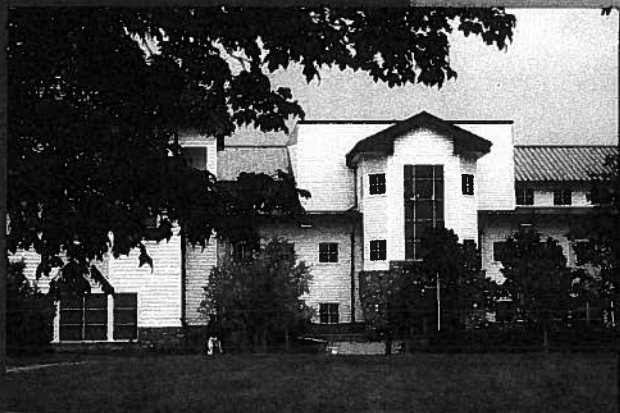




BROOKDALE
COMMUNITY COLLEGE

Report of Audit 2006

Fiscal year ended June 30, 2006



BROOKDALE COMMUNITY COLLEGE
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INTRODUCTORY SECTION

**FOR THE FISCAL YEAR ENDING
JUNE 30, 2006**

BROOKDALE COMMUNITY COLLEGE
MEMBERS OF THE BOARD OF TRUSTEES

AS OF JUNE 30, 2006

<u>NAME</u>	<u>TERM EXPIRES</u>
Mr. Howard C. Birdsall, Chair	October 31, 2008
Mr. Jacob S. Elkes, Vice Chair	October 31, 2008
Dr. Lewis G. Anderson	October 31, 2007
Father Brian Butch	October 31, 2006
Dr. Paul M. DiLorenzo	October 31, 2007
Mr. Woodrow C. Holmes	October 31, 2009
Mrs. Sarah Lucille Jones	October 31, 2006
Mrs. Eugenia Lawson, County Superintendent of Schools	Ex-Officio Member
Mr. Richard M. Maser	October 31, 2008
Mr. Gene J. Mulroy	October 31, 2006
Ms. Joan Raymond	October 31, 2009
Ms. Mary Ascough, Graduate Trustee	October 31, 2006

COLLEGE OFFICIALS

Dr. Peter F. Burnham, President and Secretary to the Board
Dr. Margaret McMenamin, Executive Vice President of Education, Student and Outreach Services
Mr. Louis Goetting, Executive Vice President of Administration, Operations and Information Technology Services
Mr. George J. Fehr, Vice President for Business and Finance
Dr. Linda Milstein, Vice President for Business and Community Development
Dr. Webster Trammell, Vice President for Planning, Development and Government Relations
Mrs. Jean Karl, Confidential Assistant to the Board of Trustees and Presidents Cabinet
Mrs. Louise Horgan, Executive Assistant to the President
Mr. Gorden Golum, Esq., Transition College Attorney
Mr. Martin M. Barger, Esq., Transition College Attorney
Mr. Robert E. Murray, Esq., Labor Attorney
Mr. Matthew J. Giacobbe, Esq., Labor Attorney

FINANCIAL SECTION

**FOR THE FISCAL YEAR ENDING
JUNE 30, 2006**



Certified Public Accountants & Consultants
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Voorhees, NJ 08043-2493
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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Trustees
Brookdale Community College
Lincroft, New Jersey 07738

We have audited the accompanying basic financial statements of Brookdale Community College (the College), State of New Jersey, a component unit of the County of Monmouth, State of New Jersey, as of and for the fiscal year ended June 30, 2006. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of Brookdale Community College, State of New Jersey, as of June 30, 2005, were audited by another auditor whose report dated September 30, 2005, expressed an unqualified opinion on those statements.

We conducted our audit 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; and in compliance with audit requirements as prescribed by the Department of Treasury, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Brookdale Community College Foundation (a blended component unit) were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditor provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brookdale Community College, State of New Jersey, as of June 30, 2006 and the respective changes in financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2006, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis (MD&A) as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. Such information has been subject 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.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 6, 2006



Certified Public Accountants & Consultants
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New Jersey Society of CPAs

**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 Members of the Board of Trustees
Brookdale Community College
Lincroft, New Jersey 07738

We have audited the accompanying basic financial statements of Brookdale Community College (the College), State of New Jersey, a component unit of the County of Monmouth, State of New Jersey, as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated October 6, 2006. The basic financial statements of Brookdale Community College, as of June 30, 2005, were audited by another auditor whose report dated September 30, 2005, expressed an unqualified opinion on those statements. We conducted our audit 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, and in compliance with audit requirements as prescribed by the Department of Treasury, State of New Jersey. The financial statements of Brookdale Community College Foundation (a blended component unit) were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of trustees and management of the College, the Department of Treasury, State of New Jersey, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 6, 2006

REQUIRED SUPPLEMENTARY INFORMATION

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

Management's Discussion and Analysis

June 30, 2006 and 2005

Management's Discussion and Analysis (MD&A) presents Brookdale Community College's (the College) financial performance during the fiscal years ended June 30, 2006 and 2005. This MD&A will provide various financial analysis comparing FY06 to FY05 as well as FY04 activity.

Enrollment

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Change 2005-2006</u>
Credit FTEs	9,651	9,476	9,111	175
Noncredit FTEs	835	603	615	232
Total FTEs	<u>10,486</u>	<u>10,079</u>	<u>9,726</u>	<u>407</u>

Full Time Equated (FTE) Enrollment for credit and non-credit enrollment in FY06 was 10,486, compared to FY05 FTE enrollment of 10,079. This represents a 4.0 percent increase.

- Credit enrollment increased from 9,476 FTEs in FY05 to 9,651 in FY06, which represents a 1.8 percent increase.
- Non-credit enrollment increased from 603 FTEs in FY05 to 835 FTEs in FY06, which represents a 38.5 percent increase. The increase in non-credit enrollment is attributed to additional Department of Labor (DOL) contracts received, in addition to increases in SCOPE Training offered.

General Financial Information

The College's basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, 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).

(Continued)

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

Management's Discussion and Analysis

June 30, 2006 and 2005

Summary of Assets and Liabilities

Assets and liabilities for the periods ending June 30 were as follows:

	2006	2005	2004	Change 2005-2006
Current assets	\$ 33,893,450	28,130,654	25,150,271	5,762,796
Capital assets	121,229,490	118,130,349	119,791,859	3,099,141
Other noncurrent assets	2,057,708	2,021,620	2,028,151	36,088
Total noncurrent assets	123,287,198	120,151,969	121,820,010	3,135,229
Total assets	\$ 157,180,648	148,282,623	146,970,281	8,898,025
Current liabilities	15,754,564	10,649,544	9,282,263	5,105,020
Noncurrent liabilities	23,414,378	24,097,436	24,750,887	(683,058)
Total liabilities	\$ 39,168,942	34,746,980	34,033,150	4,421,962

The change in current assets of \$5,762,796 is due to a net increase of \$4,913,088 in cash, cash equivalents, and investments; an increase in accounts receivable of \$402,746; an increase in prepaid expenses of \$292,504; and an increase in other current assets of \$154,458. The \$4,913,088 increase of cash and cash equivalents is made up of an increase in operating cash of \$5,659,725, and a decrease in the investment account of \$1,138,555, as well as an increase of \$391,918, in other cash. Accounts Receivable increased by \$402,746 as a result of increased enrollment and a tuition increase. Prepaid expenses increased by \$292,504 primarily due to an advance payment made for workers compensation in the amount of \$202,280. The increase in other current assets of \$154,458 is attributable primarily to an increase in accrued interest as a result of higher interest rates as well as an increase in inventories.

The increase in capital assets of \$3,099,141 is due to a net increase in the acquisition of capital assets of \$6,673,922, less a net increase in accumulated depreciation of \$3,574,781. The change in other non current assets of \$36,088 is due to an increase in the long-term portion of deposits held by trustees.

The change in current liabilities of \$5,105,020 is due to the following:

- An increase of \$1,702,841 in accounts payable and accrued expenses due primarily to an increase in accrued payroll of \$520,229 for PSA negotiations that were not settled until FY07; \$559,796 for the Sick Leave Buyout payments; and an increase in the pension accrual in the amount of \$330,000;
- An increase of \$3,363,484 in deferred student tuition, fees, and deferred revenue primarily attributed to a prepayment of \$3,117,816 in County appropriation;
- An increase of \$22,611 in the current portion of long-term liabilities; and
- An increase of \$16,084 in deposits held for others.

The decrease in noncurrent liabilities of \$683,085 is due to payments made against the debt principle for the Warner Student Life Center, the Western Monmouth Higher Education Center, and payments made on the debt for the Equipment Leasing Fund (ELF).

(Continued)

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

Management's Discussion and Analysis

June 30, 2006 and 2005

Long-Term Debt

The College financed two capital ventures in 2001 and 2003, to fund renovations to the Warner Student Life Center, and the acquisition of the Western Monmouth Higher Education Center, respectively. Principal payments are due on August 1, and interest is payable twice a year on February 1, and August 1. The total original amount financed was \$25,280,000, with the annual debt service on both bonds totaling approximately \$1,789,000 a year.

Capital Assets

Capital Asset activity for the year ended June 30, 2006 was as follows:

	Beginning balance	Additions	Deletions	Ending balance
Land	\$ 5,318,392	—	—	5,318,392
Building and improvements	158,722,574	6,498,817	—	165,221,391
Furniture and equipment	9,881,530	478,115	(303,010)	10,056,635
Total	173,922,496	6,976,932	(303,010)	180,596,418
Less accumulated depreciation	(55,792,147)	(3,876,004)	301,223	(59,366,928)
Capital assets, net	\$ <u>118,130,349</u>	<u>3,100,928</u>	<u>(1,787)</u>	<u>121,229,490</u>

Capital assets increased \$6,976,932, less deletions of \$303,010, which represents a net increase of \$6,673,922, due principally to renovations of the Center for Counseling, Admissions, and Registration (CAR) and the Natural and Applied Science Building (NAS), as well as the purchase of furniture and equipment for various units of the College. This increase was offset by both \$303,010 of capital deletions and \$3,574,781 of net accumulated depreciation.

(Continued)

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

Management's Discussion and Analysis

June 30, 2006 and 2005

Summary of Revenues, Expenses, and Changes in Net Assets

The College receives its revenue from three main sources: Tuition and Fees, State Aid, and County support. The balance of revenue was received from miscellaneous sources, which include Business and Community Development, Grants, Investment Income, Other Fees, and Other Income. The College also received capital appropriations from the County, State, and Federal Government.

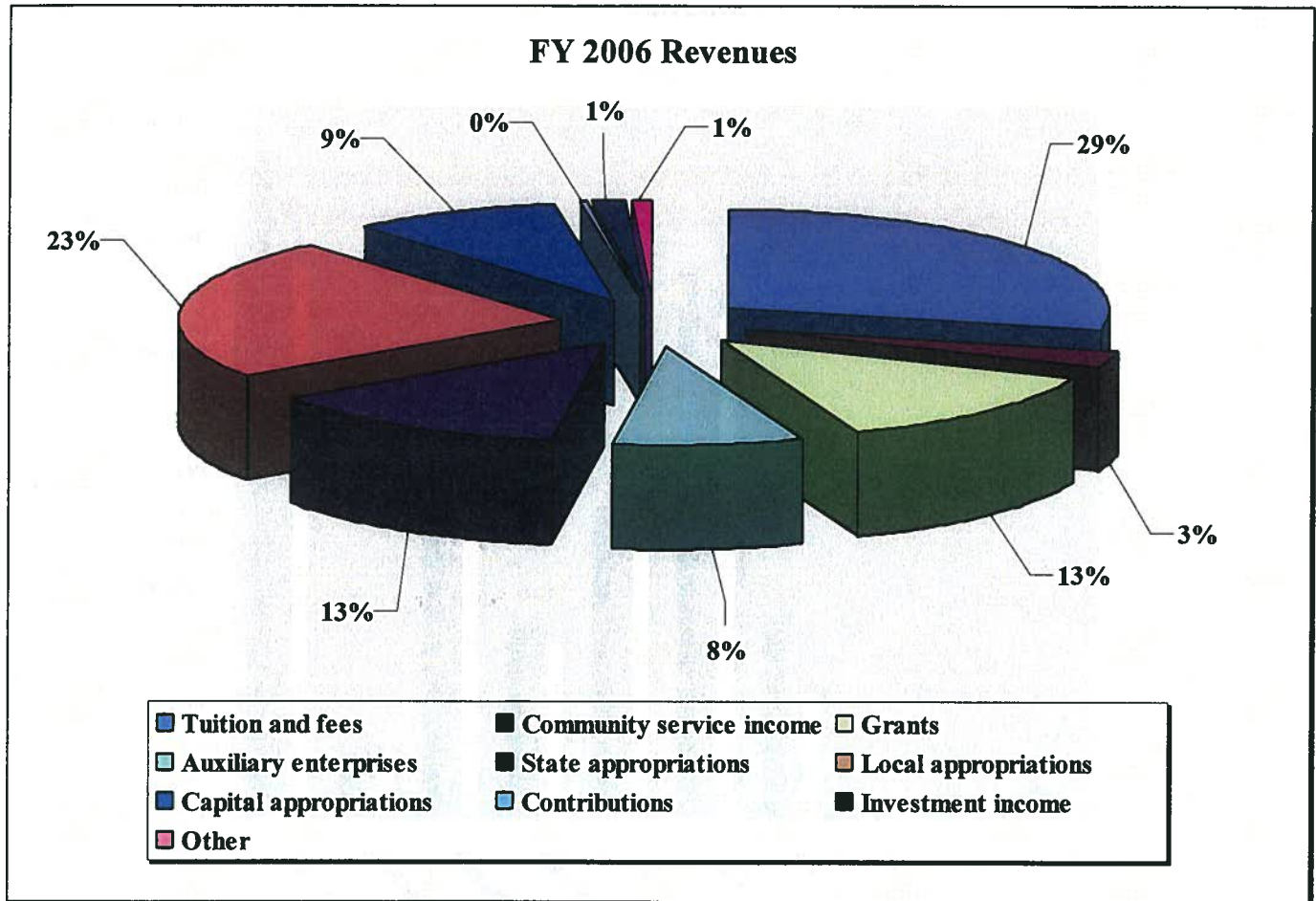
	2006	2005	2004	Change 2005-2006
Operating revenues:				
Tuition, net	\$ 21,961,779	20,450,211	18,504,225	1,511,568
Fees	5,967,860	5,410,279	4,730,412	557,581
Chargebacks to other counties	387,600	429,546	415,390	(41,946)
Community service income	2,886,077	2,782,745	2,667,841	103,332
Federal, state, and local grants	12,728,734	12,286,466	11,787,669	442,268
Other grants	125,590	100,429	75,098	25,161
Other operating revenues	661,540	657,790	630,764	3,750
Auxiliary enterprises, net	8,075,105	7,829,812	7,267,854	245,293
Other	133,761	183,003	244,833	(49,242)
Total operating revenues	52,928,046	50,130,281	46,324,086	2,797,765
Operating expenses	(94,303,922)	(88,113,994)	(85,802,066)	(6,189,928)
Operating loss	(41,375,876)	(37,983,713)	(39,477,980)	(3,392,163)
Nonoperating revenues (expenses):				
State appropriations	13,123,834	13,041,595	13,402,999	82,239
Local appropriations	23,362,478	22,356,438	21,393,721	1,006,040
Contributions	458,698	325,893	2,047,078	132,805
Investment income	1,234,194	696,870	382,599	537,324
Other nonoperating revenues	72,886	2,832	54,296	70,054
Interest expense	(1,084,958)	(1,112,805)	(934,809)	27,847
Net nonoperating revenues	37,167,132	35,310,823	36,345,884	1,856,309
Loss before other revenues	(4,208,744)	(2,672,890)	(3,132,096)	(1,535,854)
Other revenues:				
Capital appropriations	8,684,807	3,271,402	5,300,946	5,413,405
Increase in net assets	4,476,063	598,512	2,168,850	3,877,551
Net assets as of beginning of year	113,535,643	112,937,131	110,768,281	598,512
Net assets as of end of year	\$ 118,011,706	113,535,643	112,937,131	4,476,063

(Continued)

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

Management's Discussion and Analysis

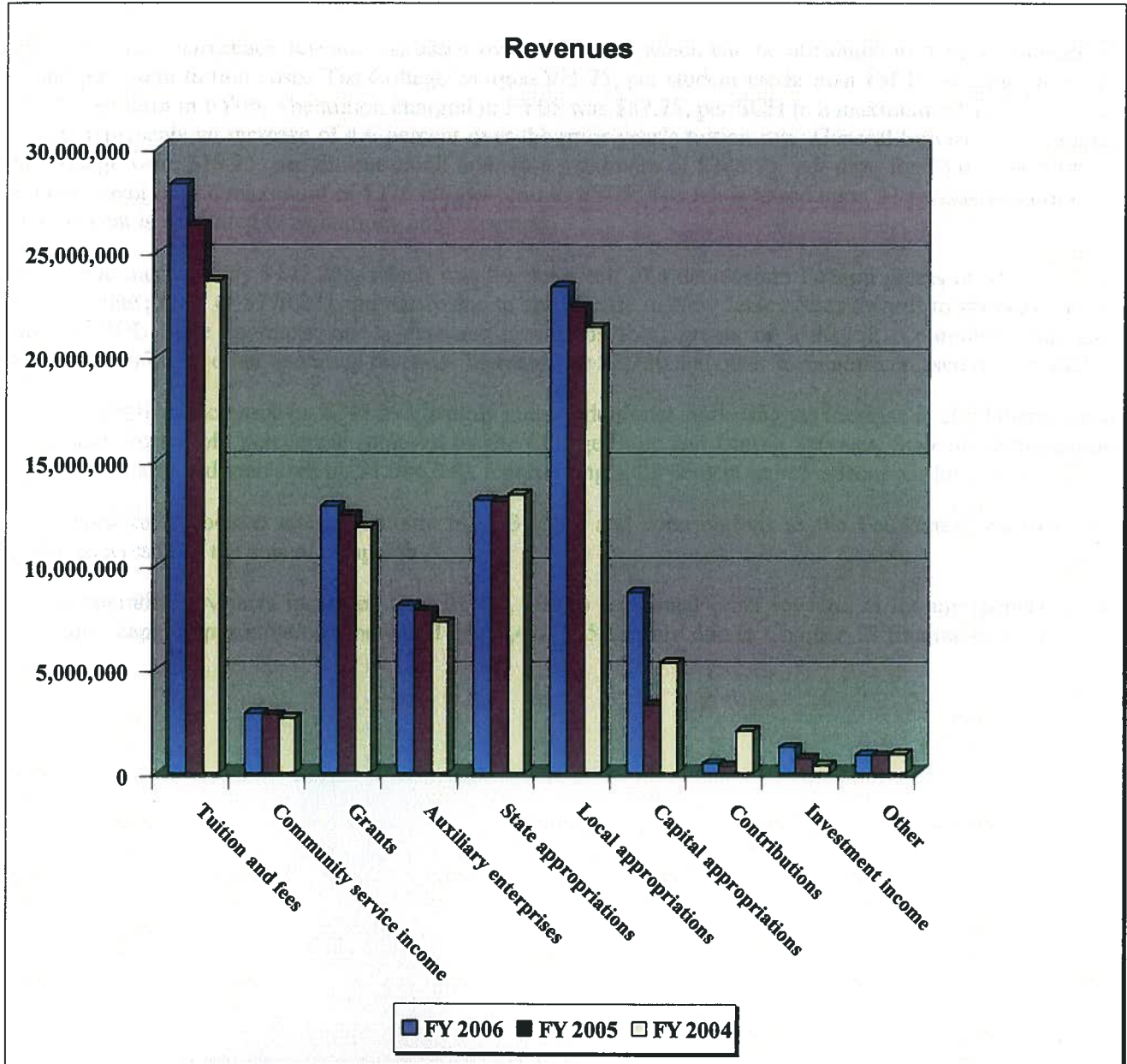
June 30, 2006 and 2005



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

Management's Discussion and Analysis

June 30, 2006 and 2005



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

Management's Discussion and Analysis

June 30, 2006 and 2005

Revenue

Tuition, Fee, and Chargeback revenue increased by \$2,027,203, which can be attributed to both an increase in FTEs and per credit tuition costs. The College charged \$91.75, per student credit hour (SCH) to a maximum of \$1,376.25, per term in FY06. The tuition charged in FY05 was \$87.75, per SCH to a maximum of \$1,316.25, per term. This represents an increase of 4.6 percent over the prior year's tuition rate. General Service Fees charged by the College were \$19.25, per student credit hour to a maximum of \$288.75, per term for FY06, and \$18.40, per student credit hour a maximum of \$276.00, per term in FY05. The fee is based upon 21 percent of tuition, of which 6 percent is dedicated to technology enhancements.

Grant revenue increased by \$442,268, which was the net result of a decrease in Federal grants of \$187,911; an increase in State grants of \$770,331, primarily due to an increase in New Jersey Stars awards to students and an increase in DOL State contracts; and a decrease in various local grants of \$140,152. Community Services increased by \$103,332; other operating revenues increased by \$3,750 and other revenues increased by \$49,242.

Auxiliary enterprises increased by \$245,293, mainly due to additional marketing, an increase in enrollment, and a higher annual gross profit percentage achieved by the College Store and Dining Services. State aid increased by \$82,239, and County aid increased by \$1,006,040, representing a 4.5 percent increase from our local sponsor.

Rising interest rates boosted interest income by \$537,325, and contributions to the Foundation increased by \$132,805, as a result of the annual campaign.

Other non-operating revenues increased by \$70,054, due to additional other revenue in the unexpended plant fund. Finally, capital appropriations increased by \$5,413,405, mainly due to Chapter 12 funding of CAR/NAS project.

(Continued)

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

Management's Discussion and Analysis

June 30, 2006 and 2005

Expenses

The College had total expenses of \$95,388,880 in 2006 compared with \$89,226,799 in FY05. This reflects an increase of \$6,162,081, primarily attributed to enrollment growth, negotiated salary increases, the higher price of electricity and natural gas, and an increase in the sick leave buyout program.

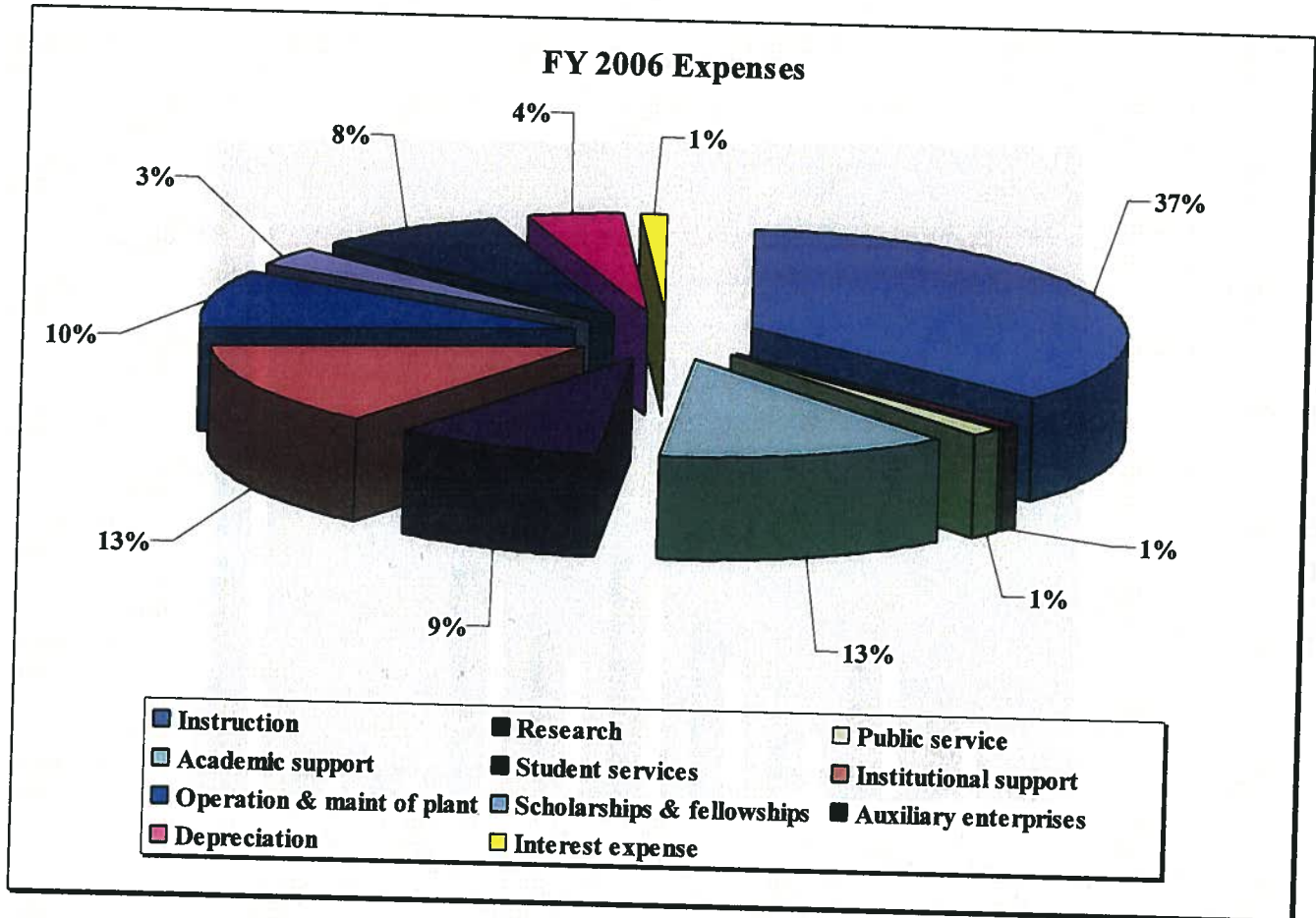
	2006	2005	2004	Change 2005-2006
Operating expenses:				
Instruction	\$ 34,743,138	31,791,336	31,127,404	2,951,802
Research	867,858	818,648	811,685	49,210
Public service	1,189,180	1,226,498	956,584	(37,318)
Academic support	12,334,812	11,811,331	11,249,662	523,481
Student services	8,436,110	7,765,795	7,474,200	670,315
Institutional support	12,673,210	11,070,323	12,195,653	1,602,887
Operation and maintenance of plant	9,163,069	8,382,665	7,428,635	780,404
Scholarships and fellowships	3,089,461	3,363,687	3,392,007	(274,226)
Auxiliary enterprises	7,931,080	8,015,255	7,291,248	(84,175)
Depreciation	3,876,004	3,868,456	3,874,988	7,548
Total operating expenses	94,303,922	88,113,994	85,802,066	6,189,928
Interest expense	1,084,958	1,112,805	934,809	(27,847)
Total expenses	\$ 95,388,880	89,226,799	86,736,875	6,162,081

(Continued)

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

Management's Discussion and Analysis

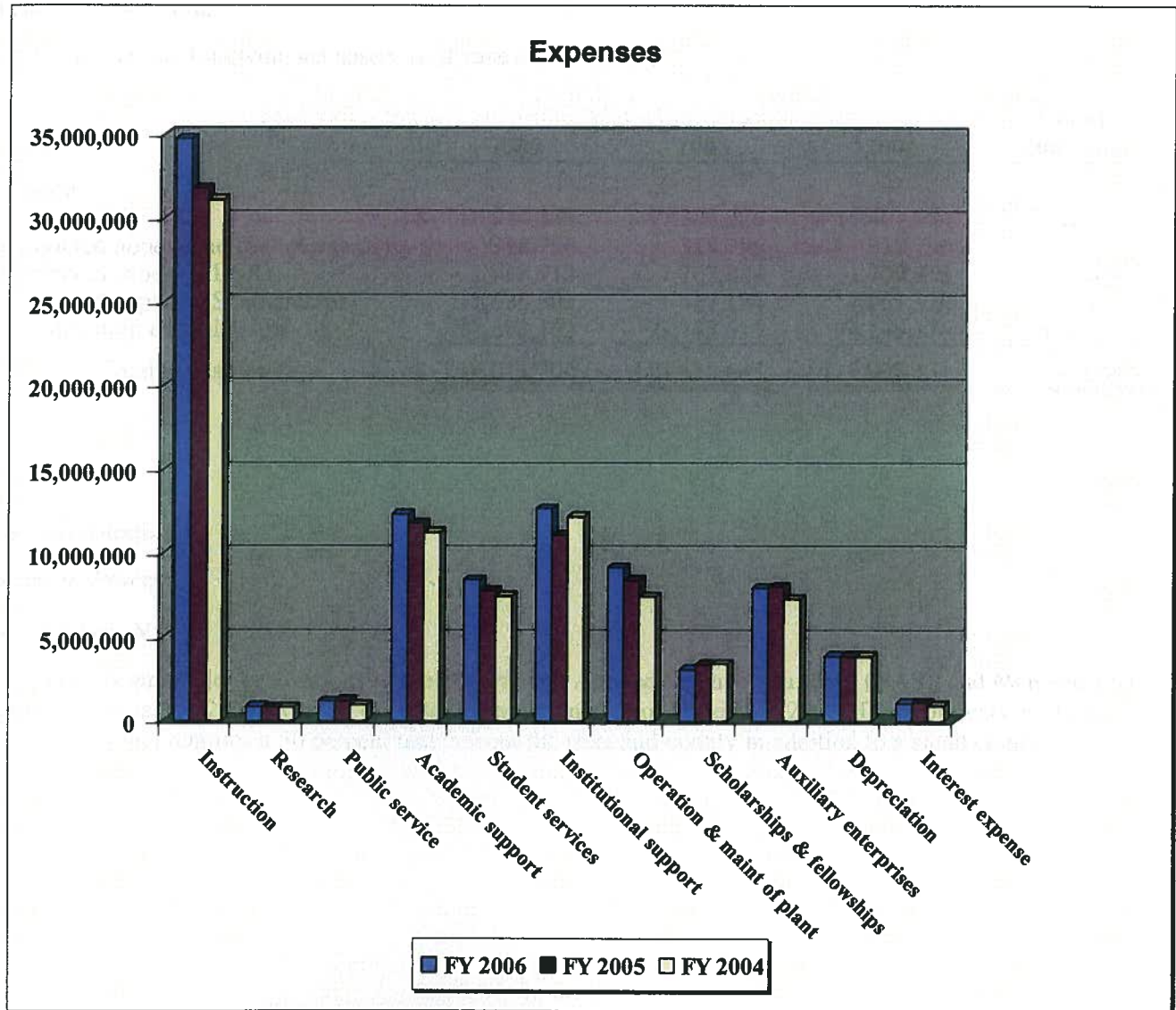
June 30, 2006 and 2005



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

Management's Discussion and Analysis

June 30, 2006 and 2005



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

Management's Discussion and Analysis

June 30, 2006 and 2005

Summary of Net Assets

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Change 2005-2006</u>
Net assets:				
Unrestricted	\$ 16,924,334	17,354,226	15,401,284	(429,892)
Restricted nonexpend (Scholarships)	318,796	318,796	318,796	—
Restricted expend. (DSR)	1,738,912	1,702,824	1,709,355	36,088
Restricted expend. (Scholarships)	1,636,502	1,417,184	1,261,520	219,318
Investment in capital assets	<u>97,393,162</u>	<u>92,742,613</u>	<u>94,246,176</u>	<u>4,650,549</u>
Total net assets	<u>\$ 118,011,706</u>	<u>113,535,643</u>	<u>112,937,131</u>	<u>4,476,063</u>

Other Information

Projects in Process

Megastructure IV

The College began major renovations to the Natural and Applied Sciences Building (NAS), and Main Academic complex in the fall of 2005, with an expected completion date of December 2006. These projects are funded by Chapter 12, which requires a 50 percent match from the state and county in addition to a small contribution from the College.

BASIC FINANCIAL STATEMENTS

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

Statements of Net Assets

June 30, 2006 and 2005

Assets	2006	2005
Current assets:		
Cash and cash equivalents (note 2)	\$ 16,151,530	9,564,473
Short-term investments (note 3)	11,606,239	13,312,235
Accounts receivable, net of allowance of approximately \$363,616 in 2006 and \$371,508 in 2005 (note 3)	3,752,541	3,349,795
Deposits held by trustees (note 2)	486,260	454,233
Inventories	980,208	901,639
Prepaid expenses	659,567	367,063
Accrued interest receivable	257,105	181,216
Total current assets	33,893,450	28,130,654
Noncurrent assets:		
Endowment investments (note 3)	318,796	318,796
Deposits held by trustees (note 2)	1,738,912	1,702,824
Capital assets, net of accumulated depreciation of \$59,366,928 in 2006 and \$55,792,147 in 2005 (note 5)	121,229,490	118,130,349
Total noncurrent assets	123,287,198	120,151,969
Total assets	157,180,648	148,282,623
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (notes 4 and 9)	8,650,355	6,947,514
Deferred student tuition and fees	5,598,300	2,268,205
Deferred grant revenue	334,554	301,165
Deposits held for others	488,297	472,213
Long-term debt, current portion (note 6)	683,058	660,447
Total current liabilities	15,754,564	10,649,544
Noncurrent liabilities:		
Long-term debt (note 6)	23,414,378	24,097,436
Total noncurrent liabilities	23,414,378	24,097,436
Total liabilities	39,168,942	34,746,980
Net Assets		
Invested in capital assets, net of related debt	97,393,162	92,742,613
Restricted:		
Nonexpendable:		
Scholarships and library	318,796	318,796
Expendable:		
Debt service reserve	1,738,912	1,702,824
Scholarships	1,636,502	1,417,184
Unrestricted	16,924,334	17,354,226
Total net assets	\$ 118,011,706	113,535,643

See accompanying notes to financial statements.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Statements of Revenues, Expenses, and Changes in Net Assets
Years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Student revenues:		
Tuition	\$ 28,045,614	26,161,058
Chargebacks to other counties	387,600	429,546
	<u>28,433,214</u>	<u>26,590,604</u>
Less scholarship allowances	(6,083,835)	(5,710,847)
Net tuition and chargebacks	<u>22,349,379</u>	<u>20,879,757</u>
Auxiliary enterprises	8,724,575	8,487,094
Less scholarship allowances	(649,470)	(657,282)
Net auxiliary enterprises	<u>8,075,105</u>	<u>7,829,812</u>
Fees	5,967,860	5,410,279
Net student revenues	<u>36,392,344</u>	<u>34,119,848</u>
Community service income	2,886,077	2,782,745
Federal grants	8,079,714	8,267,625
State grants	3,958,884	3,188,553
Local grants	690,136	830,288
Other grants	125,590	100,429
Special events	133,761	183,003
Other operating revenues	661,540	657,790
Total operating revenues	<u>52,928,046</u>	<u>50,130,281</u>
Operating expenses:		
Instruction	34,743,138	31,791,336
Research	867,858	818,648
Public service	1,189,180	1,226,498
Academic support	12,334,812	11,811,331
Student services	8,436,110	7,765,795
Institutional support	12,673,210	11,070,323
Operation and maintenance of plant	9,163,069	8,382,665
Scholarships and fellowships	3,089,461	3,363,687
Auxiliary enterprises	7,931,080	8,015,255
Depreciation	3,876,004	3,868,456
Total operating expenses	<u>94,303,922</u>	<u>88,113,994</u>
Operating loss	<u>(41,375,876)</u>	<u>(37,983,713)</u>
Nonoperating revenues (expenses):		
State appropriations	13,123,834	13,041,595
Local appropriations	23,362,478	22,356,438
Contributions	458,698	325,893
Investment income	1,234,194	696,870
Other nonoperating revenues (expenses)	72,886	2,832
Interest expense	(1,084,958)	(1,112,805)
On-behalf payments - alternative benefit program:		
Revenues	1,713,297	1,549,637
Expenses	(1,713,297)	(1,549,637)
Net nonoperating revenues	<u>37,167,132</u>	<u>35,310,823</u>
Loss before other revenues	<u>(4,208,744)</u>	<u>(2,672,890)</u>
Other revenues:		
Capital appropriations	8,684,807	3,271,402
Increase in net assets	4,476,063	598,512
Net assets as of beginning of year	<u>113,535,643</u>	<u>112,937,131</u>
Net assets as of end of year	<u>\$ 118,011,706</u>	<u>113,535,643</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Student tuition and fees (including chargebacks to other counties)	\$ 31,578,807	26,431,278
Noncredit revenue	2,765,681	2,880,625
Grants and contracts	12,882,463	12,459,426
Grant payments	(12,519,770)	(12,032,290)
Payments to suppliers	(10,683,736)	(7,612,973)
Payments to employees	(54,452,348)	(52,354,143)
Payments for scholarships and fellowships	(2,922,408)	(3,223,938)
Auxiliary enterprises:		
Bookstore and dining services receipts	8,011,804	7,712,905
Bookstore and dining services payments	(7,200,812)	(7,219,452)
Other auxiliary services receipts	720,322	1,225,810
Other auxiliary services payments	(1,458,307)	(1,222,617)
Other operating receipts	650,292	1,004,441
Net cash used by operating activities	<u>(32,628,012)</u>	<u>(31,950,928)</u>
Cash flows from noncapital financing activities:		
State appropriations	13,123,834	13,041,595
Local appropriations	23,362,478	22,356,438
Contributions	458,698	263,240
Net cash provided by noncapital financing activities	<u>36,945,010</u>	<u>35,661,273</u>
Cash flows from capital financing:		
Payments on capital debt	(683,059)	(1,291,431)
Capital appropriations	8,546,779	1,055,797
Interest paid on capital debt	(1,094,390)	(1,121,914)
Purchases of capital assets	(6,836,760)	(2,052,122)
Deposits held with trustees	(68,115)	(30,656)
Net cash (used) provided by capital financing activities	<u>(135,545)</u>	<u>(3,440,326)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	26,486,642	79,511
Interest and dividends on investments	1,158,306	213,732
Purchases of investments	(25,239,344)	(176,546)
Net cash provided (used) by investing activities	<u>2,405,604</u>	<u>116,697</u>
Net increase (decrease) in cash and cash equivalents	6,587,057	386,716
Cash and cash equivalents as of beginning of year	9,564,473	9,177,757
Cash and cash equivalents as of end of year	<u>\$ 16,151,530</u>	<u>9,564,473</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (41,375,876)	(37,983,713)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	3,876,004	3,868,456
Changes in assets and liabilities:		
Short-term investments	—	2,958,070
Grants and other receivables	176,609	27,170
Inventories	(78,569)	(173,119)
Prepaid expenses	(292,505)	(137,399)
Accounts payable and accrued expenses	1,702,841	(444,342)
Deferred student tuition and fees	3,330,095	(39,611)
Deferred grant revenue	33,389	(26,440)
Net cash used by operating activities	<u>\$ (32,628,012)</u>	<u>(31,950,928)</u>

See accompanying notes to financial statements.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(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 Outreach, Business and Community Development operation which provides lifelong learning opportunities to the citizens and businesses of Monmouth 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, bookstore, gymnasium, cafeteria, administrative offices, maintenance shop, day care center, and the Monmouth Museum.

The College operates Higher Education Centers (HECs) throughout Monmouth County in Asbury Park, Long Branch, Freehold, and Bayshore. Offerings at these HECs include GED preparation, Adult Basic Education, English as a Second Language, and a variety of credit courses. The College also provides certain programs on-site at local military installations at Fort Monmouth and Sandy Hook. Additionally, the College leads the Communiversity, located in Wall, an alliance of seven New Jersey higher education institutions offering select associate, bachelors and masters degree programs in Monmouth County.

Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. In addition to complying with all applicable Governmental Accounting Standards Board (GASB) pronouncements, the College's financial statements comply with the guidance provided by the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and the Committee on Accounting Procedure issued on or before November 30, 1989. GASB pronouncements take precedence when there is a conflict or contradiction between pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

Reporting Entity

The College organized Brookdale Community College Foundation (the Foundation) in 1973 for the sole benefit of the College, faculty, and students. The Chairman of the Board of Trustees of the College, with the approval of the Board of Trustees of the College, appoints trustees to the Board of the Foundation. Although the Foundation is a legally separate, not-for-profit organization, because of the significance of its operational and financial relationships with the College it is considered a component unit of the College and the College's financial statements include the financial statements of the Foundation. Copies of the Foundation's financial statements can be obtained by writing to Brookdale Community College Foundation, Lincroft, New Jersey.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(1) **Organization and Summary of Significant Accounting Policies (Cont'd)**

Summary of Significant Accounting Policies (Cont'd)

Accrual Basis

The accompanying financial statements have been prepared on the accrual basis using the economic resources measurement focus. The College reports 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 Assets

The College classifies its resources into three net asset categories:

- *Invested in capital assets, net of related debt:* 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 assets subject to externally-imposed stipulations that must be maintained permanently.
 - Expendable* – Net assets whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of College pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted:* Net assets that are not subject to externally-imposed stipulations. Unrestricted net assets 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 assets 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 University's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Other

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

- (a) Cash and cash equivalents consist of cash on deposit with banks and money market funds with an initial maturity of three months or less.
- (b) Inventories consist of food service items, stockroom supplies, 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, as applicable, as obtained from investment managers, and consist of U.S. Government and Agency obligations and certificates of deposit as of June 30, 2006 and 2005, respectively. As of June 30, 2006 investments also included money market and mutual funds.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(1) **Organization and Summary of Significant Accounting Policies (Cont'd)**

Summary of Significant Accounting Policies (Cont'd)

Other (Cont'd)

- (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 useful lives:

	<u>Useful lives</u>
Buildings and building improvements	10 – 45
Furniture and equipment	5 – 10

- (e) The County of Monmouth is generally responsible for the issuance of bonds and notes for the College's capital expenditures which are financed by bond ordinances. 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 6).
- (f) The College, as well as other colleges and universities in the State of New Jersey, have lease agreements with the New Jersey Educational Facilities Authority (NJEFA) for equipment purchased under the New Jersey Equipment Leasing Fund (ELF) program (see note 6). This program was funded by the proceeds of a NJEFA bond issue and, although the agreement with NJEFA is in the form of a lease, it is the policy of the College to treat their portion of the ELF obligation as long-term debt.
- (g) The County of Monmouth adopts capital ordinances to fund certain capital expenditures of the College. The College receives County bond monies to fund its plant expenditures. Unexpended appropriations in the current year are available for capital expenditures in subsequent years.
- (h) Grants receivable represent amounts awarded to, but not yet received by the College. Revenues are recognized as the grants are expended.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(1) Organization and Summary of Significant Accounting Policies (Cont'd)

Summary of Significant Accounting Policies (Cont'd)

Other (Cont'd)

- (i) Student revenues are recognized in the period earned. Deferred student tuition and fees represent tuition and fees collected for courses that are held subsequent to June 30.
- (j) Auxiliary enterprises 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 in the laws, and by the criteria and procedures specified by the State of New Jersey Department of Treasury, Office of Management and Budget.
- (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) The College's policy for defining operating activities in the statement of revenues, expenses, and changes in net assets are 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 enterprises 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.
- (n) The College is exempt from Federal income taxes under Internal Revenue Code Section 115.
- (o) 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.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(2) Cash and Cash Equivalents, Investments, Endowment Investments and Deposits Held by Trustees
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. As of June 30, 2006, the College's bank balance of \$14,628,235 was insured or collateralized as follows:

Insured	\$ 696,029
Collateralized under GUDPA	<u>13,932,206</u>
	<u>\$ 14,628,235</u>

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, and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. The College's investments are \$9,767,284 in Certificates of Deposits at various banks, \$1,000,000 in Federal Home Loan Bank Notes held by a counterparty, not in the name of the College and \$1,157,751 in Mutual Funds.

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, in order to mitigate this risk, the majority of investments purchased have a maturity date of no more than one year.

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 would limit its investment choices.

Concentration of Credit Risk – The College does not place a limit on the amount that may be invested in any one issuer.

As of June 30, 2006, the College had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Certificates of Deposits	> 3 months	N/A	\$ 9,767,284
Mutual Funds	N/A	N/A	1,157,751
Federal Home Loan Bank Notes	12/15/06	N/A	<u>1,000,000</u>
			<u>\$ 11,925,035</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(2) Cash and Cash Equivalents, Investments, Endowment Investments and Deposits Held by Trustees (Cont'd)

Deposits Held by Trustees

Deposits held by trustees represent assets held by trustees under the terms of various capital lease agreements. Deposits held by trustees are carried in the financial statements at fair value and consist entirely of cash and cash equivalents.

(3) Accounts Receivable

Accounts receivable consisted of the following as of June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Federal, state, and local grants receivable	\$ 2,204,132	1,916,706
Student accounts receivable	694,708	644,178
Community development receivables	334,521	214,125
Other receivables	<u>882,796</u>	<u>946,294</u>
	4,116,157	3,721,303
Less allowance for doubtful accounts	<u>363,616</u>	<u>371,508</u>
	<u>\$ 3,752,541</u>	<u>3,349,795</u>

(4) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Vendors	\$ 613,162	511,831
Construction	1,586,279	1,489,937
Payroll	2,304,708	1,658,056
Vacation	2,156,003	2,114,868
State of New Jersey unemployment	537,691	544,464
Other	<u>1,452,512</u>	<u>628,358</u>
	<u>\$ 8,650,355</u>	<u>6,947,514</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(5) Capital Assets

The fiscal year 2006 and 2005 activity in capital assets and accumulated depreciation was as follows:

	<u>2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>2006</u>
Depreciable assets:				
Buildings and building improvements	\$ 158,722,574	6,498,817	—	165,221,391
Furniture and equipment	9,881,530	478,115	303,010	10,056,635
	<u>168,604,104</u>	<u>6,976,932</u>	<u>303,010</u>	<u>175,278,026</u>
Less accumulated depreciation:				
Buildings and building improvements	47,555,870	3,432,492	—	50,988,362
Furniture and equipment	8,236,277	443,512	301,223	8,378,566
	<u>55,792,147</u>	<u>3,876,004</u>	<u>301,223</u>	<u>59,366,928</u>
Depreciable assets, net	112,811,957	3,100,928	1,787	115,911,098
Nondepreciable asset - land	5,318,392	—	—	5,318,392
	<u>\$ 118,130,349</u>	<u>3,100,928</u>	<u>1,787</u>	<u>121,229,490</u>
	<u>June 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2005</u>
Depreciable assets:				
Buildings and building improvements	\$ 157,091,596	1,630,978	492,920	158,229,654
Furniture and equipment	9,789,857	584,593	—	10,374,450
	<u>166,881,453</u>	<u>2,215,571</u>	<u>492,920</u>	<u>168,604,104</u>
Less accumulated depreciation:				
Buildings and building improvements	44,159,622	3,396,248	—	47,555,870
Furniture and equipment	8,248,364	472,208	484,295	8,236,277
	<u>52,407,986</u>	<u>3,868,456</u>	<u>484,295</u>	<u>55,792,147</u>
Depreciable assets, net	114,473,467	(1,652,885)	8,625	112,811,957
Nondepreciable asset - land	5,318,392	—	—	5,318,392
	<u>\$ 119,791,859</u>	<u>(1,652,885)</u>	<u>8,625</u>	<u>118,130,349</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(6) Long-Term Debt

The activity in long-term debt for the years ended June 30, 2006 and 2005 was as follows:

	<u>June 30, 2005</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2006</u>
A. Lease revenue bonds – Series 2001 issue:				
Serial bonds (interest rates between 4.25% to 5.0% due on various dates through fiscal year 2025)	\$ 8,235,000	—	(265,000)	7,970,000
Term bonds (interest rate at 5.0% due in fiscal years 2027, 2030 and 2032)	5,260,000	—	—	5,260,000
B. Lease revenue bonds – Series 2003 issue:				
Serial bonds (interest rates between 3.5% to 4.7% due on various dates through fiscal year 2026)	10,970,000	—	(325,000)	10,645,000
C. Equipment Leasing Fund obligation	292,883	—	(70,447)	222,436
	<u>\$ 24,757,883</u>	<u>—</u>	<u>(660,447)</u>	<u>24,097,436</u>
Less current portion				683,058
				<u>\$ 23,414,378</u>

	<u>June 30, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2005</u>
A. Lease revenue bonds – Series 2001 issue:				
Serial bonds (interest rates between 4.25% to 5.0% due on various dates through fiscal year 2025)	\$ 8,490,000	—	(255,000)	8,235,000
Term bonds (interest rate at 5.0% due in fiscal years 2027, 2030 and 2032)	5,260,000	—	—	5,260,000
B. Lease revenue bonds – Series 2003 issue:				
Serial bonds (interest rates between 3.5% to 4.7% due on various dates through fiscal year 2026)	11,285,000	—	(315,000)	10,970,000
C. Equipment Leasing Fund obligation	353,867	6,996	(67,980)	292,883
	<u>\$ 25,388,867</u>	<u>6,996</u>	<u>(637,980)</u>	<u>24,757,883</u>
Less current portion				660,447
				<u>\$ 24,097,436</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(6) Long-Term Debt (Cont'd)

- A. The lease revenue bonds – Series 2001 were issued by The Monmouth County Improvement Authority (MCIA) pursuant to an agreement with the College for the purpose of funding for the 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 2001 Bonds are not subject to redemption prior to August 1, 2010, and are redeemable thereafter at par plus accrued interest.

The term bonds mature in lump sum payments of \$1,325,000 in fiscal year 2027, \$2,245,000 in fiscal year 2030 and \$1,690,000 in fiscal year 2032.

- B. The lease revenue bonds – Series 2003 were issued by The Monmouth County Improvement Authority (MCIA) pursuant to an agreement with the College for the purpose of funding for the acquisition of the Western Monmouth Higher Education Center. 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, building and building improvements.

Except for extraordinary optional redemption as described in the debt agreement, the Series 2003 Bonds are not subject to redemption prior to August 1, 2013, and are redeemable thereafter at par plus accrued interest.

- C. New Jersey Educational Facilities Authority (NJEFA) has leased certain equipment to the College. The equipment was purchased with the proceeds of a NJEFA bond issuance. The College's share of the bonds are to be paid with the funds from the College's lease payments. At the completion of the lease term in fiscal year 2008, title to the equipment will be transferred to the College.

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2005:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 683,059	1,078,967	1,762,026
2008	716,102	1,051,184	1,767,286
2009	695,745	1,023,348	1,719,093
2010	727,530	996,009	1,723,539
2011-2015	3,855,000	4,536,267	8,391,267
2016-2020	4,750,000	3,621,695	8,371,695
2021-2025	5,940,000	2,396,277	8,336,277
2026-2030	5,040,000	958,072	5,998,072
2031-2032	1,690,000	85,500	1,775,500
	<u>\$ 24,097,436</u>	<u>15,747,319</u>	<u>39,844,755</u>

Interest charges incurred in fiscal years 2006 and 2005 were \$1,084,958 and \$1,112,805, respectively.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(7) Designations of Unrestricted Net Assets

As of June 30, 2006, the College had designated portions of its unrestricted net assets as follows:

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
June 30, 2006:			
Designated:			
Auxiliary enterprises	\$ 4,025,492	—	4,025,492
Risk management	—	226,341	226,341
Reserve for purchase orders	500,000	438,800	938,800
Campus construction projects	—	6,860,160	6,860,160
New telephone system	—	1,000,000	1,000,000
Early retirement initiative	1,000,000	—	1,000,000
Appropriation to succeeding fiscal years' budgets	3,668,762	—	3,668,762
Undesignated	<u>250,000</u>	<u>150,000</u>	<u>400,000</u>
	<u>\$ 9,444,254</u>	<u>8,675,301</u>	<u>18,119,555</u>
Foundation net assets			2,498,989
Invested in capital assets, net of related debt			<u>97,393,162</u>
			<u>\$ 118,011,706</u>

(8) Retirement Plans

Plan Descriptions

The College participates in three major retirement plans for its employees – Public Employees' Retirement System (PERS), Police and Fireman's Retirement System (PFRS) and Alternate Benefit Program (ABP). ABP presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), ING Life Insurance, Equitable Life Insurance, The Hartford Life Insurance, Metlife, and VALIC. 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.

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-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. The State of New Jersey issues a publicly available financial report that includes financial statements and required supplementary information for PERS and PFRS. This report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(8) Retirement Plans (Cont'd)

PERS Funding Policy

PERS members are required to contribute 5.0% of their annual covered salary and the College is required to contribute at an actuarially determined rate for the years ended June 30, 2006 and 2005. During the year ended June 30, 2006 and 2005, the College's annual contributions to PERS were \$265,243 and \$187,000 respectively. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

PFRS Funding Policy

PFRS members are required to contribute 8.5% of their annual covered salary for the years ended June 30, 2006 and 2005. 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 years 2006 and 2005, College contributions to PFRS were \$79,491 and \$73,776, respectively. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

Alternate Benefit Program Information

ABP provides the choice of six 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 are 8%. During the year ended June 30, 2006, ABP received employer and employee contributions of approximately \$1,713,297 and \$1,181,926 respectively, which was based on participating employee salaries of approximately \$21,416,210. During the year ended June 30, 2005, ABP received employer and employee contributions of approximately \$1,549,637 and \$1,057,248 respectively, which was based on participating employee salaries of approximately \$20,325,006.

Most employer contributions to ABP are paid by the State of New Jersey and are not included in the accompanying financial statements. However, employer contributions for certain employees amounting to approximately \$203,521 and \$182,887 for the years ended June 30, 2006 and 2005 are paid by the College and are included in the accompanying financial statements.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
June 30, 2006 and 2005

(9) Commitments and Contingencies

Commitments

The College leases certain buildings used in general operations. Net rental expenses were approximately \$141,968 and \$134,703 in 2006 and 2005, respectively. The leases are noncancelable and have been classified as operating leases which will expire in early 2008. Minimum annual rental commitments, net of sublease rentals, approximate the following:

	<u>Amount</u>
Year ending June 30:	
2007	\$ 136,500
2008	22,750
	<u>\$ 159,250</u>

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, 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.

(10) Compensated Absences

The College recorded a liability for compensated absences in the amount of \$2,156,003 and \$2,114,868 as of June 30, 2006 and 2005, respectively, which is included in accounts payable and accrued expenses in the accompanying statement of net assets. The liability is based upon employees' accrued vacation leave as of 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.

(11) Reclassification of Prior Year Data

Certain expense classifications for June 30, 2005 were reclassified to be consistent with June 30, 2006 information.

(Continued)

SINGLE AUDIT SECTION

**FOR THE FISCAL YEAR ENDING
JUNE 30, 2006**



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND STATE OF NEW JERSEY CIRCULAR 04-04-OMB**

To the Members of the Board of Trustees
Brookdale Community College
Lincroft, New Jersey 07738

Compliance

We have audited the compliance of Brookdale Community College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2006. The College's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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; the audit requirements as prescribed by the Department of Treasury, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Brookdale Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The management of Brookdale Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of trustees and management of the College, the Department of Treasury, State of New Jersey, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 6, 2006

BROOKDALE COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Federal grantor/ pass-through grantor/ program or cluster title	Federal CFDA/grant number	Current year expenditures
U.S. Department of Education:		
Student Financial Assistance Cluster:		
Federal Family Education Loan Program	84.032	\$ 5,910,792
Federal Supplemental Educational Opportunity Grant (including administrative cost allowance of \$17,440)	84.007	279,046
Federal Pell Grant	84.063	6,011,801
Federal Work-Study (including administrative cost allowance of \$7,786)	84.033	163,514
Job Locator	84.xxx	29,138
Total Student Financial Assistance Cluster		<u>12,394,291</u>
FIPSE-EC US Culinary (European Exchange)	84.116J	78,628
Opportunity Through Math, Science, & Technology	84.116Z	71,528
Passed through State of New Jersey Department of Labor & Workforce Development:		
Adult Basic Education	84.002	468,424
Passed through State of New Jersey Department of Education:		
Voc Ed Disadvantaged Component - Perkins	84.048	404,691
Tech - Prep Education	84.243A	152,679
National Science Foundation:		
Wireless Communication Program	47.076	183,762
US Dept of Justice		
Office of Juvenile Justice& Delinquency-Optimist II	16.xxx	33,115
U.S. Small Business Administration:		
Small Business Administration and Seminars	59.xxx	33,800
Passed through Rutgers University:		
Small Business Development Center	59.037	181,674
Total expenditures of Federal awards		<u>\$ 14,002,592</u>

See accompanying notes to schedules of expenditures of Federal and State Financial Assistance.

BROOKDALE COMMUNITY COLLEGE

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2006

State of New Jersey grantor/program or cluster title	Grant number/ State of New Jersey account number	Award amount	Grant period	Current year expenditures
State of New Jersey grants – restricted:				
N.J. Department of Treasury:				
Student Financial Assistance Cluster:				
Educational Opportunity Fund Summer and Regular Awards				
Blaustein Dist Scholarships	06-100-074-2401-001	\$ 406,099	07/01/05-06/30/06	\$ 406,099
N.J. Urban Scholarships	06-100-074-2405-278	8,000	07/01/05-06/30/06	8,000
Tuition Aid Grant	06-100-074-2405-007	8,500	07/01/05-06/30/06	8,500
NJ Stars	06-100-074-2405-313	2,308,891	07/01/05-06/30/06	2,308,891
		499,391	07/01/05-06/30/06	499,391
Total Student Financial Assistance Cluster				<u>3,230,881</u>
Educational Opportunity Fund – Article IV:				
Educational Opportunity Fund Summer	2401-100-074-2401-002	9,473	07/01/05-06/30/06	9,473
Educational Opportunity Fund Regular	2401-100-074-2401-002	169,327	07/01/05-06/30/06	169,327
N.J. Department of Education:				
General Education Development Testing	5064-100-034-5064-050-H0403620	9,620	07/01/05-06/30/06	9,620
P-12 Higher Education (with Cumberland CC)	—	35,274	2/1-12/31/05	9,177
N.J. Department of Community Affairs:				
Displaced Homemaker	05-100-022-8051-036-F863-6130	126,000	07/01/05-06/30/06	126,000
N.J. Department of Human Services:				
Family Friendly	FFC05006	43,702	07/01/05-06/30/06	30,086
Total restricted				<u>3,584,564</u>
State of New Jersey appropriations – unrestricted:				
N.J. Department of Treasury:				
Operational Costs – County Colleges	06-100-082-2155-015	13,123,834	07/01/05-06/30/06	13,123,834
Alternate Benefit Program	06-100-082-2155-017	1,713,297	07/01/05-06/30/06	1,713,297
Total expenditures of State of New Jersey awards				<u>\$ 18,421,695</u>

See accompanying notes to schedules of Federal and State Financial Assistance.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
June 30, 2006

(1) Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance include the Federal and State of New Jersey grant activity of Brookdale Community College (the College) and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the New Jersey Office of Management and Budget Circular 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

(2) Student Loan Programs

The College is responsible only for the performance of certain administrative duties with respect to the Federal Family Educational Loan Program (FFEL), accordingly, these loans are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under this program as of June 30, 2006.

(3) Major Programs

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

BROOKDALE COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ending June 30, 2005

Section 1- Summary of Auditors' Results

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

___ yes X no

Were reportable conditions identified that were
not considered to be a material weakness?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over compliance:

Material weaknesses identified?

___ yes X no

Were reportable conditions identified that were not
considered to be material weaknesses?

___ yes X none reported

Type of auditor's report on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in
accordance with OMB Circular A-133 (section .510(a))?

___ yes X no

Identification of major programs:

CFDA Numbers

84.063

84.033

84.007

84.032

84.xxx

84.048

Name of Federal Program or Cluster

Federal Pell Grant Program (PELL)

Federal Work Study Program (FWS)

Federal Suppl. Educational Opportunity Grant (FSEOG)

Federal Family Educational Loan Program (FFEL)

Job Locator

Voc Ed Disadvantaged Component - Perkins

Dollar threshold used to determine Type A programs

\$420,078

Auditee qualified as low-risk auditee?

X yes ___ no

BROOKDALE COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ending June 30, 2005

Section 1- Summary of Auditors' Results (Cont'd)

State Financial Assistance

Internal control over compliance:

Material weaknesses identified?

_____ yes X no

Were reportable conditions identified that were not
 considered to be material weaknesses?

_____ yes X none reported

Type of auditor's report on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in
 accordance with OMB Circular A-133 (section .510(a)) or
 New Jersey Circular 04-04-OMB?

_____ yes X no

Identification of major programs:

GMIS Numbers

Name of State Program

06-100-074-2401-001

Educational Opportunity Fund (EOF) - Article III

06-100-074-2401-002

Educational Opportunity Fund (EOF) - Article IV

06-100-074-2405-007

Tuition Aid Grant (TAG)

06-100-074-2405-278

Distinguished Scholarship Program

06-100-074-2405-313

New Jersey Stars Program

N.J. Urban Scholarships

06-100-082-2155-017

Alternative Benefit Program

Dollar threshold used to determine Type A programs

\$300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

BROOKDALE COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 2- Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Department of Treasury, State of New Jersey.

No Current Year Findings

BROOKDALE COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

No Current Year Findings

BROOKDALE COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

No Current Year Findings

BROOKDALE COMMUNITY COLLEGE
Summary Schedule of Prior Year Audit Findings
And Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

FINANCIAL STATEMENT FINDINGS

No Prior Year Findings

FEDERAL AWARDS

No Prior Year Findings

STATE FINANCIAL ASSISTANCE PROGRAMS

No Prior Year Findings

ACKNOWLEDGEMENT

We received the complete cooperation of all of the officials of Brookdale Community College and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

Bowman & Company LLP

Bowman & Company LLP
Certified Public Accountants
& Consultants