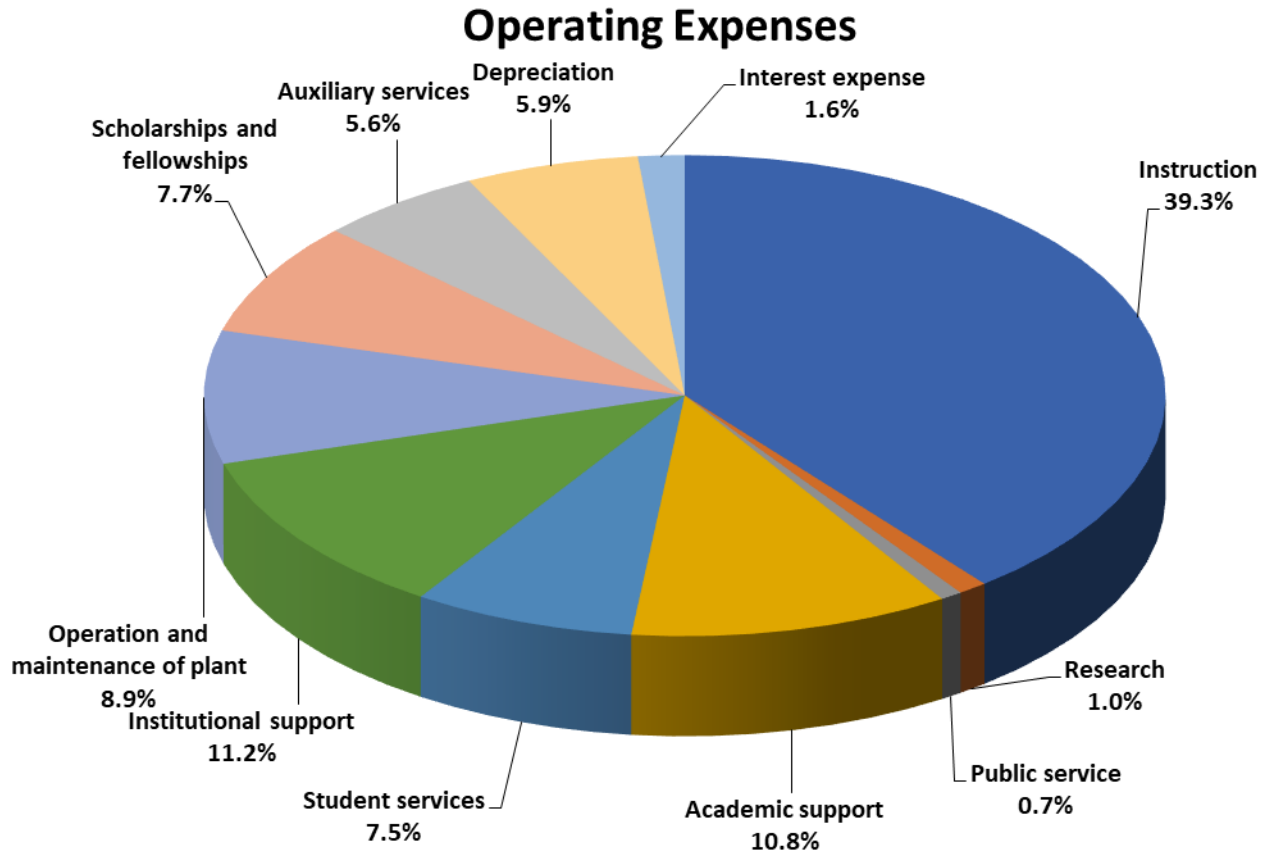
***Expenses***

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 expenses of \$105,814,178 in FY17 compared with \$110,878,389 in FY16. The operating expenses of the College by functional classification for the years ended June 2017 and 2016 were:

	<u>2017</u>	<u>Restated 2016</u>	<u>2015</u>	<u>Change 2016-2017</u>
Operating expenses:				
Instruction	\$ 41,493,143	42,040,465	41,130,964	(547,322)
Research	1,039,731	1,032,364	960,852	7,367
Public service	775,640	732,886	804,930	42,754
Academic support	11,351,283	12,160,996	15,193,478	(809,713)
Student services	7,881,811	8,847,886	9,947,405	(966,075)
Institutional support	11,855,075	10,311,672	10,394,589	1,543,403
Operation and maintenance of plant	9,445,969	11,368,551	10,765,512	(1,922,582)
Scholarships and fellowships	8,092,859	9,828,850	11,642,815	(1,735,991)
Auxiliary services	5,867,184	6,652,083	7,131,536	(784,899)
Depreciation	<u>6,361,042</u>	<u>6,249,820</u>	<u>5,775,144</u>	<u>111,222</u>
Total operating expenses	104,163,737	109,225,573	113,747,225	(5,061,836)
Interest expense	<u>1,650,441</u>	<u>1,652,816</u>	<u>1,652,816</u>	<u>(2,375)</u>
Total operating and interest expenses	<u>\$ 105,814,178</u>	<u>110,878,389</u>	<u>115,400,041</u>	<u>(5,064,211)</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, 2017 and 2016

*Expenses – Continued*



Operating and interest expenses decreased \$5,064,211 in fiscal year 2017 over fiscal year 2016. This decrease is primarily the result of the College continuing to focus on ways to reduce expenditures, in an effort to decrease reliance on self-funding the annual budget. Campus-wide savings maximized through attrition of personnel following staff retirements and resignations offset by increases to the cost of health benefits 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, 2017 and 2016

**Summary of Net Position**

The College had the following net position as of June 30,:

	<u>2017</u>	<u>Restated 2016</u>	<u>2015</u>	<u>Change 2016-2017</u>
Net position:				
Unrestricted	\$ 888,304	1,080,837	3,951,389	(192,533)
Restricted	1,193,330	1,523,003	3,884,789	(329,673)
Impact of GASB 68	<u>(47,652,782)</u>	<u>(45,287,860)</u>	<u>(44,916,386)</u>	<u>(2,364,922)</u>
	<u>(45,571,148)</u>	<u>(42,684,020)</u>	<u>(37,080,208)</u>	<u>(2,887,128)</u>
Net investment in capital assets	<u>123,808,316</u>	<u>111,721,806</u>	<u>106,668,991</u>	<u>12,086,510</u>
Total net position	<u>\$ 78,237,168</u>	<u>69,037,786</u>	<u>69,588,783</u>	<u>9,199,382</u>

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

**Statements of Net Position**

**As of June 30, 2017 and 2016**

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Statements of Net Position  
As of June 30, 2017 and 2016

	Brookdale Community College (Restated)		Brookdale Community College Foundation	
<b>Assets</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current assets:				
Cash and cash equivalents (notes 1 and 3)	\$ 5,734,067	5,067,469	657,519	577,916
Short-term investments (note 3)	—	—	3,436,689	3,296,542
Accounts receivable, net of allowance of \$1,037,962 in 2017 and \$898,471 in 2016 (note 4)	6,474,901	7,691,693	202,318	293,629
Deposits held by trustees (note 3)	1,193,330	1,523,003		
Inventories	623,643	745,371	—	—
Prepaid expenses	525,399	1,211,015	—	—
Total current assets	14,551,340	16,238,551	4,296,526	4,168,087
Noncurrent assets:				
Endowment investments (note 3)	—	—	2,118,015	2,041,263
Capital assets, net of accumulated depreciation of \$113,130,646 in 2017 and \$106,939,472 in 2016 (note 6)	162,711,079	152,359,293	—	—
Total noncurrent assets	162,711,079	152,359,293	2,118,015	2,041,263
Total assets	177,262,419	168,597,844	6,414,541	6,209,350
<b>Deferred Outflows of Resources</b>				
Related to pensions	17,162,438	8,436,366	—	—
Deferred loss on bond refinancing (note 7)	3,179,999	3,351,831	—	—
Total deferred outflows	20,342,437	11,788,197	—	—
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses (notes 5 and 10)	9,480,946	11,150,904	36,508	123,316
Unearned student tuition and fees	2,869,184	2,357,548	—	—
Unearned grant revenue	119,576	126,259	—	—
Long-term debt, current portion (note 7)	1,729,256	1,767,645	—	—
Total current liabilities	14,198,962	15,402,356	36,508	123,316
Noncurrent liabilities:				
Long-term debt, net of current portion (note 7)	40,353,506	42,221,673	—	—
Net pension liability	58,429,915	48,026,614	—	—
Total noncurrent liabilities	98,783,421	90,248,287	—	—
Total liabilities	112,982,383	105,650,644	36,508	123,316
<b>Deferred Inflows of Resources</b>				
Related to pensions	6,385,305	5,697,612	—	—
<b>Net Position</b>				
Net investment in capital assets	123,808,316	111,721,806	—	—
Restricted:				
Nonexpendable:				
Scholarships	—	—	1,213,818	1,190,871
Library	—	—	953,637	902,086
Expendable:				
Capital	1,193,330	1,523,003	—	—
Scholarships	—	—	3,141,464	2,852,024
Unrestricted (note 8)	(46,764,478)	(44,207,023)	1,069,114	1,141,053
Total net position	\$ 78,237,168	69,037,786	6,378,033	6,086,034

*The accompanying notes are an integral part of the financial statements.*

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Statements of Revenues and Expenses,  
For the fiscal years ended June 30, 2017 and 2016

	Brookdale Community College (Restated)		Brookdale Community College Foundation	
	2017	2016	2017	2016
Operating revenues:				
Student revenues:				
Tuition, net of scholarship allowances of \$15,948,557 for 2017 and \$17,671,642 in 2016	\$ 22,732,966	21,639,935	—	—
Chargebacks to other counties	256,750	303,826	—	—
	22,989,716	21,943,761	—	—
Auxiliary services, net of scholarships of \$1,031,220 for 2017 and \$1,517,321 in 2016	5,273,405	5,797,205	—	—
Fees	5,918,816	6,057,579	—	—
Net student revenues	34,181,937	33,798,545	—	—
Community service income	3,007,892	3,042,276	—	—
Federal grants	10,740,281	12,282,872	—	—
State grants	3,676,042	4,059,494	—	—
Local grants	623,154	427,952	—	—
Other grants	158,642	146,895	—	—
Special events	—	—	274,772	211,209
Other operating revenues	754,635	857,976	—	—
Total operating revenues	53,142,583	54,616,010	274,772	211,209
Operating expenses:				
Instruction	41,493,143	42,040,465	—	—
Research	1,039,731	1,032,364	—	—
Public service	775,640	732,886	—	—
Academic support	11,351,283	12,160,996	—	—
Student services	7,881,811	8,847,886	—	—
Institutional support	11,855,075	10,311,672	189,972	169,521
Operation and maintenance of plant	9,445,969	11,368,551	—	—
Scholarships and fellowships	8,092,859	9,828,850	552,963	429,381
Auxiliary services	5,867,184	6,652,083	—	—
Depreciation	6,361,042	6,249,820	—	—
Total operating expenses	104,163,737	109,225,573	742,935	598,902
Operating loss	(51,021,154)	(54,609,563)	(468,163)	(387,693)
Nonoperating revenues (expenses):				
State appropriations	10,414,993	10,378,691	—	—
Local appropriations	20,027,019	20,027,019	—	—
Pell Grants	13,210,632	15,451,175	—	—
Contributions	—	—	304,352	542,199
Investment income	—	—	455,810	249,996
Other nonoperating revenues	3,692,306	3,760,423	—	—
Other nonoperating expenses	(95,737)	(60,050)	—	—
Interest expense	(1,650,441)	(1,652,816)	—	—
Loss on disposal of assets	(8,778)	(29,330)	—	—
Bond issuance expense	—	(473,930)	—	—
On-behalf payments - alternate benefit program:				
Revenues	2,003,142	2,120,192	—	—
Expenses	(2,003,142)	(2,120,192)	—	—
On-behalf payments - police & firemen's retirement system:				
Revenues	73,885	60,828	—	—
Expenses	(73,885)	(60,828)	—	—
Net nonoperating revenues	45,589,994	47,401,182	760,162	792,195
Income (loss) before other revenues	(5,431,160)	(7,208,381)	291,999	404,502
Other Revenues (expenses)				
Capital appropriations	14,630,542	6,657,384	—	—
Increase (Decrease) in net position	9,199,382	(550,997)	291,999	404,502
Net position as of beginning of year (restated)	69,037,786	69,588,783	6,086,034	5,681,532
Net position as of end of year	\$ 78,237,168	69,037,786	6,378,033	6,086,034

*The accompanying notes are an integral part of the financial statements.*

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Statements of Changes in Net Position  
For the fiscal years ended June 30, 2017 and 2016

	Primary Government				
	<u>Investment in Capital Assets, net</u>	<u>Restricted For Capital</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance, June 30, 2015	\$ 106,668,991	3,884,789	—	(40,964,997)	69,588,783
Changes in net position for 2016 as previously reported	4,865,802	(2,361,786)	—	(3,242,026)	(738,010)
Correction of error (Note 2)	<u>187,013</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>187,013</u>
Balance, June 30, 2016, as restated	111,721,806	1,523,003	—	(44,207,023)	69,037,786
Changes in net position for 2017	<u>12,086,510</u>	<u>(329,673)</u>	<u>—</u>	<u>(2,557,455)</u>	<u>9,199,382</u>
Balance, June 30, 2017	<u>\$ 123,808,316</u>	<u>1,193,330</u>	<u>—</u>	<u>(46,764,478)</u>	<u>78,237,168</u>
	Component Unit				
	<u>Investment in Capital Assets, net</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance, June 30, 2015	\$ —	2,493,745	2,076,823	1,110,964	5,681,532
Changes in net position for 2016	<u>—</u>	<u>358,279</u>	<u>108,391</u>	<u>(62,168)</u>	<u>404,502</u>
Balance, June 30, 2016	—	2,852,024	2,185,214	1,048,796	6,086,034
Changes in net position for 2017	<u>—</u>	<u>289,440</u>	<u>(17,759)</u>	<u>20,318</u>	<u>291,999</u>
Balance, June 30, 2017	<u>\$ —</u>	<u>3,141,464</u>	<u>2,167,455</u>	<u>1,069,114</u>	<u>6,378,033</u>

*The accompanying notes are an integral part of the financial statements.*

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Statements of Cash Flows  
For the fiscal years ended June 30, 2017 and 2016

	Brookdale Community College		Brookdale Community College Foundation	
	2017	(Restated) 2016	2017	2016
Cash flows from operating activities:				
Student tuition and fees (including chargebacks to other counties)	\$ 29,283,809	27,268,356	—	—
Noncredit revenue	3,129,948	3,065,673	—	—
Grants and contracts	15,292,755	16,814,848	—	—
Grant payments	(28,408,751)	(32,368,388)	—	—
Payments to suppliers	(7,533,374)	(9,796,786)	(185,981)	(81,041)
Payments to employees	(45,647,824)	(45,597,336)	(90,800)	(95,055)
Payments for scholarships and fellowships	(7,061,639)	(8,311,529)	(552,963)	(334,913)
Auxiliary services:				
Bookstore and dining services receipts	4,604,885	5,463,029	—	—
Bookstore and dining services payments	(4,112,849)	(4,667,123)	—	—
Other auxiliary services payments	(1,005,095)	(1,572,252)	—	—
Special events receipts	—	—	266,038	225,167
Other operating receipts	754,635	857,976	—	—
Net cash used in operating activities	(40,703,500)	(48,843,532)	(563,706)	(285,842)
Cash flows from noncapital financing activities:				
State appropriations	10,414,993	10,378,691	—	—
Local appropriations	20,027,019	20,027,019	—	—
Pell Grants	13,353,095	15,333,539	—	—
Other nonoperating revenue	3,587,791	2,935,973	—	—
Contributions	—	—	404,398	335,216
Net cash provided by noncapital financing activities	47,382,898	48,675,222	404,398	335,216
Cash flows from capital financing activities:				
Proceeds from issuance of debt	—	22,820,000	—	—
Payments on capital debt	(1,734,724)	(1,506,035)	—	—
Deceased bonds	—	(22,820,000)	—	—
Capital appropriations	15,703,089	3,180,087	—	—
Interest paid on capital debt	(1,680,279)	(1,773,957)	—	—
Purchases of capital assets	(18,630,559)	(7,622,816)	—	—
Net cash used in capital financing activities	(6,342,473)	(7,722,721)	—	—
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	—	—	330,377	554,967
Interest and dividends on investments	—	—	85,727	71,289
Purchases of investments	—	—	(177,193)	(524,848)
Net cash provided by investing activities	—	—	238,911	101,408
Net increase (decrease) in cash and cash equivalents	336,925	(7,891,031)	79,603	150,782
Cash and cash equivalents as of beginning of year	6,590,472	14,481,503	577,916	427,134
Cash and cash equivalents as of end of year	\$ 6,927,397	6,590,472	657,519	577,916
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (51,021,154)	(54,609,563)	(468,163)	(387,693)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation expense	6,361,042	6,249,820	—	—
Bad debt expense	139,491	47,965	—	—
Net pension expense	2,364,924	371,475	—	—
Changes in assets and liabilities:				
Grants and other receivables	(137,709)	(47,800)	(8,735)	13,958
Inventories	121,728	59,470	—	—
Prepaid expenses	685,616	34,792	—	—
Accounts payable and accrued expenses	277,609	(169,099)	—	—
Due to Brookdale Community College	—	—	(86,808)	87,893
Deposits held in custody of others	—	—	—	—
Unearned student tuition and fees	511,636	(783,403)	—	—
Unearned grant revenue	(6,683)	2,811	—	—
Net cash used in operating activities	\$ (40,703,500)	(48,843,532)	(563,706)	(285,842)
Cash and cash equivalents as of end of year				
Cash and cash equivalents	\$ 5,734,067	5,067,469	657,519	577,916
Deposits held by trustees	1,193,330	1,523,003	—	—
Total	\$ 6,927,397	6,590,472	657,519	577,916
Supplemental Information:				
Change in Pell grants receivable	\$ 142,463	\$ (117,636)	—	—
Change in accounts receivable capital	\$ 1,072,547	\$ (3,477,297)	—	—
Change in capital assets in accounts payable	\$ (1,917,731)	\$ 1,936,202	—	—
Change in accrued interest payable	\$ (29,836)	\$ (144,699)	—	—
Current year deferred loss on bond refinancing	\$ 171,832	\$ 3,170,549	—	—
Bond issuance costs	\$ —	\$ 473,930	—	—

The accompanying notes are an integral part of the financial statements.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
June 30, 2017 and 2016

**(1) Organization and Summary of Significant Accounting Policies**

***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, day care center, 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 (“HECs”) 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 degrees at Brookdale locations.

***Financial Reporting and 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 Brookdale Community 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 Brookdale Community College 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.



**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(1) Organization and Summary of Significant Accounting Policies (continued)**

***Financial Reporting and Summary of Significant Accounting Policies (continued)***

***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.

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.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(1) Organization and Summary of Significant Accounting Policies (continued)**

***Recently Issued Accounting Pronouncements***

GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for periods beginning after June 15, 2017. This Statement replaces Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (“OPEB”). It also requires additional information by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 also identifies the assumptions and methods that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service for defined benefit OPEB. As discussed in Note 12, management anticipates that implementation of this standard will require the restatement of balances as of July 1, 2017.

GASB Statement 83 – *Certain Asset Retirement Obligations* (“ARO’s”) 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 net position and a statement of changes in 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 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 yet evaluated the effects of the implementation of this Statement.

GASB Statement 85 – *Omnibus 2017* is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 86 – *Certain Debt Extinguishment Issues* is effective for reporting periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(1) Organization and Summary of Significant Accounting Policies (continued)**

***Recently Issued Accounting Pronouncements***

GASB Statement 86 – Continued - for prepaid insurance on debt that is extinguished and disclosures in the financial statements for debt that is defeased in substance. Management has not completed its review of the requirements of this standard.

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 Statement. Management is in the process of evaluating this Statement and has not yet determined its impact on the financial statements.

***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 No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

***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.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(1) Organization and Summary of Significant Accounting Policies (continued)**

***Financial Reporting and Summary of Significant Accounting Policies (continued)***

***Other***

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

- (a) Cash and cash equivalents consist of cash on deposit with banks and money market funds with original maturities of three months or less when purchased.
- (b) Inventories consist of books, clothing, and other bookstore merchandise and are recorded at the lower of cost or market using the average cost.
- (c) 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.
- (d) 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

- (e) The County of Monmouth 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 of Monmouth 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).
- (f) 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.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(1) Organization and Summary of Significant Accounting Policies (continued)**

***Financial Reporting and Summary of Significant Accounting Policies (continued)***

***Other (continued)***

- (g) 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.
- (h) Revenue from State of New Jersey and County appropriations is recognized in the fiscal years during which the State of New Jersey and County of Monmouth appropriate the funds to the College.
- (i) 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.
- (j) Auxiliary services expenses include direct and indirect administration and general costs related to their operations.
- (k) 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.
- (l) The College receives appropriations from the State of New Jersey and the County of Monmouth. The College is economically dependent on these appropriations to carry on its operations and is considered to be a component unit of the County of Monmouth.
- (m) 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.

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 County of Monmouth, contributions and investment income. Interest expense is reported as a nonoperating expense.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(1) Organization and Summary of Significant Accounting Policies (continued)**

***Financial Reporting and Summary of Significant Accounting Policies (continued)***

***Other (continued)***

- (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 accordance with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the dates of the financial statements and revenues and expenses recognized during the reporting periods. The College's significant estimates include the accrual for employee compensated absences, net pension liability, the allowance for doubtful accounts, and the useful lives of capital assets. Actual results could differ from those estimates.

**(2) Correction of Previously Issued Financial Statements**

***Restatement of Prior Year Financial Statements***

During the year ended June 30, 2017, the College discovered that it had begun to depreciate a building that was under construction during the year ended June 30, 2016. As a result of the restatement, the College's capital assets, net of accumulated depreciation and net investment in capital assets increased by \$187,013 and depreciation expense decreased by \$187,013.

The cumulative effect on the financial statement as reported for June 30, 2016 is as follows:

	<b>As Reported June 30, 2016</b>	<b>Prior Period Adjustments</b>	<b>Restated June 30, 2016</b>
Depreciable assets	\$ 253,416,303	(5,940,923)	247,475,380
Accumulated depreciation	(107,126,485)	187,013	(106,939,472)
Construction in progress	—	5,940,923	5,940,923
Nondepreciable asset, land	5,882,462	—	5,882,462
Capital assets, net of accumulated depreciation	<u>152,172,280</u>	<u>187,013</u>	<u>152,359,293</u>
Depreciation	<u>6,436,833</u>	<u>(187,013)</u>	<u>6,249,820</u>
Net investment in capital assets	111,534,793	187,013	111,721,806
Restricted - capital expenditures	1,523,003	—	1,523,003
Unrestricted	<u>(44,207,023)</u>	<u>—</u>	<u>(44,207,023)</u>
Total net position	<u>\$ 68,850,773</u>	<u>187,013</u>	<u>69,037,786</u>

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(3) Cash and Cash Equivalents and Investments**

**Cash and Cash Equivalents**

***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. 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, 2017 and 2016 the College's and Foundation's combined bank balances of \$9,335,244 and \$7,784,885 were insured, collateralized or uninsured as follows:

	Brookdale Community College		Brookdale Community College Foundation	
	2017	2016	2017	2016
Insured	\$ 250,000	250,000	250,000	250,000
Collateralized under GUDPA	8,271,361	6,913,391	—	—
Uninsured	15,640	15,690	548,243	355,804
	<u>\$ 8,537,001</u>	<u>7,179,081</u>	<u>798,243</u>	<u>605,804</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 cash equivalents. As of June 30, 2017 and 2016, the College's deposits held by trustees are \$1,193,330 and \$1,523,003, respectively.

**(3) Cash and Cash Equivalents and Investments**

**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, 2017 and 2016 are \$5,554,704 and \$5,337,805, respectively, 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, 2017 and 2016

**(3) Cash and Cash 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, the majority of 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, 2017 and 2016 the Foundation's exposure to foreign current risk is as follows:

<u>Investment</u>	<u>Currency</u>	<u>Maturity</u>		<u>FY 17</u> <u>Fair</u> <u>Value</u>	<u>Rating</u>
Royal Bank of Canada	Canadian dollar	10/13/2017	\$	5,000	AA-
Medtronic Global Holdings	European euro	4/1/2027		12,235	A
			\$	<u>17,235</u>	
<u>Investment</u>	<u>Currency</u>	<u>Maturity</u>		<u>FY 16</u> <u>Fair</u> <u>Value</u>	<u>Rating</u>
Bank of Montreal	Canadian dollar	1/25/2019	\$	24,629	A+

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(3) Cash and Cash 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. No investment exceeded 5% of the or more of the total investment balance for the years ended June 30, 2017 and 2016.

The risk categories for the bond fund holdings held by the Foundation as of June 30, 2017 and 2016, are as follows:

<u>Investment rating*</u>	<u>FY17</u>	<u>FY16</u>
AAA	\$ 308,522	438,452
AA+	239,183	281,113
AA	19,881	47,759
AA-	89,690	38,332
A+	62,008	168,172
A	84,247	162,520
A-	206,475	383,175
BBB+	372,781	50,577
BBB	85,382	15,750
BBB-	58,181	—
BB+	38,324	25,000
	<u>\$ 1,564,674</u>	<u>1,610,851</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.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(3) Cash and Cash Equivalents and Investments (continued)**

**Investments (continued)**

The Foundation investments as of June 30, 2017 and 2016 are stated at fair value and consist of the following:

<b>2017</b>					
<b><u>Investment Maturities (in years)</u></b>					
<b><u>Investment Type</u></b>	<b><u>Market Value</u></b>	<b><u>Less than 1</u></b>	<b><u>1-5 years</u></b>	<b><u>6-10 years</u></b>	<b><u>More than 10</u></b>
					<b><u>years</u></b>
Corporate bonds	\$ 993,337	138,599	280,564	421,914	152,260
Government bonds	501,917	-	244,666	143,690	113,561
Municipal bonds	52,185	-	-	24,931	27,254
Foreign bonds	17,235	-	5,000	-	12,235
	<u>1,564,674</u>	<u>138,599</u>	<u>530,230</u>	<u>590,535</u>	<u>305,310</u>

Mutual funds	9,930
Preferred stock	138,851
Equities	3,841,249
	<u>\$ 5,554,704</u>

<b>2016</b>					
<b><u>Investment Maturities (in years)</u></b>					
<b><u>Investment Type</u></b>	<b><u>Market Value</u></b>	<b><u>Less than 1</u></b>	<b><u>1-5 years</u></b>	<b><u>6-10 years</u></b>	<b><u>More than 10</u></b>
					<b><u>years</u></b>
Corporate bonds	\$ 917,712	37,278	394,076	349,966	136,392
Government bonds	650,281	31,022	423,558	78,445	117,256
Municipal bonds	18,230	-	-	-	18,230
Foreign bonds	24,629	-	24,629	-	-
	<u>1,610,851</u>	<u>68,300</u>	<u>842,262</u>	<u>428,411</u>	<u>271,878</u>

Mutual funds	9,964
Preferred stock	138,596
Equities	3,578,394
	<u>\$ 5,337,805</u>

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(3) Cash and Cash Equivalents and Investments (continued)**

**Investments (continued)**

Foundation investment income for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Investment income	\$ 85,727	71,289
Net realized and unrealized gains	<u>370,083</u>	<u>178,707</u>
Total investment income	<u>\$ 455,810</u>	<u>249,996</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, 2017 and 2016.

*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 if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2017 and 2016, all investments of the Foundation are categorized in Level 1 of the fair value hierarchy. As of June 30, 2017 and 2016 the College holds no investments.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(4) Accounts Receivable**

Accounts receivable consisted of the following as of June 30, 2017 and 2016:

	<u>Brookdale Community College</u>		<u>Brookdale Community College Foundation</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Federal, state and local grants receivable	\$ 4,917,724	6,074,873	—	—
Student accounts receivable	1,897,473	1,621,594	—	—
Community development receivables	156,762	279,459	—	—
Other receivables	<u>540,904</u>	<u>614,238</u>	<u>202,318</u>	<u>293,629</u>
	7,512,863	8,590,164	202,318	293,629
Less allowance for doubtful accounts	<u>1,037,962</u>	<u>898,471</u>	<u>—</u>	<u>—</u>
	<u>\$ 6,474,901</u>	<u>7,691,693</u>	<u>202,318</u>	<u>293,629</u>

**(5) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consisted of the following as of June 30, 2017 and 2016:

	<u>Brookdale Community College</u>		<u>Brookdale Community College Foundation</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Vendors	\$ 874,409	419,674	—	—
Construction	804,095	2,751,662	—	—
Payroll	3,038,337	2,967,235	—	—
Pension contribution	1,766,782	2,124,084	—	—
Compensated absences - vacation	2,160,894	1,840,038	—	—
State of New Jersey unemployment	500,000	499,997	—	—
Other	<u>336,429</u>	<u>548,214</u>	<u>36,508</u>	<u>123,316</u>
	<u>\$ 9,480,946</u>	<u>11,150,904</u>	<u>36,508</u>	<u>123,316</u>

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(6) Capital Assets**

For the years ended June 30, 2017 and 2016, capital assets and accumulated depreciation was as follows:

	Balance Jun3 30, 2016 Restated	Additions	Retirements	Balance June 30, 2017
Depreciable assets:				
Buildings and building improvements	\$ 234,665,699	5,362,854	-	240,028,553
Equipment	12,809,680	489,208	(178,646)	13,120,242
	<u>247,475,379</u>	<u>5,852,062</u>	<u>(178,646)</u>	<u>253,148,795</u>
Less accumulated depreciation:				
Buildings and building improvements	(98,377,409)	(5,328,667)	-	(103,706,076)
Equipment	(8,562,063)	(1,032,375)	169,868	(9,424,570)
	<u>(106,939,472)</u>	<u>(6,361,042)</u>	<u>169,868</u>	<u>(113,130,646)</u>
Depreciable assets, net	140,535,907	(508,980)	(8,778)	140,018,149
Construction in progress	5,940,924	10,869,544	-	16,810,468
Nondepreciable asset - land	5,882,462	-	-	5,882,462
Capital Assets, Net	<u>\$ 152,359,293</u>	<u>10,360,564</u>	<u>(8,778)</u>	<u>162,711,079</u>

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016 Originally Reported	Adjustments	Balance June 30, 2016 Restated
Depreciable assets:						
Buildings and building improvements	\$ 230,898,273	3,805,136	(37,710)	234,665,699	-	234,665,699
Equipment	11,574,954	1,990,746	(756,020)	12,809,680	-	12,809,680
	<u>242,473,227</u>	<u>5,795,882</u>	<u>(793,730)</u>	<u>247,475,379</u>	<u>-</u>	<u>247,475,379</u>
Less accumulated depreciation:						
Buildings and building improvements	(93,034,461)	(5,534,299)	8,380	(98,560,380)	182,971	(98,377,409)
Equipment	(8,419,591)	(902,534)	756,020	(8,566,105)	4,042	(8,562,063)
	<u>(101,454,052)</u>	<u>(6,436,833)</u>	<u>764,400</u>	<u>(107,126,485)</u>	<u>187,013</u>	<u>(106,939,472)</u>
Depreciable assets, net	141,019,175	(640,951)	(29,330)	140,348,894	187,013	140,535,907
Construction in progress	1,413,388	4,527,536	-	5,940,924	-	5,940,924
Nondepreciable asset - land	5,882,462	-	-	5,882,462	-	5,882,462
Capital Assets, Net	<u>\$ 148,315,025</u>	<u>3,886,585</u>	<u>(29,330)</u>	<u>152,172,280</u>	<u>187,013</u>	<u>152,359,293</u>

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(7) Long-Term Debt**

The activity in long-term debt for the years ended June 30, 2017 and 2016 was as follows:

Brookdale Community College				
	<u>June 30, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2017</u>
A. Lease revenue bonds - Series 2008 issue:				
Before refunding - Serial bonds (interest rates from 4.75% to 5.00% due on various dates through fiscal year 2019)	\$ 1,775,000	—	(565,000)	1,210,000
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)	3,310,000	—	(420,000)	2,890,000
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)	5,900,000	—	(445,000)	5,455,000
D. Equipment leasing fund (interest rate of 5% due on various dates through fiscal year 2019)	363,714	—	(137,646)	226,068
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)	19,525,000	—	(200,000)	19,325,000
Term bonds (interest rate 3.5%; due through fiscal year 2039)	5,005,000	—	—	5,005,000
Bond premium	2,415,604	—	(138,910)	2,276,694
	<u>\$ 43,989,318</u>	<u>—</u>	<u>(1,906,556)</u>	<u>42,082,762</u>
Less current portion				<u>(1,729,256)</u>
				<u>40,353,506</u>

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(7) Long-Term Debt (continued)**

Brookdale Community College				
	June 30, 2015	Increase	Decrease	June 30, 2016
A. Lease revenue bonds - Series 2008 issue:				
Before refunding - Serial bonds (interest rates from 4.75% to 5.00% due on various dates through fiscal year 2019)	\$ 6,750,000	—	(535,000)	(4,440,000)
Term bonds (interest rate from 5.25% to 6.00%; due in fiscal years 2027, 2029, 2032 and 2039)	18,380,000	—	—	(18,380,000)
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)	3,715,000	—	(405,000)	—
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)	6,335,000	—	(435,000)	—
D. Equipment leasing fund (interest rate of 5% due on various dates through fiscal year 2019)	494,749	—	(131,035)	—
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)	—	19,525,000	—	—
Term bonds (interest rate 3.5%; due through fiscal year 2039)	—	5,005,000	—	5,005,000
Bond premium	605,380	1,934,479	(124,255)	—
	<u>\$ 41,975,129</u>	<u>26,464,479</u>	<u>(1,630,290)</u>	<u>(22,820,000)</u>
Less current portion				<u>(1,767,645)</u>
				<u>42,221,673</u>



**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(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 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 was decreased to \$1,775,000. A payment of \$565,000 was made during the fiscal year. A bond principal payment of \$590,000 is due on August 1, 2018; subsequent bond principal payments incrementally increase thereafter to a maximum of \$620,000 on August 1, 2019.

- 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 \$420,000 was made on August 1, 2016, and \$435,000 is due on August 1, 2017; 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 \$445,000 was made on August 1, 2016, and \$460,000 is due on August 1, 2017; 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, 2017 and 2016

**(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 (ELF) provides funds to support the purchase of scientific, engineering, technical, computer, communications, and instructional equipment for public and private institutions of higher education. The equipment was purchased with the proceeds of a NJEFA bond issuance. The total amount of equipment to be financed was \$2,724,217. The College's basic rent as set forth in the debt 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 \$137,646 was made on August 1, 2016, and \$144,256 is due on August 1, 2017. 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 \$200,000 was made on August 1, 2016, and \$100,000 is due on August 1, 2017; 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, 2017 and 2016

**(7) Long-Term Debt (continued)**

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2017:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,729,256	1,537,751	3,267,007
2019	1,699,998	1,467,443	3,167,441
2020	1,766,815	1,396,917	3,163,732
2021	1,795,000	1,328,375	3,123,375
2022	1,860,000	1,250,580	3,110,580
2023-2027	7,710,000	4,964,482	12,674,482
2028-2032	9,515,000	2,727,004	12,242,004
2033-2037	10,330,000	1,147,940	11,477,940
2038-2039	3,400,000	70,467	3,470,467
	<u>\$ 39,806,069</u>	<u>15,890,959</u>	<u>55,697,028</u>

Interest charges incurred in fiscal year 2017 and 2016 were \$1,650,441 and \$1,652,816, respectively.

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, 2017 and 2016 the balance of the bond premium is \$503,422 and \$554,400 and the deferred loss is \$273,666 and \$301,379, respectively. 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 2017 and 2016 was \$50,982. The amount of deferred loss charged as an increase of interest expense for fiscal year 2017 and 2016 was \$27,716.

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, 2017 and 2016, the balance of the bond premium is \$1,773,272 and \$1,861,204 and the deferred loss is \$2,906,333 and \$3,050,452, respectively. 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 2017 and 2016 the amount of premium charged as a reduction of interest expense was \$87,928 and \$73,276 and the amount of deferred loss charged as an increase of interest expense was \$144,116 and \$120,097, respectively.

**BROOKDALE COMMUNITY COLLEGE**  
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Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(8) Designations of Unrestricted Net Position**

As of June 30, 2017 and 2016, the College had designated portions of its unrestricted net position as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Designated:		
Auxiliary services	\$ 70,471	71,006
Risk management	124,384	112,552
Appropriation to succeeding fiscal years' budgets	<u>693,449</u>	<u>897,279</u>
	888,304	1,080,837
Impact of GASB 68 adjustments	<u>(47,652,782)</u>	<u>(45,287,860)</u>
	<u><u>\$ (46,764,478)</u></u>	<u><u>(44,207,023)</u></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

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Notes to Financial Statements (continued)  
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**(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.

***PFRS Funding Policy***

PERS members are required to contribute 7.06% of their annual covered salary for the periods July 1, 2015 to June 30, 2016 and July 1, 2016 to 2017. The College is required to contribute at an actuarially determined rate. During the year ended June 30, 2017 and 2016, the College's annual contributions to PERS was \$1,459,999 and \$1,546,015, respectively. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey. PFRS members are required to contribute 10% of their annual covered salary for the years ended June 30, 2017 and 2016. 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, 2017 and 2016 the College's contribution to PFRS was \$306,783 and \$294,023, respectively. 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**  
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Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(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, 2017, ABP contributions, based upon participating employee salaries of \$25,039,269, were \$1,366,151 from employees and \$2,127,356 from the College. The State of New Jersey reimbursed the College \$2,003,141 for qualified employees and this amount is included in the accompanying financial statements as on-behalf payments

During the year ended June 30, 2016, ABP contributions, based upon participating employee salaries of \$26,502,402, were \$1,420,537 from employees and \$2,036,837 from the College. The State of New Jersey reimbursed the College \$2,120,192 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 and 2016 measurement date are as follows:

**BROOKDALE COMMUNITY COLLEGE**  
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Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(9) Retirement Plans (continued)**

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

	<b>Measurement Date 2016</b>	<b>Measurement Date 2015</b>
College's Proportionate Share of Net Pension Liability	\$ —	—
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the College	<u>578,475</u>	<u>481,242</u>
	\$ <u>578,475</u>	<u>481,242</u>

The following information is related to the Public Employees' Retirement System ("PERS") and Police and Firemen's Retirement System ("PFRS") are cost sharing multiple-employer defined benefit pension plans.

As of June 30, 2017 and 2016, the College reported a liability of \$58,429,915 and \$48,026,614, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and 2015. 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 PERS at June 30, 2016 and 2015 was .19% and .18% as of June 30, 2017 and 2016, respectively. The College's proportion of PFRS at June 30, 2016 and 2015 was .03% and .02% which was an increase of 12.5% from its proportion measured as of June 30, 2016.

At June 30, 2017 and 2016 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**BROOKDALE COMMUNITY COLLEGE**  
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Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(9) Retirement Plans (continued)**

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

At June 30, 2017 and 2016 the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2017					
	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	\$ 958,511	—	958,511	\$ —	45,156	45,156
Changes of Assumptions	10,676,599	954,134	11,630,733	—	—	—
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,965,316	482,673	2,447,989	—	—	—
Changes in Proportion and Differences Between College's Contributions and Proportionate Share of Contributions	—	358,423	358,423	5,927,845	412,304	6,340,149
College's Contributions Subsequent to the Measurement Date	<u>1,459,999</u>	<u>306,783</u>	<u>1,766,782</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 15,060,425</u>	<u>2,102,013</u>	<u>17,162,438</u>	<u>\$ 5,927,845</u>	<u>457,460</u>	<u>6,385,305</u>



**BROOKDALE COMMUNITY COLLEGE**  
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Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(9) Retirement Plans (continued)**

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

	June 30, 2016					
	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	\$ 1,014,832	—	1,014,832	\$ —	47,332	47,332
Changes of Assumptions	4,568,353	1,013,143	5,581,496	—	—	—
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	—	—	—	683,946	95,506	779,452
Changes in Proportion and Differences Between College's Contributions and Proportionate Share of Contributions	—	—	—	4,337,763	533,065	4,870,828
College's Contributions Subsequent to the Measurement Date	<u>1,546,015</u>	<u>294,023</u>	<u>1,840,038</u>	<u>—</u>	<u>—</u>	<u>—</u>
	\$ <u>7,129,200</u>	<u>1,307,166</u>	<u>8,436,366</u>	\$ <u>5,021,709</u>	<u>675,903</u>	<u>5,697,612</u>

As of June 30, 2017 and 2016, \$1,766,782 and \$1,840,038, respectively was 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>
2017	\$ 1,727,412	320,230	2,047,642
2018	1,727,412	320,230	2,047,642
2019	2,001,265	431,475	2,432,740
2020	1,681,355	255,146	1,936,501
2021	<u>535,137</u>	<u>10,689</u>	<u>545,827</u>
	\$ <u>7,672,581</u>	<u>1,337,770</u>	<u>9,010,351</u>

**BROOKDALE COMMUNITY COLLEGE**  
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Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(9) Retirement Plans (continued)**

***Actuarial Assumptions***

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

<b>Measurment Date - June 30, 2016</b>		
	<b><u>PERS</u></b>	<b><u>PFRS</u></b>
Inflation	3.08%	3.08%
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	7.65%	7.65%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2008 - June 30, 2011	July 1, 2010 - June 30, 2013
<b>Mesusement Date - June 30, 2015</b>		
	<b><u>PERS</u></b>	<b><u>PFRS</u></b>
Inflation	3.04%	3.04%
Salary Increases:		
Through 2026	2.15% - 4.40% Based on Age	2.60% - 9.48% Based on Age
Thereafter	3.15% - 5.40% Based on Age	3.60% - 10.48% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2008 - June 30, 2011	July 1, 2010 - June 30, 2013

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

**BROOKDALE COMMUNITY COLLEGE**  
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Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(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 arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of the June 30, 2016 and 2015 measurement dates (see the discussion of the pension plans investment policy) are summarized in the following tables:

<u><b>Asset Class</b></u>	<b>Measurment Date - June 30, 2016</b>			
	<b>PERS</b>		<b>PERS</b>	
	<u><b>Target Allocation</b></u>	<u><b>Long-Term Expected Real Rate of Return</b></u>	<u><b>Target Allocation</b></u>	<u><b>Long-Term Expected Real Rate of Return</b></u>
Cash	5.00%	0.87%	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%	8.00%	1.79%
Mortgages	2.00%	1.67%	2.00%	1.67%
High Yield Bonds	2.00%	4.56%	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.44%
Broad US Equities	26.00%	8.53%	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%	6.50%	9.95%
Private Equity	9.00%	12.40%	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%	2.00%	6.91%
Commodities	0.50%	5.45%	0.50%	5.45%
Global Debt	5.00%	-0.25%	5.00%	-0.25%
REIT	5.25%	5.63%	5.25%	5.63%
	<u>100.00%</u>		<u>100.00%</u>	

**BROOKDALE COMMUNITY COLLEGE**  
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Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(9) Retirement Plans (continued)**

*Actuarial Assumptions (continued)*

<u>Asset Class</u>	Mesurement Date - June 30, 2015			
	PERS		PFRS	
	<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>
Cash	5.00%	1.04%	5.00%	1.04%
Core Bonds	1.75%	1.64%	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%	10.00%	1.79%
Mortgages	2.10%	1.62%	2.10%	1.62%
High Yield Bonds	2.00%	4.03%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%	1.50%	3.25%
Broad US Equities	27.25%	8.52%	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%	6.40%	10.00%
Private Equity	9.25%	12.41%	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%	2.00%	6.83%
Commodities	1.00%	5.32%	1.00%	5.32%
Global Debt	3.50%	-0.40%	3.50%	-0.40%
REIT	4.25%	5.12%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

***Discount Rate***

The discount rates used to measure the total pension liability of the PERS plan as of June 30, 2016 was 3.98% and for PFRS plan was 5.55%. The discount rates used to measure the total pension liability of the PERS plan as of June 30, 2015 was 4.90% and for PFRS plan was 5.79%. 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.

The following tables represent the College's proportionate share of the net pension liability calculated using the above discount rates as of June 30, 2016 and 2015 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:

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(9) Retirement Plans (continued)**

*Actuarial Assumptions (continued)*

	<b>June 30, 2017</b>		
	<b>PERS</b>		
	<b>1% Decrease <u>(2.98%)</u></b>	<b>Current Discount Rate <u>(3.98%)</u></b>	<b>1% Increase <u>(4.98%)</u></b>
College's Proportionate Share of the Net Pension Liability	<u>\$ 63,157,813</u>	<u>\$ 51,541,272</u>	<u>\$ 41,950,810</u>
	<b>PFRS (Non-Special Funding Situation)</b>		
	<b>1% Decrease <u>(4.55%)</u></b>	<b>Current Discount Rate <u>(5.55%)</u></b>	<b>1% Increase <u>(6.55%)</u></b>
College's Proportionate Share of the Net Pension Liability	<u>\$ 8,434,880</u>	<u>\$ 6,888,643</u>	<u>\$ 6,572,293</u>
	<b>PFRS (Special Funding Situation)</b>		
	<b>1% Decrease <u>(4.55%)</u></b>	<b>Current Discount Rate <u>(5.55%)</u></b>	<b>1% Increase <u>(6.55%)</u></b>
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability	<u>708,320</u>	<u>578,475</u>	<u>551,909</u>
	<u>\$ 708,320</u>	<u>\$ 578,475</u>	<u>\$ 551,909</u>

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(9) Retirement Plans (continued)**

*Actuarial Assumptions (continued)*

	<b>June 30, 2016</b>		
	<b>PERS</b>		
	<b>1% Decrease (3.90%)</b>	<b>Current Discount Rate (4.90%)</b>	<b>1% Increase (5.90%)</b>
College's Proportionate Share of the Net Pension Liability	<u>\$ 52,870,818</u>	<u>\$ 42,539,037</u>	<u>\$ 33,876,946</u>
	<b>PFRS (Non-Special Funding Situation)</b>		
	<b>1% Decrease (4.79%)</b>	<b>Current Discount Rate (5.79%)</b>	<b>1% Increase (6.79%)</b>
College's Proportionate Share of the Net Pension Liability	<u>\$ 6,812,593</u>	<u>\$ 5,487,577</u>	<u>\$ 3,563,921</u>
	<b>PFRS (Special Funding Situation)</b>		
	<b>1% Decrease (4.79%)</b>	<b>Current Discount Rate (5.79%)</b>	<b>1% Increase (6.79%)</b>
College's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability	<u>\$ 492,089</u>	<u>\$ 492,089</u>	<u>\$ 492,089</u>
	<u>\$ 492,089</u>	<u>\$ 492,089</u>	<u>\$ 492,089</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**  
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Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(10) Commitments and Contingencies**

***Commitments***

The College leases the Neptune Higher Education building. Net rental expenses were approximately \$333,000 and \$325,000 in 2017 and 2016, respectively. The leases for the 1<sup>st</sup> and 2<sup>nd</sup> floors expired on June 30, 2017. The College is currently negotiating a one year lease with an option for two-one year renewals for both the first and second floors. Future minimum annual rental commitments, net of sublease rentals, will approximate \$273,000 for the year ending June 30, 2018.

***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.

**(11) Compensated Absences**

The College has recorded a liability for compensated absences in the amount of \$2,160,894 and \$2,124,084 as of June 30, 2017 and 2016, respectively, 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.

**(12) Other Postemployment 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 Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through 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.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 2017 and 2016

**(12) Other Postemployment Benefits (continued)**

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.

As discussed in Note 1, GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* is effective for fiscal 2018 and is applicable for employees participating in a cost-sharing multiple employer plan such as SHBP. The College will be required to restate beginning net position as of July 1, 2017 to recognize the employer's proportionate share of the plan's net other postemployment benefit ("OPEB") obligation. OPEB expense reported in the College's financial statements will reflect the change in the net OPEB liability for the fiscal year.

**(13) 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, 2017 and 2016. The fair value of this space and these services is estimated at \$156,553 and \$153,763 and is included in the Foundation's statements of revenues, expenses, and changes in net position for the years ended June 30, 2017 and 2016.

During the fiscal year 2017 and 2016, 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, 2017 and 2016 the Foundation was indebted to the College in the amount of \$36,508 and \$123,316 respectively, representing student scholarships and operating expenses paid by the College on behalf of the Foundation. This amount is noninterest-bearing and is currently payable.

**(14) 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>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.09%	0.09%	0.10%
College's proportionate share of the net pension liability	\$ 51,541,272	\$ 42,539,037	\$ 39,460,262
College's covered-employee payroll	\$ 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	483.46%	384.41%	312.73%
Plan fiduciary net position as a percentage of the total pension liability	42.52%	44.06%	44.46%

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 supplemental 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>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.03%	0.02%	0.03%
College's proportionate share of the net pension liability	\$ 6,888,643	\$ 5,487,577	\$ 4,569,789
College's covered-employee payroll	\$ 730,814	\$ 710,851	\$ 676,551
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	942.60%	771.97%	675.45%
Plan fiduciary net position as a percentage of the total pension liability	17.80%	18.40%	19.51%

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 supplemental 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>2017</u>	<u>2016</u>	<u>2015</u>
College's proportion of the net pension liability	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>578,475</u>	<u>481,242</u>	<u>492,089</u>
Total	<u>\$ 578,475</u>	<u>\$ 481,242</u>	<u>\$ 492,089</u>
College's covered-employee payroll	\$ 730,814	\$ 710,851	\$ 676,551
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	79.15%	67.70%	72.73%
Plan fiduciary net position as a percentage of the total pension liability	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 supplemental information.*

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,459,999	\$ 1,546,015	\$ 1,629,195
Contributions in relation to the contractually required contribution	<u>(1,459,999)</u>	<u>(1,546,015)</u>	<u>(1,629,195)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered employee payroll	\$ 10,660,882	\$ 11,066,065	\$ 12,617,839
Contributions as a percentage of covered-employee payroll	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 supplemental information.*

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 306,783	\$ 294,023	\$ 267,798
Contributions in relation to the contractually required contribution	<u>(306,783)</u>	<u>(294,023)</u>	<u>(267,798)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered employee payroll	\$ 730,814	\$ 710,851	\$ 676,551
Contributions as a percentage of covered-employee payroll	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 supplemental information.*

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 22,165	\$ 25,051	\$ 20,433
Contributions in relation to the contractually required contribution	<u>(22,165)</u>	<u>(25,051)</u>	<u>(20,433)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered employee payroll	\$ 730,814	\$ 710,851	\$ 676,551
Contributions as a percentage of covered-employee payroll	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 supplemental information.*

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to the Required Supplementary Information  
(Unaudited)  
June 30, 2016

**(1) General**

The State of New Jersey Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) eligibility benefits changes in recent years are described in the Retirement Plans footnote in the financial statements (see Note 9).

**(2) Changes in Assumptions**

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

For SFRS the discount rate was 5.55%, 5.79% and 6.32% for the years ended June 30, 2016, 2015 and 2014, 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") as of and for the year ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and we have issued our report thereon dated December 19, 2017. We also performed the audit of the Brookdale Community College's Foundation's financial statements, as of and for the year ended June 30, 2017 and 2016.

**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.

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.

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**

December 19, 2017



**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, 2017. 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, 2017.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and State of New Jersey OMB Circular 15-08. These findings are described in the accompanying schedule of findings and questioned costs as Uniform Guidance Finding 2017-001 and 2017-002 and State of New Jersey OMB Circular 15-08 Finding 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

### **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.

We identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Uniform Guidance Finding 2017-001 and 2017-002 and State of New Jersey OMB Circular 15-08 Finding 2017-001 that we consider to be significant deficiencies. The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses. 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, 2017 and 2016. We issued our report thereon dated December 19, 2017 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**

December 19, 2017

**BROOKDALE COMMUNITY COLLEGE**  
**(A Component Unit of the County of Monmouth)**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2017

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
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards</b>					
Federal Direct Student Loan	84.268	N/A	N/A	\$ 8,128,491	\$ —
Federal Supplemental Educational Opportunity Grant (including administrative cost allowance of \$32,093)	84.007	N/A	N/A	513,493	—
Federal Pell Grant Program	84.063	N/A	N/A	13,210,632	—
Federal Work-Study Program (including administrative cost allowance of \$10,079)	84.033	N/A	N/A	211,657	—
Federal Work-Study Program(Job Location and Development)	84.033	N/A	N/A	31,258	—
Total Student Financial Assistance Cluster				22,095,531	—
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>					
<b>National Science Foundation:</b>					
<b>Direct Awards</b>					
Education and Human Resources	47.076	N/A	N/A	227,499	—
<b>Pass Through Awards</b>					
Education and Human Resources	47.076	Rider University	NOYCE-1621	9,847	—
Education and Human Resources	47.076	Stevens Institute of Technology	2102423-02	30,395	—
				40,242	—
<b>NON-CLUSTER</b>					
<b>National Security Agency:</b>					
<b>Direct Awards</b>					
GenCyber Grants Program	12.903	N/A	N/A	41,258	—
GenCyber Grants Program	12.903	N/A	N/A	7,062	—
				48,320	—
<b>U.S. Dept of Labor:</b>					
<b>Pass Through Awards</b>					
Trade Adjustment Assistance Community College and Career Training Grants	17.282	Bergen Community College	PO7478	65,849	—
Trade Adjustment Assistance Community College and Career Training Grants	17.282	Bergen Community College	PO6828	257,166	—
				323,015	—
<b>National Aeronautics and Space Administration:</b>					
<b>Pass Through Awards</b>					
Education	43.008	Rutgers University	5515	16,920	—
<b>U.S. Small Business Administration:</b>					
<b>Direct Awards</b>					
Small Business Administration and Seminars	59.000	N/A	N/A	13,577	—
<b>Pass Through Awards</b>					
Small Business Development Centers	59.037	Rutgers University	5591	103,538	—
Small Business Development Centers	59.037	Rutgers University	5865	70,631	—
Small Business Development Centers	59.037	Rutgers University	5825	27,700	—
				201,869	—
<b>Department of Education Office of Career, Technical and Adult Education</b>					
<b>Pass Through Awards</b>					
Adult Education- Basic Grants to States	84.002	New Jersey Department of Labor & Workforce Development	None	517,406	191,983
Career & Technical Education - Basic Grants to the States	84.048	New Jersey Department of Education	25 7111	466,533	—
Career & Technical Education - Basic Grants to the States	84.048A	New Jersey Department of Education	17-BE53-G06	205,986	—
				1,189,925	191,983
Total expenditures of federal awards				\$ 24,156,898	\$ 191,983

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, 2017

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
<b>Student Financial Assistance Cluster:</b>					
<b>N.J. Commision of Higher Education:</b>					
Educational Opportunity Fund Article III - FY 17	100-074-2401-001	\$ 244,932	06/01/16-07/31/17	\$ 237,432	\$ 237,432
Educational Opportunity Fund Article III - Summer	100-074-2401-001	14,518	06/01/16-08/31/16	14,826	14,826
Educational Opportunity Fund Article III - Summer	100-074-2401-001	15,862	06/01/17-08/31/17	4,689	4,689
Tuition Aid Grant	100-074-2405-007	2,412,080	07/01/16-06/30/17	2,412,080	2,412,080
NJ Stars	100-074-2405-313	424,444	07/01/16-06/30/17	424,444	424,444
Total Student Financial Assistance Cluster				3,093,471	3,093,471
<b>NON-CLUSTER:</b>					
<b>N.J. Commision of Higher Education:</b>					
Educational Opportunity Fund – Article IV:					
Educational Opportunity Fund Summer	100-074-2401-002	21,833	07/01/16-08/31/16	21,442	21,442
Educational Opportunity Fund Regular	100-074-2401-002	206,568	06/01/16-08/31/16	206,568	206,568
Educational Opportunity Fund PANJ	100-074-2401-002	20,000	10/16/16-12/2/16	20,000	20,000
				248,010	248,010
<b>N.J. Department of Children and Families</b>					
Displaced Homemaker	2011-15863028-01	128,575	07/01/16-06/30/17	128,575	128,575
<b>N.J. Educational Facilities Authority:</b>					
Higher Education Equipment Leasing Fund	100-082-2155-036	2,724,303	01/01/14 - Completion	446,522	1,883,647
Higher Education Technology Infrastructure Fund	100-082-2155-059	1,160,562	01/01/14 - Completion	74,428	1,115,625
				520,950	2,999,272
<b>N.J. Office of the Secretary of Higher Education:</b>					
N.J. Council of County Colleges					
College Readiness Now	Unavailable	93,110	07/01/16-06/30/17	55,052	55,052
College Credit Now	Unavailable	20,017	07/01/16-06/30/17	4,161	4,161
				59,213	59,213
<b>N.J. Department of Treasury Higher Education Administration:</b>					
Operational Costs – County Colleges	100-082-2155-015	10,378,691	07/01/16-06/30/17	10,414,993	10,414,993
Alternate Benefit Program	100-082-2155-017	2,066,580	07/01/16-06/30/17	2,003,142	2,003,142
P.L. 1971, Chapter 12 Debt Service	100-082-2155-016	2,601,746	07/01/16-06/30/17	1,752,045	1,752,045
Building Our Future Bond Act- Wall	586-074-2400-024	12,000,000	03/01/14 - Completion	7,643,883	11,840,143
Building Our Future Bond Act - MAS Science Lab	586-074-2400-074	1,200,000	03/01/17 - Completion	513,274	513,274
				22,327,337	26,523,597
Total expenditures of State of New Jersey awards				\$ 26,377,556	\$ 33,052,138

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, 2017

**(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, 2017. 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 \$8,128,491 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, 2017. 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, 2017

**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***

Internal control over major programs:

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

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

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	<b>84.007</b>
Federal Work-Study Program	<b>84.033</b>
Federal Pell Grant Program	<b>84.063</b>
Federal Direct Student Loans (Note 4)	<b>84.268</b>

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, 2017

**Section I - Summary of Auditors' Results – Continued**

***State of New Jersey***

Internal control over major programs:

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

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

Unmodified

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?

  x   yes      \_\_\_\_\_ no

***Identification of Major Programs:***

Name of State Program or Cluster	State of New Jersey Account or Grant Number
Student Financial Assistance Cluster	
Educational Opportunity Fund Article III - FY 17	100-074-2401-001
Educational Opportunity Fund Article III - Summer	100-074-2401-001
Educational Opportunity Fund Article III - Summer	100-074-2401-001
Tuition Aid Grant	100-074-2405-007
NJ Stars	100-074-2405-313
Higher Education Equipment Leasing Fund	100-082-2155-036
Alternate Benefit Program	100-082-2155-017
P.L. 1971, Chapter 12 Debt Service	100-082-2155-016
Building Our Future Bond Act- Wall	586-074-2400-024
Building Our Future Bond Act - MAS Science Lab	586-074-2400-074

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs - Continued  
For the Year Ended June 30, 2017

**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, 2017

**Section III – Federal Award Findings and Questioned Costs**

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

***Criteria***

According to 34 C.F.R. Sections 668.16(e):

(e) For purposes of determining student eligibility for assistance under a Title IV, HEA program, establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program.

***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 our testing of return of Title IV awards ("R2T4"), we noted one student who received a Federal Pell Grant who was on academic suspension and therefore was ineligible to receive Title IV aid.

***Cause***

The Financial Aid Office inadvertently believed this student should have received a Title IV award even though they were not in compliance with the College's SAP policy. When this student withdrew from the institution, they were disbursed a Federal Pell Grant.

***Effect***

The Financial Aid Office disbursed aid to an ineligible student.

***Questioned Costs***

\$294

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs - Continued  
For the Year Ended June 30, 2017

***Perspective***

Of our non-statistically valid sample of 20 R2T4 forms selected for testing, we noted only one instance where aid was disbursed to an ineligible student.

***Identification as a Repeat Finding, if applicable***

N/A

***Recommendation***

The College should provide training to employees who oversee the awarding of financial aid to reinforce the SAP policy.

***Views of Responsible Officials***

The College agrees with the finding. While processing a post withdrawal R2T4 for a student who did not receive any financial aid the processor manually entered the calculated award and due to an oversight the students SAP status was missed. The award was corrected.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs - Continued  
For the Year Ended June 30, 2017

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

***Criteria***

According to 34 C.F.R. Section 668.164(l)(3)

If a check sent to a student or parent is not returned to the institution but is not cashed, the institution must return the funds to the Secretary no later than 240 days after the date it issued the check.

***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 ("ED").

***Cause***

The College did not monitor outstanding checks aged over 240 days caused by Title IV credit balances for this compliance requirement.

***Effect***

The College was not in compliance with the ED's 240 day timeframe.

***Questioned Costs***

\$4,565

***Perspective***

Of our non-statistically valid sample of 6 outstanding checks aged over 240 days selected for testing, 4 students had credit balances caused by Title IV aid. It appears this is not an isolated occurrence of noncompliance. While the College does remit outstanding checks back to ED on an ongoing basis, they did not monitor the age of these outstanding checks.

***Identification as a Repeat Finding, if applicable***

See finding 2016-002 included in the summary schedule of prior year findings.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs - Continued  
For the Year Ended June 30, 2017

***Recommendation***

We recommend the College review its procedures to monitor outstanding checks caused by a Title IV balances. Procedures should be put in place to timely remit funds to ED.

***Views of Responsible Officials***

The College agrees with this finding.



**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 VI – State of New Jersey Award Findings and Questioned Costs**

**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

***Criteria***

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.

***Condition***

During our testing, we noted that the award letter sent to all students that was awarded a Tuition Aid Grant did not contain a clause with the above information.

***Cause***

The award letter was not designed to include the above information.

***Effect***

Students were not notified of the information required.

***Questioned Costs***

N/A

***Perspective***

Of our non-statistically valid sample of 40 students with state aid, 38 students received a Tuition Aid Grant. Of these 38 students, the required disclosure was not included in each student's award letter. It appears this is not an isolated occurrence of noncompliance.

***Identification as a Repeat Finding, if applicable***

N/A

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

***Recommendation***

The College should add the required language to the award letter sent to each student receiving a Tuition Aid Grant.

***Views of Responsible Officials***

The College agrees with this finding.

Management's Summary of Prior Year Audit Findings  
For the Year Ended June 30, 2017

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

**Finding number:** 2016-001  
**Federal agency:** U.S. Department of Education  
**Program:** Federal Direct Student Loans  
Federal Pell Grant  
**CFDA #:** 84.268, 84.063  
**Award year:** 2016

***Condition***

When a student withdraws from an institution during the semester, a calculation is required to be performed determining the amount of financial aid earned by the student and the amount of financial aid that is required to be returned to the Department of Education ("ED"). The amount of financial aid earned is determined by the percentage of the semester that the student completed. The Financial Aid Office utilizes software to calculate the return of Title IV funds. At the beginning of each academic year the Financial Aid Office determines the length of each semester in its software system by entering the beginning and ending dates of each semester and subtracting scheduled breaks of at least five consecutive days.

***Award Year 2016:***

- All calculations used the incorrect semester end date to calculate the total number of days in the semester.
- An incorrect number of days representing the College's spring break were subtracted out of the total number days in the semester.

***Current Year Status***

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

Management's Summary of Prior Year Audit Findings - Continued  
For the Year Ended June 30, 2017

**Finding number:** 2016-002  
**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:** 2016

***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 ("ED").

***Award Year 2017:***

Of our non-statistically valid sample of six outstanding checks aged over 240 days selected for testing, four students had credit balances caused by Title IV aid.

***Award Year 2016:***

Of our non-statistically valid sample of ten outstanding checks aged over 240 days selected for testing, five students had credit balances caused by Title IV aid.

***Current Year Status***

A new process has been initiated in fiscal year 2018 that will identify outstanding checks aged over 240 days to prevent this finding from occurring in the future.

Management's Summary of Prior Year Audit Findings - Continued  
For the Year Ended June 30, 2017

**Finding number:** 2016-003  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Work Study Program  
**CFDA #:** 84.033  
**Award year:** 2016

***Condition***

Federal regulations require an institution to monitor and ensure that a work study student is not working during his/her designated class time.

***Award Year 2016:***

Of our non-statistically valid sample of 10 students, our testing revealed two students who worked partially during scheduled class time.

***Current Year Status***

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

Management's Summary of Prior Year Audit Findings - Continued  
For the Year Ended June 30, 2017

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

None noted.

Management's Corrective Action Plan  
For the Year Ended June 30, 2017

**Section VII – Management's Corrective Action Plan – Federal Awards**

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

***Corrective Action Plan:***

The College will change its process for calculating R2T4 for students with a post withdrawal disbursement and utilize the evaluation process which measures the ability to receive an award against rules that have been programmed which includes SAP statuses. This change will assure that even though there could have been an award, without passing global rules, the student never would have been awarded.

***Timeline for Implementation of Corrective Action Plan:***

The change to the R2T4 post withdrawals process been instituted.

***Contact Person***

Stephanie Fitzsimmons, Director of Financial Aid

Management's Corrective Action Plan - Continued  
For the Year Ended June 30, 2017

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

***Corrective Action Plan:***

The College's Accounts Receivable Office determined a report cannot be generated to determine if a student refund check was caused by Federal Financial Aid. The Office of Information Technology will create a report flagging outstanding checks aged over 180 days in which Federal Financial Aid was disbursed. The report will be provided monthly to the Financial Aid Office who will manually review the list and determine which checks need to be void and returned. The Financial Aid Office and Accounts Receivable Office will communicate to the Accounts Payable Office to void these checks. If a student has a balance due, the credit would be applied to the outstanding balance. Any remaining amount would be communicated to the Financial Aid Office to return to the appropriate authority within the 240 day requirement.

***Timeline for Implementation of Corrective Action Plan:***

Effective immediately

***Contact Person:***

Michael DeStefano, Accounts Receivable Manager  
Stephanie Fitzsimmons, Director of Financial Aid



Management's Corrective Action Plan - Continued  
For the Year Ended June 30, 2017

**Section VIII – Management's Corrective Action Plan – State of New Jersey Awards**

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

***Corrective Action Plan:***

The College's Financial Aid award letter will expand the current statement with the addition of the last sentence as follows: *"Your total award is subject to the availability of funds from the appropriate agencies and the laws and regulations which govern these programs, and is thus subject to change. The State of New Jersey is not responsible for funding of the grant in the event of fraudulent, inaccurate or misleading information."*

***Timeline for Implementation of Corrective Action Plan:***

The award letter has been changed.

***Contact Person***

Stephanie Fitzsimmons, Director of Financial Aid