

The County College of Monmouth



# BROOKDALE



*Campus Walkway Project Completed (Photo by Kevin Burkitt 2016)*

## Report on Financial Statement Audit

Fiscal Year Ended June 30, 2016

# **BROOKDALE COMMUNITY COLLEGE**

**(a Component Unit of the County of Monmouth)**

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

**June 30, 2016**

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

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

**June 30, 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 statement of net position as of June 30, 2016, the related statement of revenues, expense and changes in net position and cash flows for the year 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, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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, 2016, and the respective changes in net position and cash flows thereof for the year 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 capitalize items that had previously been expensed and to recognize the income related to capital appropriations. In addition, the College restated the classification of the various components of net position. Our opinion is not modified with respect to these matters.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-11, the schedules of the College's proportionate share of the net pension liability on pages 39-41 and the schedules of the College's contributions on page 42-44 and the notes to the required supplemental information on page 45 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 52-53 and the Schedule of Expenditures of State of New Jersey Awards on page 54 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 March 21, 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 Drew, P.C.

**Certified Public Accountants  
Braintree, Massachusetts**

March 21, 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, 2016 and 2015

Management’s Discussion and Analysis (“MD&A”) presents the financial performance of Brookdale Community College (the “College”) during the fiscal years ended June 30, 2016 and 2015. This MD&A will provide various financial analyses comparing fiscal year 2016 to fiscal year 2015.

**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.

	<b>2016</b>	<b>2015</b>	<b>Change 2015-2016</b>
Credit FTEs	9,818	10,184	(366)
Noncredit FTEs	556	541	15
Total FTEs	10,374	10,725	(351)

Full-time equated enrollment for credit and noncredit enrollment in fiscal year 2016 was 10,374, compared to fiscal year 2015 FTE enrollment of 10,725. This represents a 3.3 percent decrease.

- Credit enrollment decreased from 10,184 FTEs in fiscal year 2015 to 9,818 FTEs in fiscal year 2016, which represents a 3.6 percent decrease.
- Noncredit enrollment increased from 541 FTEs in fiscal year 2015 to 556 FTEs in fiscal year 2016, which represents a 2.8 percent increase.
- Credit enrollment decreases are not unexpected as they follow a national trend across the higher education sector.

**General Financial Information**

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



**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2016 and 2015

**Financial Highlights**

**Condensed Schedule of Net Position**

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

	<u>2016</u>	<u>Restated 2015</u>	<u>Change 2015-2016</u>
Current assets	\$ 16,238,551	20,629,077	(4,390,526)
Noncurrent assets:			
Capital assets	<u>152,172,280</u>	<u>148,315,025</u>	<u>3,857,255</u>
Total assets	<u>\$ 168,410,831</u>	<u>168,944,102</u>	<u>(533,271)</u>
Deferred outflow of resources	<u>\$ 11,788,197</u>	<u>3,638,495</u>	<u>8,149,702</u>
Current liabilities	\$ 15,402,356	14,298,935	1,103,421
Noncurrent liabilities	<u>90,248,287</u>	<u>84,499,145</u>	<u>5,749,142</u>
Total liabilities	<u>\$ 105,650,643</u>	<u>98,798,080</u>	<u>6,852,563</u>
Deferred inflows of resources	<u>\$ 5,697,612</u>	<u>4,195,734</u>	<u>1,501,878</u>
Net position:			
Net investment in capital assets	\$ 111,534,793	106,668,991	4,865,802
Restricted for capital	1,523,003	3,884,789	(2,361,786)
Unrestricted	<u>(44,207,023)</u>	<u>(40,964,997)</u>	<u>(3,242,026)</u>
Total net position	<u>\$ 68,850,773</u>	<u>69,588,783</u>	<u>(738,010)</u>

The decrease in current assets of \$4,390,526 is due to the following:

- A net decrease in cash and cash equivalents of \$5,529,245.
- An increase in accounts receivable of \$3,594,767, mainly the result of an increase in State and County receivables.
- A decrease in deposits held by trustee of \$2,361,786, 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.

Capital assets increased in the net by \$3,857,255 which is due to net additions of \$9,529,688, less the net change in accumulated depreciation of \$5,672,433.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2016 and 2015

**Financial Highlights – Continued**

**Condensed Schedule of Net Position**

Deferred outflows of resources increase of \$8,149,702 is due to an increase of \$5,126,966 related to net pension liability and an increase of \$3,022,736 related to the deferred loss on bond refinancing of the 2008 Series bonds.

The decrease in current liabilities of \$1,103,421 is due to the following:

- Accounts payable and accrued expenses increased \$1,622,404 due to an increase in capital accounts payable for construction of the Wall project.
- Unearned student tuition and fees decreased \$783,403.

Non-current liabilities increased \$5,749,142 due to the following:

- Long-term debt increased \$1,752,579 as a result of the College refinancing the Series 2008 Bond to the Series 2015 Bond. The refinancing resulted in an increase in bond premium of \$1,934,479, offset by the amortization of \$124,255. However, the refinancing will save the College \$1,452,428 over the life of the bonds.
- Net pension liability increased \$3,996,563 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**

The College contracted with an appraisal company to perform an inventory of its capital assets at June 30, 2016. As a result of this inventory, it was necessary to increase buildings, building improvements and equipment by \$673,203 to reconcile to the physical inventory.

During the year, the College discovered it had recorded a capital appropriation as unearned revenue instead of recognizing it as other revenue within the Statement of Revenues, Expenses and Changes in Net Position. As a result, the College's beginning restricted net position increased by \$3,884,789 and unrestricted net position decreased by \$609,466.

During the year ended June 30, 2016, the College discovered that a reclassification of its net position as of June 30, 2015 was necessary. As a result, the College's net investment in capital assets, restricted net position and unrestricted net position were restated.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2016 and 2015

**Restatement of Prior Year Financial Statements - Continued**

The cumulative effect on the financial statement as reported for June 30, 2015 is as follows:

	As Reported June 30, 2015	Prior Period Adjustments	Restated June 30, 2015
Depreciable assets	\$ 241,694,182	2,192,433	243,886,615
Accumulated depreciation	(99,934,822)	(1,519,230)	(101,454,052)
Nondepreciable asset, land	5,882,462	—	5,882,462
Capital assets, net of accumulated depreciation	<u>147,641,822</u>	<u>673,203</u>	<u>148,315,025</u>
Unearned revenue other	<u>3,275,323</u>	<u>(3,275,323)</u>	<u>—</u>
Net investment in capital assets	96,216,950	10,452,041	106,668,991
Restricted - capital expenditures	—	3,884,789	3,884,789
Unrestricted	<u>(30,576,693)</u>	<u>(10,388,304)</u>	<u>(40,964,997)</u>
Total net position	<u>\$ 65,640,257</u>	<u>3,948,526</u>	<u>69,588,783</u>

The financial statements for prior years have not been recalled, revised, or reissued.

**Capital Asset Activity**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Restated 2015	Additions	Retirements	2016
Land	\$ 5,882,462	—	—	5,882,462
Building and improvements	232,311,661	8,292,247	(37,710)	240,566,198
Furniture and equipment	<u>11,574,954</u>	<u>2,031,171</u>	<u>(756,020)</u>	<u>12,850,105</u>
Total	249,769,077	10,323,418	(793,730)	259,298,765
Less accumulated depreciation	<u>(101,454,052)</u>	<u>(6,436,833)</u>	<u>764,400</u>	<u>(107,126,485)</u>
Capital assets, net	<u>\$ 148,315,025</u>	<u>3,886,585</u>	<u>(29,330)</u>	<u>152,172,280</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, restated the fiscal 2015 balances. Building and improvements, furniture and equipment additions are the product of our Wall and Technology Improvement Projects funded by State of New Jersey grant programs, the County of Monmouth and College reserves. Retirements included technology equipment past a useful life cycle; examples include the Avaya phone system, which was upgraded to a superior Cisco product funded by ELF.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2016 and 2015

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

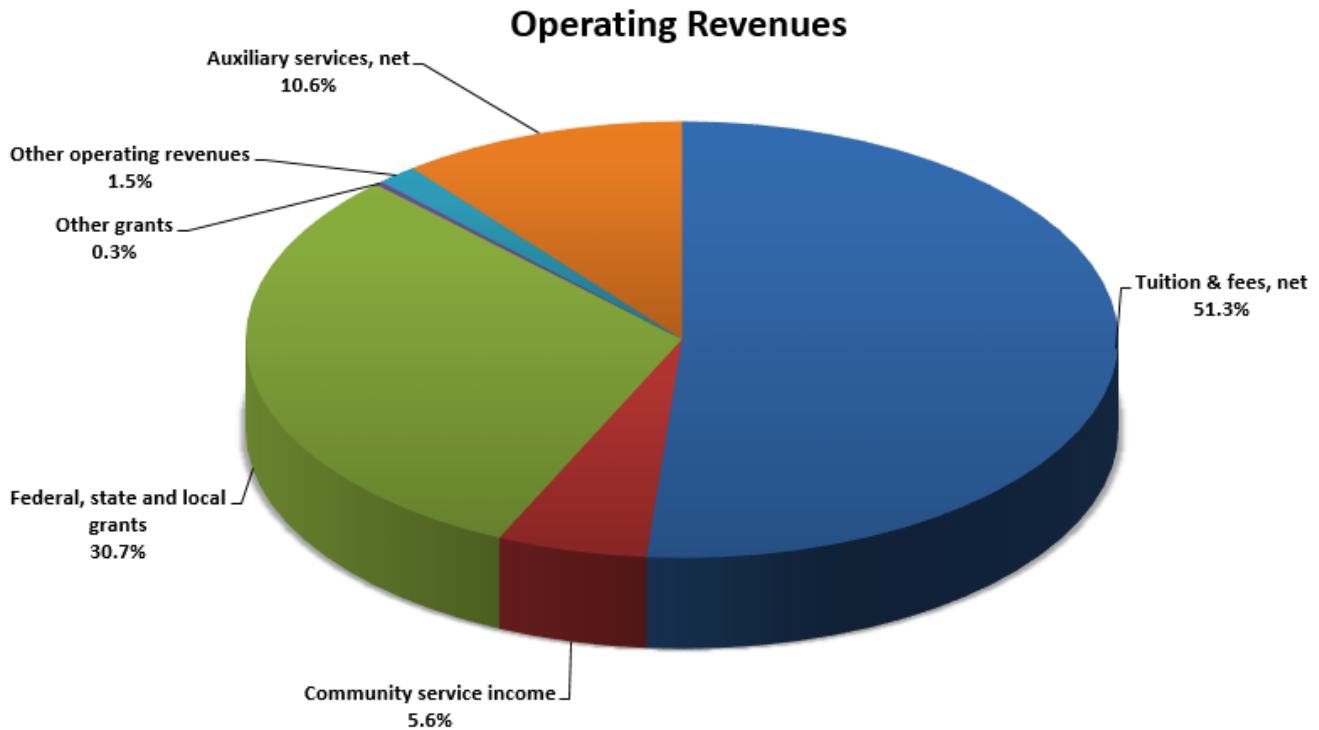
The College receives revenue from three main sources: student tuition and fees, state aid, and county support. The balance of revenue was received from miscellaneous sources, which include Continuing Professional Services, grants and Auxiliary services (bookstore, dining & events).

	<u>2016</u>	<u>(Restated) 2015</u>	<u>Change 2015-2016</u>
Operating revenues:			
Tuition, net	\$ 21,639,935	21,005,531	634,404
Fees	6,057,579	5,997,306	60,273
Chargebacks to other counties	303,826	315,482	(11,656)
Community service income	3,042,276	2,679,006	363,270
Federal, state and local grants	16,770,318	18,327,669	(1,557,351)
Other grants	146,895	178,537	(31,642)
Other operating revenues	828,646	934,289	(105,643)
Auxiliary services, net	5,797,205	5,845,950	(48,745)
Total operating revenues	<u>54,586,680</u>	<u>55,283,770</u>	<u>(697,090)</u>
Operating expenses	<u>108,648,186</u>	<u>113,747,225</u>	<u>(5,099,039)</u>
Operating loss	<u>(54,061,506)</u>	<u>(58,463,455)</u>	<u>4,401,949</u>
Nonoperating revenues (expenses):			
State appropriations	10,378,691	10,350,862	27,829
Local appropriations	20,027,019	20,027,019	—
Pell Grants	15,451,175	16,434,086	(982,911)
Investment income	—	47,450	(47,450)
Other nonoperating revenues	3,760,423	3,659,699	100,724
Other nonoperating expenses	(824,450)	(20,918)	(803,532)
Bond issuance expense	(473,930)	—	(473,930)
Interest expense	(1,652,816)	(2,031,898)	379,082
Net nonoperating revenues	<u>46,666,112</u>	<u>48,466,300</u>	<u>(1,800,188)</u>
Loss before other revenues	(7,395,394)	(9,997,155)	2,601,761
Other revenues:			
Capital appropriations	<u>6,657,384</u>	<u>5,047,293</u>	<u>1,610,091</u>
Decrease in net position	(738,010)	(4,949,862)	4,211,852
Net position as of beginning of year	<u>69,588,783</u>	<u>74,538,645</u>	<u>(4,949,862)</u>
Net position as of end of year	<u>\$ 68,850,773</u>	<u>69,588,783</u>	<u>(738,010)</u>

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management’s Discussion and Analysis  
For the fiscal years ended June 30, 2016 and 2015

**Revenues**

The College charged \$122.75 and \$118.75 per student credit hour (“SCH”) to a maximum of \$1,841.25 and \$1,781.25 per term in fiscal years 2016 and 2015, respectively. In addition, the College charged a General Service Fee of 24% of tuition, or \$29.46 and \$28.50 per student credit hour to a maximum of \$441.90 and \$427.50, 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 increased by \$11,252; this increase was offset by a decrease in scholarship allowances of \$671,769, for an overall net increase of \$683,021. Lower enrollment, which also impacts general service fees, accounts for the lower 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 \$48,745 is primarily attributed to the decline in enrollment.

**Nonoperating revenues**

State aid increased by \$27,829 due to a reallocation of funding to the 19 community colleges based on audited FY15 enrollment data. Overall State aid funding to the sector remained flat in FY16.

Total County aid of \$20,027,019 remained flat from 2015 to 2016.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2016 and 2015

***Expenses***

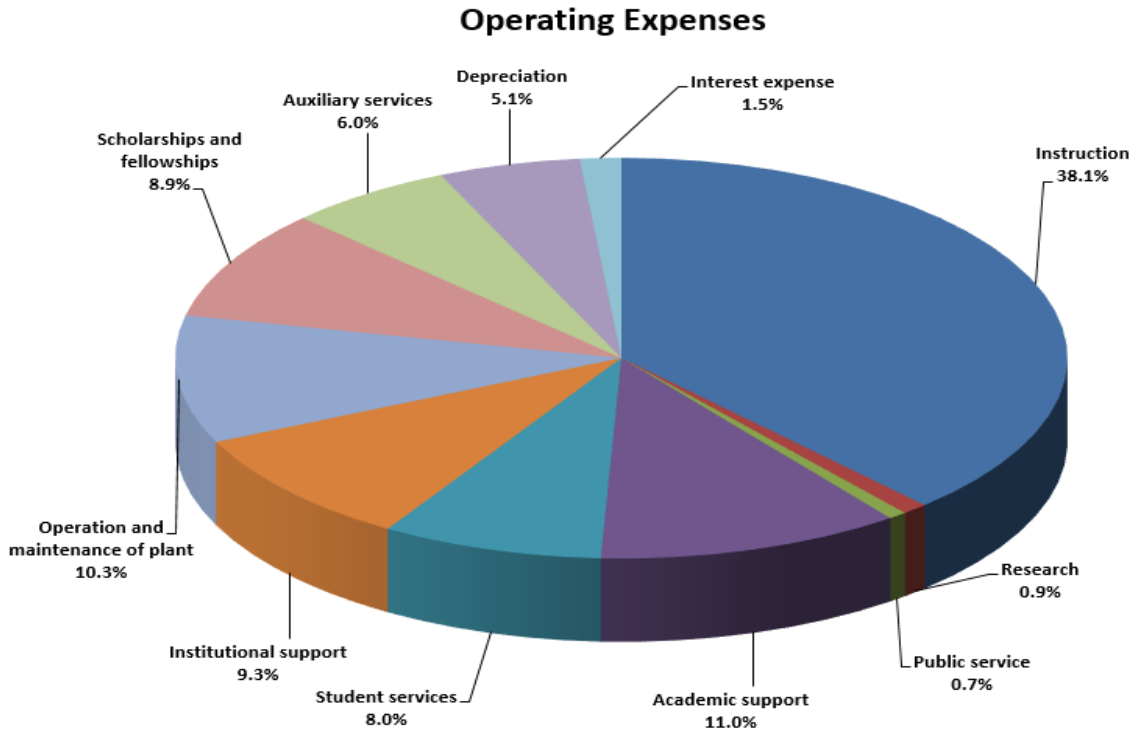
Operating expenses are those expenses paid by the College to acquire or produce goods and services to fulfill its mission. Naturally, the majority of expense can be attributed to the College's core mission – student success. The College had total operating and interest expenses of \$110,301,002 in FY16 compared with \$115,779,123 in FY15. The College's operating expenses by functional classification for the years ended June 2016 and 2015 were:

	<u>2016</u>	<u>2015</u>	<u>Change 2015-2016</u>
Operating expenses:			
Instruction	\$ 42,040,465	41,130,964	909,501
Research	1,032,364	960,852	71,512
Public service	732,886	804,930	(72,044)
Academic support	12,160,996	15,193,478	(3,032,482)
Student services	8,847,886	9,947,405	(1,099,519)
Institutional support	10,311,672	10,394,589	(82,917)
Operation and maintenance of plant	11,368,551	10,765,512	603,039
Scholarships and fellowships	9,828,850	11,642,815	(1,813,965)
Auxiliary services	6,652,083	7,131,536	(479,453)
Depreciation	<u>5,672,433</u>	<u>5,775,144</u>	<u>(102,711)</u>
Total operating expenses	108,648,186	113,747,225	(5,099,039)
Interest expense	<u>1,652,816</u>	<u>2,031,898</u>	<u>(379,082)</u>
Total operating and interest expenses	<u>\$ 110,301,002</u>	<u>115,779,123</u>	<u>(5,478,121)</u>



**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2016 and 2015

*Expenses – Continued*



Operating and interest expenses decreased \$5,478,121 in fiscal year 2016 over fiscal year 2015. 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 were realized through strategic realignment of personnel following staff retirements and resignations, offset by increases to the cost of health benefits and pension obligations.

**Summary of Net Position**

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

	<u>2016</u>	<u>2015</u>	<u>Change 2015-2016</u>
Net position:			
Unrestricted	\$ 1,080,837	4,031,389	(2,950,552)
Restricted	1,523,003	3,804,789	(2,281,786)
Impact of GASB 68	<u>(45,287,860)</u>	<u>(44,916,386)</u>	<u>(371,474)</u>
	<u>(42,684,020)</u>	<u>(37,080,208)</u>	<u>(5,603,812)</u>
Net investment in capital assets	<u>111,534,793</u>	<u>106,668,991</u>	<u>4,865,802</u>
Total net position	<u>\$ 68,850,773</u>	<u>69,588,783</u>	<u>(738,010)</u>

# **FINANCIAL STATEMENTS**

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Statements of Net Position  
For the fiscal year ended June 30, 2016

<b>Assets</b>	<u>Brookdale Community College</u>	<u>Brookdale Community College Foundation</u>
<b>Current assets:</b>		
Cash and cash equivalents (note 3)	\$ 5,067,469	\$ 577,916
Short-term investments (note 3)	—	3,296,542
Accounts receivable, net of allowance of \$898,471 (note 4)	7,691,693	293,629
Deposits held by trustees (note 3)	1,523,003	—
Inventories	745,371	—
Prepaid expenses	1,211,015	—
Total current assets	<u>16,238,551</u>	<u>4,168,087</u>
<b>Noncurrent assets:</b>		
Endowment investments (note 3)	—	2,041,263
Capital assets, net of accumulated depreciation of \$107,126,485 (note 6)	152,172,280	—
Total noncurrent assets	<u>152,172,280</u>	<u>2,041,263</u>
Total assets	<u>168,410,831</u>	<u>6,209,350</u>
<b>Deferred Outflows of Resources</b>		
Related to pensions (note 9)	8,436,366	—
Deferred loss on bond refinancing (note 7)	3,351,831	—
	<u>11,788,197</u>	
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses (notes 5 and 11)	11,150,904	123,316
Unearned student tuition and fees	2,357,548	—
Unearned grant revenue	126,259	—
Long-term debt, current portion (note 7)	1,767,645	—
Total current liabilities	<u>15,402,356</u>	<u>123,316</u>
<b>Noncurrent liabilities:</b>		
Long-term debt, net of current portion (note 7)	42,221,673	—
Net pension liability (note 9)	48,026,614	—
Total noncurrent liabilities	<u>90,248,287</u>	<u>—</u>
Total liabilities	<u>105,650,643</u>	<u>123,316</u>
<b>Deferred Inflows of Resources</b>		
Related to pensions (note 9)	5,697,612	—
<b>Net Position</b>		
Net investment in capital assets	111,534,793	—
<b>Restricted:</b>		
<b>Nonexpendable:</b>		
Scholarships	—	1,190,871
Library	—	902,086
<b>Expendable:</b>		
Capital assets	1,523,003	—
Scholarships	—	2,482,153
Library	—	369,871
Unrestricted (note 8)	<u>(44,207,023)</u>	<u>1,141,053</u>
Total net position	<u>\$ 68,850,773</u>	<u>\$ 6,086,034</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 Revenues, Expenses, and Changes in Net Position  
For the fiscal year ended June 30, 2016

	Brookdale Community College	Brookdale Community College Foundation
Operating revenues:		
Student revenues:		
Tuition, net of scholarship allowances of \$17,671,642	\$ 21,639,935	\$ —
Chargebacks to other counties	303,826	—
	21,943,761	—
Auxiliary services, net of scholarships of \$1,517,321	5,797,205	—
Fees	6,057,579	—
	33,798,545	—
Community service income	3,042,276	—
Federal grants	12,282,872	—
State grants	4,059,494	—
Local grants	427,952	—
Other grants	146,895	—
Special events	—	211,209
Other operating revenues	828,646	—
	54,586,680	211,209
Operating expenses:		
Instruction	42,040,465	—
Research	1,032,364	—
Public service	732,886	—
Academic support	12,160,996	—
Student services	8,847,886	—
Institutional support	10,311,672	169,521
Operation and maintenance of plant	11,368,551	—
Scholarships and fellowships	9,828,850	429,381
Auxiliary services	6,652,083	—
Depreciation	5,672,433	—
	108,648,186	598,902
Total operating expenses	108,648,186	598,902
Operating loss	(54,061,506)	(387,693)
Nonoperating revenues (expenses):		
State appropriations	10,378,691	—
Local appropriations	20,027,019	—
Pell grants	15,451,175	—
Contributions	—	542,199
Investment income	—	249,996
Other nonoperating revenues	3,760,423	—
Other nonoperating expenses	(824,450)	—
Interest expense	(1,652,816)	—
Bond issuance expense	(473,930)	—
On-behalf payments - alternate benefit program:		
Revenues	2,120,192	—
Expenses	(2,120,192)	—
On-behalf payments - police & firemen's retirement system:		
Revenues	60,828	—
Expenses	(60,828)	—
	46,666,112	792,195
Net nonoperating revenues	46,666,112	792,195
Income (loss) before other revenues	(7,395,394)	404,502
Other revenues (expenses):		
Capital appropriations	6,657,384	—
	(738,010)	404,502
(Decrease) Increase in net position	(738,010)	404,502
Net position as of beginning of year	65,640,257	5,681,532
Net position, restatement of prior year balances (Note 2)	3,948,526	—
Net position, as of beginning of year as restated	69,588,783	5,681,532
Net position as of end of year	\$ 68,850,773	\$ 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 Cash Flows  
For the fiscal year ended June 30, 2016

	Brookdale Community College	Brookdale Community College Foundation
Cash flows from operating activities:		
Student tuition and fees (including chargebacks to other counties)	\$ 27,268,356	\$ —
Noncredit revenue	3,065,673	—
Grants and contracts	16,814,848	—
Grant payments	(32,368,388)	—
Payments to suppliers	(9,796,786)	(81,041)
Payments to employees	(45,597,336)	(95,055)
Payments for scholarships and fellowships	(8,311,529)	(334,913)
Auxiliary services:		
Bookstore and dining services receipts	5,463,029	—
Bookstore and dining services payments	(4,667,123)	—
Other auxiliary services payments	(1,572,252)	—
Special events receipts	—	225,167
Other operating receipts	828,646	—
Net cash used in operating activities	<u>(48,872,862)</u>	<u>(285,842)</u>
Cash flows from noncapital financing activities:		
State appropriations	10,378,691	—
Local appropriations	20,027,019	—
Pell Grants	15,333,539	—
Other nonoperating revenue	2,935,973	—
Contributions	—	335,216
Net cash provided by noncapital financing activities	<u>48,675,222</u>	<u>335,216</u>
Cash flows from capital financing activities:		
Proceeds from issuance of debt	22,820,000	—
Payments on capital debt	(1,506,035)	—
Defeased bonds	(22,820,000)	—
Capital appropriations	3,180,087	—
Interest paid on capital debt	(1,773,957)	—
Purchases of capital assets	(7,593,486)	—
Net cash used in capital financing activities	<u>(7,693,391)</u>	<u>—</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	—	554,967
Interest and dividends on investments	—	71,289
Purchases of investments	—	(524,848)
Net cash provided by investing activities	<u>—</u>	<u>101,408</u>
Net increase (decrease) in cash and cash equivalents	(7,891,031)	150,782
Cash and cash equivalents as of beginning of year	14,481,503	427,134
Cash and cash equivalents as of end of year	<u>\$ 6,590,472</u>	<u>577,916</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (54,061,506)	(387,693)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	5,672,433	—
Net pension expense	371,475	—
Changes in assets and liabilities:		
Grants and other receivables	165	13,958
Inventories	59,470	—
Prepaid expenses	34,792	—
Accounts payable and accrued expenses	(169,099)	—
Due to Brookdale Community College	—	87,893
Unearned student tuition and fees	(783,403)	—
Unearned grant revenue	2,811	—
Net cash used in operating activities	<u>\$ (48,872,862)</u>	<u>\$ (285,842)</u>
Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 5,067,469	\$ 577,916
Deposits held by trustees (note 3)	1,523,003	—
	<u>\$ 6,590,472</u>	<u>\$ 577,916</u>
Supplemental Information:		
Change in capital assets in accounts payable	\$ 1,936,202	\$ —
Current year deferred loss on bond refinancing	\$ 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, 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, as well as four Higher Education Centers (“HECs”) located throughout the County in Neptune, Long Branch, Hazlet and Wall. 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, 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, 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. Management has not yet evaluated the effects of the implementation of this Statement.

***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, 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:

	<b>Useful Lives</b>
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, 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, 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 conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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

*Restatement of Prior Year Financial Statements*

The College contracted with an appraisal company to perform an inventory of its capital assets at June 30, 2016. As a result of this inventory, it was necessary to increase buildings, building improvements and equipment by \$673,203 to reconcile to the physical inventory.

During the year, the College discovered it had recorded a capital appropriation as unearned revenue instead of recognizing it as other revenue within the Statement of Revenues, Expenses and Changes in Net Position. As a result, the College's beginning restricted net position increased by \$3,884,789 and unrestricted net position decreased by \$609,466.

During the year ended June 30, 2016, the College discovered that a reclassification of its net position as of June 30, 2015 was necessary. As a result, the College's net investment in capital assets, restricted net position and unrestricted net position were restated.

The cumulative effect on the financial statement as reported for June 30, 2015 is as follows:

	As Reported June 30, 2015	Prior Period Adjustments	Restated June 30, 2015
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Depreciable assets	\$ 241,694,182	2,192,433	243,886,615
Accumulated depreciation	(99,934,822)	(1,519,230)	(101,454,052)
Nondepreciable asset, land	<u>5,882,462</u>	<u>—</u>	<u>5,882,462</u>
Capital assets, net of accumulated depreciation	<u>147,641,822</u>	<u>673,203</u>	<u>148,315,025</u>
Unearned revenue other	<u>3,275,323</u>	<u>(3,275,323)</u>	<u>—</u>
Net investment in capital assets	96,216,950	10,452,041	106,668,991
Restricted - capital expenditures	—	3,884,789	3,884,789
Unrestricted	<u>(30,576,693)</u>	<u>(10,388,304)</u>	<u>(40,964,997)</u>
Total net position	<u>\$ 65,640,257</u>	<u>3,948,526</u>	<u>69,588,783</u>

The financial statements for prior years have not been recalled, revised, or reissued.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements (continued)  
June 30, 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, 2016 the College’s and Foundation’s combined bank balances of \$7,784,885 were insured, collateralized or uninsured as follows:

	Brookdale Community College	Brookdale Community College Foundation	
Insured	\$ 250,000	\$ 250,000	
Collateralized under GUDPA	6,913,391	—	
Uninsured	15,690	355,804	
	\$ 7,179,081	\$ 605,804	

**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, 2016, the College’s deposits held by trustees are \$1,523,003.

**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, 2016 are \$5,337,805, 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, 2016

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

**Cash and Cash Equivalents**

***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 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.

***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.

***Concentration of Credit Risk***

The College and the Foundation do not place a limit on the amount that may be invested in any one issuer. The risk categories for the bond fund holdings held by the Foundation as of June 30, 2016, are as follows:

<u>Investment rating*</u>	
AAA	\$ 438,452
AA+	281,113
AA-	47,759
A+	38,332
A	168,172
A-	162,520
BBB+	383,175
BBB	50,577
BBB-	15,751
BB+	<u>25,000</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, 2016

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

**Investments (continued)**

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

<u>Investment Type</u>	<u>Market Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10 years</u>
Corporate bonds	\$ 917,711	37,278	394,075	349,966	136,392
Government bonds	650,280	31,023	423,557	78,445	117,255
Municipal bonds	18,230	-	-	-	18,230
Foreign bonds	24,630	-	24,630	-	-
	<u>1,610,851</u>	<u>68,301</u>	<u>842,262</u>	<u>428,411</u>	<u>271,877</u>
 <u>Other investments</u>					
Mutual funds	9,964				
Preferred stock	138,596				
Equities	<u>3,578,394</u>				
	<u>\$ 5,337,805</u>				

Foundation investment income for the year ended June 30, 2016 is as follows:

Investment income	\$ 71,289
Net realized and unrealized gains	<u>178,707</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, 2016.

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

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

**Investments** (continued)

*Common stocks, equities, corporate 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, 2016, all investments of the Foundation are categorized in Level 1 of the fair value hierarchy. As of June 30, 2016 College holds no investments.

**(4) Accounts Receivable**

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

	<u>Brookdale Community College</u>	<u>Brookdale Community College Foundation</u>
Federal, state and local grants receivable	\$ 6,074,873	\$ —
Student accounts receivable	1,621,594	—
Community development receivables	279,459	—
Other receivables	<u>614,238</u>	<u>293,629</u>
	8,590,164	293,629
Allowance for doubtful accounts	<u>(898,471)</u>	<u>—</u>
	<u>\$ 7,691,693</u>	<u>\$ 293,629</u>

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

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

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

	<u>Brookdale Community College</u>	<u>Brookdale Community College Foundation</u>
Vendors	\$ 419,674	\$ —
Construction	2,751,662	—
Payroll	2,967,235	—
Compensated absences - vacation	2,124,084	—
Pension contribution	1,840,038	—
State of New Jersey unemployment	499,997	—
Other	<u>548,214</u>	<u>123,316</u>
	<u>\$ 11,150,904</u>	<u>\$ 123,316</u>

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

**(6) Capital Assets**

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

	<u>Balance July 1, 2015 Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>
Depreciable assets:				
Buildings and building improvements	\$ 232,311,661	8,292,247	(37,710)	240,566,198
Equipment	<u>11,574,954</u>	<u>2,031,171</u>	<u>(756,020)</u>	<u>12,850,105</u>
	<u>243,886,615</u>	<u>10,323,418</u>	<u>(793,730)</u>	<u>253,416,303</u>
Less accumulated depreciation:				
Buildings and building improvements	(93,034,461)	(5,534,299)	8,380	(98,560,380)
Equipment	<u>(8,419,591)</u>	<u>(902,534)</u>	<u>756,020</u>	<u>(8,566,105)</u>
	<u>(101,454,052)</u>	<u>(6,436,833)</u>	<u>764,400</u>	<u>(107,126,485)</u>
Depreciable assets, net	142,432,563	3,886,585	(29,330)	146,289,818
Nondepreciable asset - land	<u>5,882,462</u>	-	-	<u>5,882,462</u>
Capital Assets, Net	<u>\$ 148,315,025</u>	<u>3,886,585</u>	<u>(29,330)</u>	<u>152,172,280</u>

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

**(7) Long-Term Debt**

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

	<u>June 30, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Defeased</u>	<u>June 30, 2016</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)	\$ 6,750,000	—	(535,000)	(4,440,000)	1,775,000
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)	—	3,310,000
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)	—	5,900,000
D. Equipment leasing fund (interest rate of 5% due on various dates through fiscal year 2019)	494,749	—	(131,035)	—	363,714
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	—	—	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)	—	2,415,604
	<u>\$ 41,975,129</u>	<u>26,464,479</u>	<u>(1,630,290)</u>	<u>(22,820,000)</u>	43,989,318
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, 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 has been decreased to \$1,775,000. A bond principal payment of \$565,000 is due on August 1, 2017; 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 \$405,000 was made on August 1, 2015, and \$435,000 is due on August 1, 2016; 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 \$435,000 was made on August 1, 2015, and \$445,000 is due on August 1, 2016; 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, 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 is \$2,724,217. The College's basic rent as set forth in the loan schedule is equal to approximately 22% of the debt service on the bonds, consisting of principal of \$609,466 and interest of \$101,124.

The bonds issued by the NJEFA are tax exempt and require annual and semiannual principal and interest payments, respectively, which commenced on November 1, 2014 for interest and May 1, 2015 for principal. Final payment to include principal, interest, and other expenses is due on May 1, 2020. 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. The initial bond principal payment is \$200,000 and is due on August 1, 2016. Principal payments reduce to \$100,000 on August 1, 2017 and 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, 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, 2016:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,767,645	1,617,520	3,385,165
2018	1,729,256	1,537,751	3,267,007
2019	1,699,997	1,467,443	3,167,440
2020	1,766,816	1,396,917	3,163,733
2021	1,795,000	1,328,375	3,123,375
2022-2026	9,525,000	5,415,594	14,940,594
2027-2031	9,605,000	3,148,001	12,753,001
2032-2036	8,680,000	1,402,730	10,082,730
2037-2039	5,005,000	194,148	5,199,148
	<u>\$ 41,573,714</u>	<u>17,508,479</u>	<u>59,082,193</u>

Interest charges incurred in fiscal year 2016 were \$1,652,816.

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, 2016 the balance of the bond premium is \$554,400 and the deferred loss is \$301,379. 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 2016 was \$50,979.

In connection with the refinancing of the Lease Revenue Bonds - Series 2008 with the Lease Revenue Bonds - Series 2015, the premium on the bond refinancing was \$1,934,479 and deferred loss on the bond refinancing was \$3,170,549. Bond premium and deferred loss on the bond refinancing are amortized over 22 years (the life of the bond). As of fiscal year 2016, the balance of the bond premium is \$1,861,204 and deferred loss is \$3,050,452. 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 2016 the amount of premium charged as a reduction of interest expense was \$73,276 and the amount of deferred loss charged as a reduction of interest expense was \$120,097.

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

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

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

		<u><b>June 30, 2016</b></u>
Designated:		
Auxiliary services	\$	71,006
Risk management		112,552
Appropriation to succeeding fiscal years' budgets		<u>897,279</u>
		1,080,837
Impact of GASB 68 adjustments		<u>(45,287,860)</u>
	\$	<u>(44,207,023)</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 Funding Policy***

PERS members are required to contribute 7.06% for the period from July 1, 2015 to June 30, 2016, of their annual covered salary and the College is required to contribute at an actuarially determined rate for the year ended June 30, 2016. During the year ended June 30, 2016, the College’s annual contributions

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

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

***PFRS Funding Policy***

to PERS was \$1,546,015. 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, 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, 2016 the College's contribution to PFRS was \$294,023. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

***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, 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, 2015 measurement date are as follows:

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

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

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

College Proportionate Share of Net Pension Liability	\$	—
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the College		<u>481,242</u>
	\$	<u><u>481,242</u></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, 2016, the College reported a liability of \$48,026,613 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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 was .09% which was a decrease of 7.86% from its proportion measured as of June 30, 2015. The College's proportion of PFRS at June 30, 2016 was .02% which was a decrease of 18.38% from its proportion measured as of June 30, 2015.

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

	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>

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

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

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

As of June 30, 2016, \$1,840,038 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, 2017. 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>
2016	\$ 102,217	64,048	166,265
2017	102,217	64,048	166,265
2018	102,217	64,048	166,265
2019	162,797	105,016	267,813
2020	90,029	40,079	130,108
	<u>\$ 559,476</u>	<u>337,239</u>	<u>896,716</u>

***Actuarial Assumptions***

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

	<u>PERS</u>	<u>PFRS</u>
Inflation	3.04%	3.04%
Salary Increases:		
2012-2021	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

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

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

*Actuarial Assumptions(continued)*

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

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, 2015 measurement date (see the discussion of the pension plans investment policy) are summarized in the following tables:

<u>Asset Class</u>	<u>PERS</u>		<u>PFRS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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>	



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

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

***Discount Rate***

The discount rate used to measure the total pension liabilities of the PERS plan is 5.39% and for PFRS plan is 6.32%. 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 represents the College's proportionate share of the net pension liability calculated using a discount rate of 4.90% for PERS plan and 5.79% for PFRS plan as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<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	\$ 52,870,818	\$ 42,539,037	\$ 33,876,946
	<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	\$ 6,812,593	\$ 5,487,577	\$ 3,563,921
	<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	\$ 610,908	\$ 492,089	\$ 319,589
	<u>\$ 610,908</u>	<u>\$ 492,089</u>	<u>\$ 319,589</u>

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

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

***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.

**(10) Commitments and Contingencies**

***Commitments***

The College leases the Neptune Higher Education building. Net rental expenses were approximately \$325,000 in 2016. Effective July 1, 2014, the College entered into an additional lease agreement for the 2<sup>nd</sup> floor at the Neptune Higher Education building. The leases are noncancelable and have been classified as operating leases which will expire in June 2017. Future minimum annual rental commitments, net of sublease rentals, approximate \$332,647 for the year ending June 30, 2017.

***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 \$2,124,084 as of June 30, 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.

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

**(12) Other Postemployment Benefits – Continued**

**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.

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.

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

During the fiscal year 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, 2016 the Foundation was indebted to the College in the amount of \$123,316 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>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.09%	0.10%
College's proportionate share of the net pension liability	\$ 42,539,037	\$ 39,460,262
College's covered-employee payroll	\$ 11,066,065	\$ 12,617,839
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	384.41%	312.73%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015 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>2016</u>	<u>2015</u>
College's proportion of the net pension liability	0.02%	0.03%
College's proportionate share of the net pension liability	\$ 5,487,577	\$ 4,569,789
College's covered-employee payroll	\$ 710,851	\$ 676,551
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	771.97%	675.45%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015 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>2016</u>	<u>2015</u>
College's proportion of the net pension liability	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>481,242</u>	<u>492,089</u>
Total	<u>\$ 481,242</u>	<u>\$ 492,089</u>
College's covered-employee payroll	\$ 710,851	\$ 676,551
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.70%	72.73%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015 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)

	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 1,546,015	\$ 1,629,195
Contributions in relation to the contractually required contribution	(1,546,015)	(1,629,195)
Contribution deficiency (excess)	\$ -	\$ -
College's covered employee payroll	\$ 11,066,065	\$ 12,617,839
Contributions as a percentage of covered-employee payroll	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, 2015 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)

	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 294,023	\$ 267,798
Contributions in relation to the contractually required contribution	(294,023)	(267,798)
Contribution deficiency (excess)	\$ -	\$ -
College's covered employee payroll	\$ 710,851	\$ 676,551
Contributions as a percentage of covered-employee payroll	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, 2015 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)

	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 25,051	\$ 20,433
Contributions in relation to the contractually required contribution	(25,051)	(20,433)
Contribution deficiency (excess)	\$ -	\$ -
College's covered employee payroll	\$ 710,851	\$ 676,551
Contributions as a percentage of covered-employee payroll	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, 2015 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

Note 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 8).

The amounts presented in the required supplementary information schedules were determined as of June 30, 2016 and 2015. These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, the College will present information for those years for which information is available.

**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***



**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, 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 March 21, 2017.

**Internal Control Over Financial Reporting**

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

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

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. We consider the deficiency described in the accompanying schedule of findings and responses as item GAS 2016-001 to be a significant deficiency.

### **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 Drew, P.C.

**Certified Public Accountants  
Braintree, Massachusetts**

March 21, 2017

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Responses  
For the Year Ended June 30, 2016

*Finding GAS 2016-001*

***Criteria***

While performing our audit procedures, we examined the College's prior year net position. As a result of these procedures, we noted that the College's net investment in capital assets and unrestricted net position had been reported incorrectly for several years. Management analyzed the net investment in capital assets and determined that as of June 30, 2015, it was understated by \$9,788,883 and unrestricted net position was overstated by the same amount.

***Cause***

The management of the College did not adequately analyze and review the net position components of the financial statements.

***Effect of Finding***

The overstatement of unrestricted net position may have caused management and others relying on the financial statements as part of their decision making process to reach conclusions they would not have, if the balances had been correctly stated.

***Recommendation***

Management must establish a process to analyze the various components of net position during the preparation of financial statements. This includes unrestricted net position, restricted net position and net investment in capital assets to ensure conformity with generally accepted accounting principles applicable to the College, as practiced in the United States (US GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

***Management's Response***

In 2011, an incorrect adjustment was made to the College's net investment in capital assets as proposed by the external audit firm responsible for conducting the financial statement audit. In each subsequent year, the College relied on professional advice given by the independent accounting firm in 2011 to calculate and post these accounting entries. Subsequent independent accounting firms performed certified audits and issued their opinions without comment on this calculation. The College has established a process to analyze unrestricted net position, restricted net position and net investment in capital presented in the financial statements. The College continues to operate with a balanced operating and capital budget, has implemented appropriate changes to the accounting for net position, and is committed to restoring unrestricted net asset balance as a financial strategic goal moving forward.

**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**





**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, 2016. 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, 2016.

### **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 which are described in the accompanying schedule of findings and questioned costs as Finding 2016-001, 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

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.

### **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 Finding 2016-001, 2016-002 and 2016-03 that we consider to be significant deficiencies.

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, 2016. We issued our report thereon dated March 21, 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 Drew, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

March 21, 2017

**BROOKDALE COMMUNITY COLLEGE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2016

Federal grantor/ pass-through grantor/ program or cluster title	<u>CFDA Number</u>	<u>Pass-Through Entity</u>	Pass-Through Entity Award <u>Identifier</u>	Current year expenditures	Through to Subrecipients
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>					
<b>U.S. Department of Education:</b>					
<b>Direct Awards</b>					
Federal Supplemental Educational Opportunity Grant (including administrative cost allowance of \$21,345)	84.007	N/A	N/A	\$ 341,520	\$ —
Federal Work-Study Program (including administrative cost allowance of \$12,492)	84.033	N/A	N/A	262,337	—
Federal Work-Study Program-Job Location and Development	84.033	N/A	N/A	31,799	—
Federal Pell Grant Program	84.063	N/A	N/A	15,451,175	—
William D. Ford Federal Direct Loan	84.268	N/A	N/A	9,601,604	—
Total Student Financial Assistance Cluster				25,688,435	—
<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	172,740	—
<b>NON-CLUSTER</b>					
<b>National Security Agency:</b>					
<b>Direct Awards</b>					
GenCyber Program	12.903	N/A	N/A	3,308	—
<b>U.S. Dept of Labor:</b>					
<b>Pass Through Awards</b>					
Trade Adjustment Assistance Community College and Career Training Grants Program	17.282	Bergen Community College	PO7478	216,132	—
	17.282	Bergen Community College	PO6828	44,385	—
				260,517	—
<b>National Aeronautics and Space Administration:</b>					
<b>Pass Through Awards</b>					
Education	43.008	Rutgers University	5515	16,122	—
<b>U.S. Small Business Administration:</b>					
<b>Direct Awards</b>					
Small Business Administration and Seminars	59.000	N/A	N/A	12,753	—
<b>Pass Through Awards</b>					
Small Business Development Center	59.037	Rutgers University	5591	79,791	—
	59.037	Rutgers University	5865	44,462	—
	59.037	Rutgers University	5825	27,700	—
				151,953	—

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

**BROOKDALE COMMUNITY COLLEGE**  
Schedule of Expenditures of Federal Awards - Continued  
Year ended June 30, 2016

<b>Federal grantor/ pass-through grantor/ program or cluster title</b>	<b><u>CFDA Number</u></b>	<b><u>Pass-Through Entity</u></b>	<b>Pass-Through Entity Award <u>Identifier</u></b>	<b>Current year expenditures</b>	<b>Through to Subrecipients</b>
<b>U.S. Small Business Administration - Continued:</b>					
<b>Pass Through Awards - Continued</b>					
Hurricane Sandy Small Business Revitalization	59.064	Rutgers University	5131	\$ 123,677	—
<b>Department of Education Office of Career, Technical and Adult Education</b>					
<b>Pass Through Awards</b>					
Adult Education	84.002	New Jersey Department of Labor & Workforce Development	N/A	402,079	—
Adult Education	84.002	New Jersey Department of Labor & Workforce Development	N/A	143,784	—
				<u>545,863</u>	<u>—</u>
Career & Technical Education	84.048	New Jersey Department of Education	25 7111	477,343	—
<b>Dept of Health and Human Services Administration for Children and Families</b>					
<b>Pass Through Awards</b>					
Health Profession Opportunity Grant	93.093	Bergen Community College	PO6828	281,336	—
				<u>281,336</u>	<u>—</u>
Total expenditures of federal awards				<u>\$ 27,734,047</u>	<u>\$ —</u>

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

**BROOKDALE COMMUNITY COLLEGE**  
Schedule of Expenditures of State of New Jersey Awards  
Year ended June 30, 2016

<u>State of New Jersey grantor/program or cluster title</u>	<u>Grant number/ State of New Jersey account number</u>	<u>Award amount</u>	<u>Grant period</u>	<u>Current year expenditures</u>	<u>Total Grant Expenditures To Date</u>
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER:</b>					
<b>State of New Jersey grants – restricted:</b>					
<b>Department of State - Commision of Higher Education:</b>					
Educational Opportunity Fund Summer and Regular A	2401-100-074-2401-002-kkk-614	\$ 243,854	07/01/15-06/30/16	\$ 243,854	\$ 243,854
Garden State Scholarships	–	(1,000)	07/01/15-06/30/16	(1,000)	(1,000)
Tuition Aid Grant	–	2,859,382	07/01/15-06/30/16	2,859,382	2,859,382
Governor's Urban Scholarship	–	1,500	07/01/15-06/30/16	1,500	1,500
NJ Stars	–	394,228	07/01/15-06/30/16	394,228	394,228
Total Student Financial Assistance Cluster				<u>3,497,964</u>	<u>3,497,964</u>
<b>NON-CLUSTER:</b>					
<b>Department of State - Commision of Higher Education:</b>					
Educational Opportunity Fund – Article IV:					
Educational Opportunity Fund Summer	2401-100-074-2401-002-KKK-6140	21,927	07/01/15-06/30/16	21,793	21,793
Educational Opportunity Fund Regular	2401-100-074-002-KKK-6140	200,783	07/01/15-06/30/16	200,783	200,783
				<u>222,576</u>	<u>222,576</u>
<b>N.J. Department of Education:</b>					
Career Tech Ed Prov Teacher Pilot(Yr 6)	16E00064	210,000	10/1/15-9/30/16	135,067	135,067
Career Tech Ed Prov Teacher Pilot(Yr 5)	15E00086	210,000	10/1/14-9/30/15	83,312	210,000
				<u>218,379</u>	<u>345,067</u>
<b>N.J. Department of Community Affairs:</b>					
Displaced Homemaker	16XINW	120,575	07/01/15-06/30/16	120,575	120,575
Total restricted				4,059,494	4,186,182
<b>State of New Jersey appropriations – unrestricted:</b>					
<b>N.J. Department of Treasury:</b>					
Operational Costs – County Colleges	01-100-082-2155-015	10,660,107	07/01/15-06/30/16	10,378,691	10,378,691
Alternate Benefit Program	–	2,066,580	07/01/15-06/30/16	2,120,192	2,120,192
Total unrestricted				<u>12,498,883</u>	<u>12,498,883</u>
Total expenditures of State of New Jersey awards				<u>\$ 16,558,377</u>	<u>\$ 16,685,065</u>

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

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Schedules of Expenditures of Federal and State of New Jersey Awards  
June 30, 2016

**(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, 2016. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

**(2) Summary of Significant Accounting Policies**

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

**(3) Indirect Cost Rate**

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

**(4) Federal Student Loan Programs**

The College disbursed \$9,601,604 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, 2016. 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, 2016

**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, 2016

**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? \_\_\_\_\_ yes        x   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? \_\_\_\_\_ yes        x   no

**Identification of Major Programs:**

Name of Program or Cluster	State of New Jersey Account or Grant Number
Operational Costs - County Colleges	01-100-082-2155-015
Educational Opportunity Fund - Article IV	
Educational Opportunity Fund Summer	2401-100-074-2401-002-KKK-6140
Educational Opportunity Fund Regular	2401-100-074-002-KKK-6140

**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, 2016

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

**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

***Criteria***

According to 34 C.F.R. Sections 668.22(f)(i):

(f) *Percentage of payment period or period of enrollment completed.* (1) For purposes of paragraph (e)(2)(i) of this section, the percentage of the payment period or period of enrollment completed is determined—

(i) In the case of a program that is measured in credit hours, by dividing the total number of calendar days in the payment period or period of enrollment into the number of calendar days completed in that period as of the student's withdrawal date.

According to 34 C.F.R. Sections 668.22(f)(2)(i):

(2)(i) The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period.

***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.

Testing revealed the following for all return of Title IV funds prepared in the spring 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.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs – Continued  
For the Year Ended June 30, 2016

***Cause***

According to the academic calendar, the spring 2016 semester ended on 5/10/2016. In error, 5/20/2016 was entered as the final day of the semester in the software used to prepare the return of Title IV funds.

The College's spring break ran from March 13, 2016 to Sunday March 20, 2016 for a total of eight days. In its software to prepare Title IV calculations, the College's input the length of spring break as seven days.

***Effect***

The Financial Aid Office's miscalculation created an excess return of funds to the ED in all instances.

***Questioned Costs***

\$415

***Perspective***

Of the non-statistically valid sample of 25 students selected for testing, nine students (36%) received a return of Title IV funds during the spring semester. Due to the incorrect semester dates input into the software, excess funds were remitted to the ED that should have been earned by the student. It appears this is a systematic issue with all students receiving Title IV refunds in the spring semester.

***Recommendation***

The College should create formal procedures to review the parameters for each semester that are input into the software utilized to prepare return of Title IV calculations. These procedures should include the review of dates input as the beginning and end of each semester and the treatment of all scheduled breaks lasting at least five consecutive days.

***Views of Responsible Officials***

The College agrees with the finding.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs – Continued  
For the Year Ended June 30, 2016

**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

***Criteria***

According to 34 C.F.R. Section 668.164(1)(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***

\$5,909

***Perspective***

Of our non-statistically valid sample of 10 outstanding checks aged over 240 days selected for testing, 5 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 do not monitor the age of these outstanding checks.

**BROOKDALE COMMUNITY COLLEGE**  
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Schedule of Findings and Questioned Costs – Continued  
For the Year Ended June 30, 2016

***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 the finding.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs – Continued  
For the Year Ended June 30, 2016

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

***Criteria***

According to 34 C.F.R. Section 675.19(b) states in part

- (1) An institution must follow the record retention and examination provisions in this part and in 34 CFR 668.24.
- (2) The institution must also establish and maintain program and fiscal records that –
  - i. Include a certification by the student’s supervisor or off-campus agency, that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours worked by each student worked in clock time sequence, or the total hours worked per day.

The 2015-2016 Federal Student Aid Handbook (Vol. 6, Pg. 42) states:

In general, students are not permitted to work in Federal Work Study positions during scheduled class times. Exceptions are permitted if an individual class is cancelled, if the instructor has excused the student from attending for a particular day, and if the student is receiving credit for employment in an internship, externship, or community work-study experience. Any such exemptions must be documented.

***Condition***

Federal regulations require an institution to monitor and ensure that a work study student is not working during his/her designated class time. Our testing revealed two students who worked partially during scheduled class time.

***Cause***

Each student’s work schedule conflicted with their class schedules due to a lack of formal internal control procedures designed to detect this particular type of scheduling conflict.

***Effect***

The student either did not attend class or was not present at work during the documented time period for which they were paid Federal work study wages.

***Questioned Costs***

\$9

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs – Continued  
For the Year Ended June 30, 2016

***Perspective***

Of the non-statistically valid sample of ten students selected for testing, two students worked as Federal work study students during scheduled class time (20%). It does not appear that this is an isolated occurrence of noncompliance.

***Recommendation***

The College should review and update their policies and procedures to ensure all Federal work study supervisors are monitoring student hours to ensure they do not conflict with class schedules. The College should also consider only allowing students to work during designated work times which are determined by the student's individual class schedule.

***Views of Responsible Officials***

The College agrees with the finding.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs – Continued  
For the Year Ended June 30, 2016

**IV. Prior Federal Audit Findings and Questioned Costs**

None noted.



**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs – Continued  
For the Year Ended June 30, 2016

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

***Corrective Action Plan:***

In order to reduce the possibility of manual entry error, the Financial Aid office will have the Registrar confirm the accuracy of semester information prior to preparation of any return to Title IV calculations. Although not automated, this independent review will strength the internal controls governing the existing process.

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

Effective immediately.

***Contact Person***

Stephanie Fitzsimmons, Financial Aid Director

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs – Continued  
For the Year Ended June 30, 2016

**Finding number:** 2016-002  
**Federal agency:** U.S. Department of Education  
**Programs:** Federal Pell Grants  
Federal Direct Student Loans  
**CFDA #:** 84.063, 84.268  
**Award year:** 2016

***Corrective Action Plan:***

Currently, student refund checks are processed in batches regardless of the source of the refund. In order to strengthen the monitoring of financial aid refund checks, financial aid refunds will be processed independent of other student refund checks. Then, once each long semester (Fall and Spring), the Accounts Receivable office will review the outstanding check register and notify the Financial Aid office of those outstanding financial aid refund checks to allow for timely remittance of funds to the Department of Education.

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

Effective immediately

***Contact Person***

Michael DeStefano, Manager, Accounts Receivable

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs – Continued  
For the Year Ended June 30, 2016

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

***Corrective Action Plan:***

The existing College Work Study student contracts will be amended to include a copy of the student's class schedule, and based on that schedule, a list of only those hours the student is available to work. In addition, the contract will require signature of the supervisor indicating receipt of the schedule as well as adherence to the regulation.

The College will also assign monitoring compliance of the regulation to a member of the Financial Aid office.

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

Effective immediately.

***Contact Person***

Sarah McElroy, Director of Career & Leadership Development

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Schedule of Findings and Questioned Costs – Continued  
For the Year Ended June 30, 2016

**Section V – State of New Jersey Award Findings and Questioned Costs**

None noted.

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

None noted.