

The County College of Monmouth



BROOKDALE COMMUNITY COLLEGE



## Report of Audit

Fiscal Year Ended June 30, 2012

**Annual  
Financial Report**

of

**Brookdale Community College**

**For the Year Ended June 30, 2012**

**Prepared by**

**Brookdale Community College**

**Finance Department**

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**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Honorable President and Members of the Board of Trustees of  
Brookdale Community College

We have audited the accompanying statement of net assets of Brookdale Community College ("College") (A Component Unit of the County of Monmouth) as of June 30, 2012, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. The 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 financial statements of Brookdale Community College for the year ended June 30, 2011 were audited by other auditors whose report dated December 13, 2011 expressed an unqualified opinion on those statements. As discussed in Note 13, the College has restated its financial statements for the year ended June 30, 2011 to correct an accounting error, in conformity with auditing standards generally accepted in the United States of America. The other auditors reported on the year ended June 30, 2011 financial statements before the restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and State of New Jersey OMB Circular 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and 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 provides 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 the College as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed above, the financial statements of the College as of June 30, 2011, and for the year then ended, were audited by other auditors whose report dated December 13, 2011 expressed an unqualified opinion on those statements. We audited the adjustments described in Note 13 that were applied to restate the year ended June 30, 2011 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the year ended June 30, 2011 financial statements of the College other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the year ended June 30, 2011 financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012 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* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally 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 financial statements as a whole. The accompanying schedules of expenditures of federal and State of New Jersey awards on pages 33 and 34 are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB Circular 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and are not required parts of the financial statements. 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 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The image shows a handwritten signature in black ink that reads "EisnerAmper LLP". The signature is written in a cursive, flowing style.

Jenkintown, Pennsylvania  
December 13, 2012

**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, 2012 and 2011

Management's Discussion and Analysis ("MD&A") presents the financial performance of Brookdale Community College (the "College") during the fiscal years ended June 30, 2012 and 2011. This MD&A will provide various financial analyses comparing fiscal year 2012 to fiscal year 2011 as well as fiscal year 2010 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>2012</u>	<u>2011</u>	<u>2010</u>	<u>Change 2011-2012</u>
Credit FTEs	\$ 11,186	11,992	11,981	(806)
Noncredit FTEs	<u>726</u>	<u>707</u>	<u>662</u>	<u>19</u>
Total FTEs	<u>\$ 11,912</u>	<u>12,699</u>	<u>12,643</u>	<u>(787)</u>

Full-Time Equated enrollment for credit and noncredit enrollment in fiscal year 2012 was 11,912, compared to fiscal year 2011 FTE enrollment of 12,699. This represents a 6.2 percent decrease.

- Credit enrollment decreased from 11,992 FTEs in fiscal year 2011 to 11,186 in fiscal year 2012, which represents a 6.7 percent decrease.
- Noncredit enrollment went from 707 FTEs in fiscal year 2011 to 726 FTEs in fiscal year 2012, which represents a 2.7 percent increase.

**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").



**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2012 and 2011

**Financial Highlights**

**Condensed Schedule of Net Assets**

The following represents assets, liabilities and net assets of the College as of June 30, 2012, 2011 and 2010:

	<u>2012</u>	<u>(Restated) 2011</u>	<u>2010</u>	<u>Change 2011-2012</u>
Current assets	\$ 41,443,355	41,781,091	39,529,878	(337,736)
Noncurrent assets:				
Capital assets	155,694,160	159,138,902	149,344,425	(3,444,742)
Other noncurrent assets	<u>1,580,693</u>	<u>2,384,857</u>	<u>12,306,363</u>	<u>(804,164)</u>
Total assets	<u>\$ 198,718,208</u>	<u>203,304,850</u>	<u>201,180,666</u>	<u>(4,586,642)</u>
Current liabilities	\$ 15,240,773	14,835,917	15,962,846	404,856
Noncurrent liabilities	<u>43,846,077</u>	<u>45,610,000</u>	<u>46,830,000</u>	<u>(1,763,923)</u>
Total liabilities	<u>\$ 59,086,850</u>	<u>60,445,917</u>	<u>62,792,846</u>	<u>(1,359,067)</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 104,154,570	107,599,312	103,004,066	(3,444,742)
Restricted	2,950,028	3,665,635	3,500,951	(715,607)
Unrestricted	<u>32,526,760</u>	<u>31,593,986</u>	<u>31,882,803</u>	<u>932,774</u>
Total net assets	<u>\$ 139,631,358</u>	<u>142,858,933</u>	<u>138,387,820</u>	<u>(3,227,575)</u>

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2012 and 2011

**Financial Highlights**

**Condensed Schedule of Net Assets**

The decrease in capital assets, net of accumulated depreciation is attributed to net additions of \$2,190,868, less depreciation of \$5,635,610. The decrease in other noncurrent assets is mainly attributed to a \$789,759 decrease in deposits held by trustees as a result of the defeasance of the Series 2003 bond. The decrease in long-term debt is mainly attributable to annual principal payments made on various bonds. During fiscal 2012, the Series 2003 was refinanced with the Series 2012. As a result, the Series 2003 is considered to be defeased and the liability has been removed from the financial statements. Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>(Restated)</u> <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>2012</u>
Land	\$ 5,882,462	—	—	5,882,462
Building and improvements	222,528,251	1,675,236	—	224,203,487
Furniture and equipment	<u>7,926,461</u>	<u>628,735</u>	<u>(113,103)</u>	<u>8,442,093</u>
Total	236,337,174	2,303,971	(113,103)	238,528,042
Less accumulated depreciation	<u>(77,198,272)</u>	<u>(5,716,601)</u>	<u>80,991</u>	<u>(82,833,882)</u>
Capital assets, net	<u>\$ 159,138,902</u>	<u>(3,412,630)</u>	<u>(32,112)</u>	<u>155,694,160</u>

The College contracted with American Appraisal Associates and provided them with all additions and deletions. They provided the College a detailed report on capital assets, related additions, retirements, and depreciation.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2012 and 2011

**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 and state.

	<u>2012</u>	<u>(Restated) 2011</u>	<u>2010</u>	<u>Change 2011-2012</u>
Operating revenues:				
Tuition, net	\$ 21,190,549	23,110,007	24,229,330	(1,919,458)
Fees	6,475,303	6,840,631	6,653,248	(365,328)
Chargebacks to other counties	451,489	430,054	475,640	21,435
Community service income	2,887,310	3,008,326	3,392,387	(121,016)
Federal, state and local grants	39,750,370	41,074,469	37,064,453	(1,324,099)
Other grants	107,290	82,889	118,667	24,401
Other operating revenues	995,909	923,025	1,316,580	72,884
Auxiliary enterprises, net	8,435,552	9,287,354	9,929,502	(851,802)
Other	343,827	281,908	264,979	61,919
Total operating revenues	<u>80,637,599</u>	<u>85,038,663</u>	<u>83,444,786</u>	<u>(4,401,064)</u>
Operating expenses	<u>119,046,249</u>	<u>126,062,673</u>	<u>125,334,991</u>	<u>(7,016,424)</u>
Operating loss	<u>(38,408,650)</u>	<u>(41,024,010)</u>	<u>(41,890,205)</u>	<u>2,615,360</u>
Nonoperating revenues (expenses):				
Federal appropriations	—	—	668,724	—
State appropriations	10,660,107	10,685,964	10,706,157	(25,857)
Local appropriations	21,938,717	27,456,909	26,787,228	(5,518,192)
Contributions	815,011	444,107	319,228	370,904
Investment income	239,794	515,680	780,281	(275,886)
Other nonoperating revenues	4,278,262	4,851,134	4,297,026	(572,872)
Other nonoperating expenses	(254,985)	(703,081)	—	448,096
Bond issuance expense	(274,961)	—	—	(274,961)
Interest expense	<u>(2,220,870)</u>	<u>(2,323,792)</u>	<u>(2,731,789)</u>	<u>102,922</u>
Net nonoperating revenues	<u>35,181,075</u>	<u>40,926,921</u>	<u>40,826,855</u>	<u>(5,745,846)</u>
Loss before other revenues	<u>(3,227,575)</u>	<u>(97,089)</u>	<u>(1,063,350)</u>	<u>(3,130,486)</u>
Other revenues:				
Capital appropriations	<u>—</u>	<u>4,568,202</u>	<u>3,161,442</u>	<u>(4,568,202)</u>
Increase (decrease) in net assets	<u>(3,227,575)</u>	<u>4,471,113</u>	<u>2,098,092</u>	<u>(7,698,688)</u>
Net assets as of beginning of year	<u>142,858,933</u>	<u>138,387,820</u>	<u>136,289,728</u>	<u>4,471,113</u>
Net assets as of end of year	<u>\$ 139,631,358</u>	<u>142,858,933</u>	<u>138,387,820</u>	<u>(3,227,575)</u>

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**BROOKDALE COMMUNITY COLLEGE**  
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Management's Discussion and Analysis  
For the fiscal years ended June 30, 2012 and 2011

***Revenue***

The College charged \$118.50, per student credit hour ("SCH") to a maximum of \$1,777.50, per term in fiscal years 2012 and 2011. In addition, the College charges a General Service Fee, 24% of tuition, or \$28.44 per student credit hour to a maximum of \$426.60, during the same periods. These fees help fund technology enhancements, student life and activities, capital improvements to the Warner Student Life Center and debt service obligations.

Tuition, Fee, and Chargeback revenue overall decreased by \$2,263,351, as a result of a 6.7% decrease in credit enrollment, net a decrease in scholarship allowances. The decrease in Tuition, Fee, and Chargeback revenue was offset by a decrease in scholarship allowances of \$1,023,556. Without the scholarship allowance, tuition and fee revenue would have decreased by \$3,286,907.

Auxiliary enterprises income decreased by \$851,802 mainly due to decreases in bookstore and dining services revenue offset by increases in WBJB Radio and Arena events revenue.

State Aid decreased by \$25,857, due to a reallocation of funding to the 19 community colleges based on audited FY11 enrollment data. State aid funding to the sector was flat in FY12.

Total County Aid decreased by \$5,518,192, or \$6,000,000 decrease in operating aid offset by \$481,808 in minor capital.

Investment income decreased by \$275,886 as a result of a reduction in bank interest rates.

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2012 and 2011

**Expenses**

Operating expenses are those expenses paid by the College to acquire or produce goods and services to fulfill its mission. The College had total operating and interest expenses of \$121,267,119 in 2012 compared with \$128,386,475 in 2011. The College's operating expenses by functional classification for June 2012, 2011 and 2010 were:

	<u>2012</u>	<u>(Restated) 2011</u>	<u>2010</u>	<u>Change 2011-2012</u>
Operating expenses:				
Instruction	\$ 41,462,444	43,009,826	43,029,947	(1,547,382)
Research	1,115,066	1,054,022	1,022,752	61,044
Public service	1,018,541	1,585,453	1,573,574	(566,912)
Academic support	14,715,325	15,466,694	15,322,017	(751,369)
Student services	11,066,348	10,850,493	10,723,495	215,855
Institutional support	12,086,634	14,423,298	13,984,922	(2,336,664)
Operation and maintenance of plant	9,139,436	10,721,116	11,777,949	(1,581,680)
Scholarships and fellowships	13,317,407	13,422,909	12,169,491	(105,502)
Auxiliary enterprises	9,489,438	10,661,006	10,681,318	(1,171,568)
Depreciation	5,635,610	4,867,856	5,049,526	767,754
Total operating expenses	119,046,249	126,062,673	125,334,991	(7,016,424)
Interest expense	2,220,870	2,323,792	2,731,789	(102,922)
Total expenses	\$ <u>121,267,119</u>	<u>128,386,465</u>	<u>128,066,780</u>	<u>(7,119,346)</u>

Operating expenses decreased \$7,016,424 in fiscal 2012 over fiscal 2011. Operating expenses mainly decreased due to a decrease in salaries and benefits as a result of faculty and staff attrition, decrease in utilities as a result of achieved efficiencies following the Central Utility Plant renovation and favorable gas and electric consortium agreements, decrease in administration and operations costs following a mild winter resulting in lower snow removal costs, decrease in technology costs due to changes in the College's ERP annual contract obligation, decrease in scholarships as a direct result of less tuition and fee revenue, decrease in auxiliary services as a result of decreased sales, decrease in capital expenditures under \$5,000, offset by increase in depreciation.

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**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Management's Discussion and Analysis  
For the fiscal years ended June 30, 2012 and 2011

**Summary of Net Assets**

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

	<u>2012</u>	<u>(Restated) 2011</u>	<u>2010</u>	<u>Change 2011-2012</u>
Net assets:				
Unrestricted	\$ 32,526,760	31,593,986	31,882,803	932,774
Restricted (scholarships and library)	944,800	891,380	746,212	53,420
Restricted expend. (DSR)	—	777,656	789,755	(777,656)
Investment in capital assets	104,154,570	107,599,312	103,004,066	(3,444,742)
Scholarships (endowed)	<u>2,005,228</u>	<u>1,996,599</u>	<u>1,964,984</u>	<u>8,629</u>
Total net assets	<u>\$ 139,631,358</u>	<u>142,858,933</u>	<u>138,387,820</u>	<u>(3,227,575)</u>

**Other Information**

***Projects in Process***

In fiscal year 2013, the College will be renovating Gorman Hall at an approximate cost of \$3,775,000 as well as completing the renovated space for the Center for Holocaust, Human Rights and Genocide Education in the amount of \$303,000. The five year ADA renovations will be completed by December 31, 2012 in the amount of \$412,000.

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**BASIC FINANCIAL STATEMENTS**



**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Statements of Net Assets  
As of June 30, 2012 and 2011

<b>Assets</b>	<b>2012</b>	<b>(Restated) 2011</b>
<b>Current assets:</b>		
Cash and cash equivalents (notes 1 and 2)	\$ 16,111,019	22,591,156
Short-term investments (note 2)	19,149,594	14,051,211
Accounts receivable, net of allowance of approximately \$1,690,041 in 2012 and \$1,352,411 in 2011 (note 3)	3,705,548	3,016,027
Deposits held by trustees	—	23,850
Inventories	1,059,081	1,460,915
Prepaid expenses	1,360,721	566,302
Accrued interest receivable	57,392	71,630
Total current assets	<u>41,443,355</u>	<u>41,781,091</u>
<b>Noncurrent assets:</b>		
Endowment investments (note 2)	1,580,693	1,595,098
Deposits held by trustees	—	789,759
Capital assets, net of accumulated depreciation of \$82,833,882 in 2012 and \$77,198,272 in 2011 (note 5)	155,694,160	159,138,902
Total noncurrent assets	<u>157,274,853</u>	<u>161,523,759</u>
Total assets	<u>198,718,208</u>	<u>203,304,850</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses (notes 4 and 9)	11,235,616	10,797,660
Deferred student tuition and fees	2,557,846	2,578,033
Deferred grant revenue	112,706	232,709
Deposits held for others	4,605	7,515
Long-term debt, current portion (note 6)	1,330,000	1,220,000
Total current liabilities	<u>15,240,773</u>	<u>14,835,917</u>
<b>Noncurrent liabilities:</b>		
Long-term debt (note 6)	43,846,077	45,610,000
Total liabilities	<u>59,086,850</u>	<u>60,445,917</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	104,154,570	107,599,312
<b>Restricted:</b>		
Nonexpendable:		
Scholarships	2,005,228	1,996,599
Expendable:		
Debt service reserve	—	777,656
Scholarships and library	944,800	891,380
Unrestricted (note 7)	32,526,760	31,593,986
Total net assets	<u>\$ 139,631,358</u>	<u>142,858,933</u>

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  
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>(Restated) 2011</u>
Operating revenues:		
Student revenues:		
Tuition, net of scholarship allowances of \$21,449,690 for 2012 and \$22,473,246 for 2011	\$ 21,190,549	23,110,007
Chargebacks to other counties	451,489	430,054
	<u>21,642,038</u>	<u>23,540,061</u>
Auxiliary enterprises, net of scholarships of \$2,130,023 for 2012 and \$2,093,505 for 2011	8,435,552	9,287,354
Fees	6,475,303	6,840,631
Net student revenues	36,552,893	39,668,046
Community service income	2,887,310	3,008,326
Federal grants	34,359,749	35,042,074
State grants	5,007,523	5,583,454
Local grants	383,098	448,941
Other grants	107,290	82,889
Special events	343,827	281,908
Other operating revenues	995,909	923,025
Total operating revenues	<u>80,637,599</u>	<u>85,038,663</u>
Operating expenses:		
Instruction	41,462,444	43,009,826
Research	1,115,066	1,054,022
Public service	1,018,541	1,585,453
Academic support	14,715,325	15,466,694
Student services	11,066,348	10,850,493
Institutional support	12,086,634	14,423,298
Operation and maintenance of plant	9,139,436	10,721,116
Scholarships and fellowships	13,317,407	13,422,909
Auxiliary enterprises	9,489,438	10,661,006
Depreciation	5,635,610	4,867,856
Total operating expenses	<u>119,046,249</u>	<u>126,062,673</u>
Operating loss	<u>(38,408,650)</u>	<u>(41,024,010)</u>
Nonoperating revenues (expenses):		
State appropriations	10,660,107	10,685,964
Local appropriations	21,938,717	27,456,909
Contributions	815,011	444,107
Investment income	239,794	515,680
Other nonoperating revenues	4,278,262	4,851,134
Other nonoperating expenses	(254,985)	(703,081)
Interest expense	(2,220,870)	(2,323,792)
Bond issuance expense	(274,961)	—
On-behalf payments - alternate benefit program:		
Revenues	2,066,580	2,119,021
Expenses	(2,066,580)	(2,119,021)
Net nonoperating revenues	<u>35,181,075</u>	<u>40,926,921</u>
Loss before other revenues	<u>(3,227,575)</u>	<u>(97,089)</u>
Other revenues (expenses):		
Capital appropriations	—	4,568,202
Increase (decrease) in net assets	<u>(3,227,575)</u>	<u>4,471,113</u>
Net assets as of beginning of year	<u>142,858,933</u>	<u>138,387,820</u>
Net assets as of end of year	<u>\$ 139,631,358</u>	<u>142,858,933</u>

See accompanying notes to financial statements

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Statements of Cash Flows  
For the fiscal years ended June 30, 2012 and 2011

	<u>2012</u>	<u>(Restated) 2011</u>
Cash flows from operating activities:		
Student tuition and fees (including chargebacks to other counties)	\$ 28,298,073	30,532,138
Noncredit revenue	2,733,440	3,081,507
Grants and contracts	39,515,680	42,029,746
Grant payments	(39,857,660)	(41,157,358)
Payments to suppliers	1,479,201	(1,127,980)
Payments to employees	(52,695,876)	(53,236,950)
Payments for scholarships and fellowships	(13,317,407)	(13,422,909)
Auxiliary enterprises:		
Bookstore and dining services receipts	8,358,558	9,286,356
Bookstore and dining services payments	(7,467,839)	(8,784,620)
Other auxiliary services payments	(1,547,446)	(1,936,099)
Other operating receipts	1,339,736	1,204,933
Net cash used in operating activities	<u>(33,161,540)</u>	<u>(33,531,236)</u>
Cash flows from noncapital financing activities:		
State appropriations	10,660,107	10,685,964
Local appropriations	21,938,717	27,456,909
Contributions	815,011	444,107
Net cash provided by noncapital financing activities	<u>33,413,835</u>	<u>38,586,980</u>
Cash flows from capital financing:		
Costs from issuance of debt	7,731,116	—
Payments on capital debt	(820,000)	(1,185,000)
Defeased bonds	(8,840,000)	—
Capital appropriations	4,037,682	8,560,292
Interest paid on capital debt	(2,357,528)	(2,581,605)
Purchases of capital assets	(2,452,960)	(16,045,531)
Deposits held with trustees	813,609	11,109,957
Net cash used in capital financing activities	<u>(1,888,081)</u>	<u>(141,887)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	30,162,230	34,547,633
Interest and dividends on investments	254,032	576,956
Purchases of investments	(35,260,613)	(36,642,367)
Net cash used in investing activities	<u>(4,844,351)</u>	<u>(1,517,778)</u>
Net increase (decrease) in cash and cash equivalents	(6,480,137)	3,396,079
Cash and cash equivalents as of beginning of year	22,591,156	19,195,077
Cash and cash equivalents as of end of year	<u>\$ 16,111,019</u>	<u>22,591,156</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (38,408,650)	(41,024,010)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	5,635,610	4,867,856
Changes in assets and liabilities:		
Grants and other receivables	(689,520)	1,416,093
Inventories	401,834	(82,694)
Prepaid expenses	(794,419)	847,433
Accounts payable and accrued expenses	833,795	276,301
Deferred student tuition and fees	(20,187)	177,505
Deferred grant revenue	(120,003)	(9,720)
Net cash used in operating activities	<u>\$ (33,161,540)</u>	<u>(33,531,236)</u>

See accompanying notes to financial statements

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

**(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, student center, bookstore, gymnasium, dining services, administrative offices, maintenance shop, day care center, and the Monmouth Museum.

The College also operates the Western Monmouth Branch Campus at Freehold, as well as three Higher Education Centers (“HECs”) located throughout Monmouth County in Neptune, Long Branch and Hazlet. Offerings at these sites include GED preparation, Adult Basic Education, English as a Second Language, and a variety of credit courses. The College also provides certain programs on-site at local military installations at Fort Monmouth and Sandy Hook, although those offerings have sunset in September 2012. Additionally, the College leads the Communiversity, an alliance of six 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 in a blended presentation. 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  
For the fiscal years ended June 30, 2012 and 2011

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

*Summary of Significant Accounting Policies (continued)*

*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 the 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 College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

*Other*

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

- (a) Cash and cash equivalents consist of cash on deposit with banks and money market funds with an original maturity of three months or less.
- (b) Inventories consist of food service items, 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 and mutual funds.

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

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

*Summary of Significant Accounting Policies (continued)*

*Other (continued)*

- (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:

	<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 bonds and notes for the College's capital expenditures which are financed by 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 6).
- (f) Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as scholarship expense and are recognized in the periods earned. Student tuition and fees collected for courses that are held subsequent to year-end are recorded as deferred student tuition and fees.
- (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 deferred grant revenue.
- (h) Auxiliary enterprises expenses include direct and indirect administration and general costs related to their operations.

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

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

*Summary of Significant Accounting Policies (continued)*

*Other (continued)*

- (i) 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 N.J.S.A. 18A:64A-22 and 29.
- (j) 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.
- (k) The College's policy defines operating activities in the statement of revenues, expenses, and changes in net assets 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 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.
- (l) The College is exempt from federal income taxes under Internal Revenue Code Section 115.
- (m) 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.
- (n) Certain amounts in the 2011 financial statements have been reclassified to conform with the current year presentation.

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

**(2) Cash and Cash Equivalents, Investments and Deposits Held by Trustees**

**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. Any funds designated below as uninsured are assets of the Foundation. As of June 30, 2012 and 2011, the College’s bank balances of \$16,046,065 and \$22,506,011, respectively, were insured, collateralized or uninsured as follows:

	<b>2012</b>	<b>2011</b>
Insured	\$ 1,759,011	1,499,652
Collateralized under GUDPA	13,977,841	20,783,003
Uninsured	309,213	223,356
	\$ 16,046,065	22,506,011

**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 for fiscal year 2012 and fiscal year 2011 are \$18,859,663 and \$13,989,865, respectively, in certificates of deposits and \$1,870,624 and \$1,656,444, respectively, in mutual funds at various banks. All mutual fund investments are those of the Foundation.

***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.

***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.

(Continued)



**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

**[2] Cash and Cash Equivalents, Investments and Deposits Held by Trustees (continued)**

**Investments (continued)**

*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, 2012 and 2011, the College had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>	
			<u>2012</u>	<u>2011</u>
Certificates of deposit	> 3 months	N/A	\$ 18,859,663	13,989,865
Mutual funds	N/A	N/A	1,870,624	1,656,444
			<u>\$ 20,730,287</u>	<u>15,646,309</u>

**Deposits Held by Trustees**

Deposits held by trustees represent assets held by trustees under the terms of various capital lease agreements (lease revenue bonds). Deposits held by trustees are carried in the financial statements at fair value and consist entirely of cash and cash equivalents. A refinancing of the Series 2003 bond, guaranteed by the County of Monmouth, resulted in the elimination of any deposits held by trustees in fiscal year 2012.

**(3) Accounts Receivable**

Accounts receivable consisted of the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Federal, state and local grants receivable	\$ 1,452,375	1,190,896
Student accounts receivable	2,693,482	2,556,770
Community development receivables	407,672	253,802
Other receivables	842,060	366,970
	<u>5,395,589</u>	<u>4,368,438</u>
Less allowance for doubtful accounts	<u>1,690,041</u>	<u>1,352,411</u>
	<u>\$ 3,705,548</u>	<u>3,016,027</u>

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

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

Accounts payable and accrued expenses consisted of the following as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Vendors	\$ 1,557,468	1,050,366
Construction	1,271,056	1,669,806
Payroll	2,386,824	2,276,744
Compensated absences - vacation	2,793,060	2,768,076
State of New Jersey unemployment	550,000	500,000
Other	<u>2,677,208</u>	<u>2,532,668</u>
	<u>\$ 11,235,616</u>	<u>10,797,660</u>

**BROOKDALE COMMUNITY COLLEGE**  
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For the fiscal years ended June 30, 2012 and 2011

**(5) Capital Assets**

The fiscal years 2012 and 2011 activity in capital assets and accumulated depreciation was as follows:

	<u>Balance, June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2012</u>
Depreciable assets:				
Buildings and building improvements	\$ 222,528,251	1,675,236	—	224,203,487
Equipment	7,926,461	628,735	(113,103)	8,442,093
	<u>230,454,712</u>	<u>2,303,971</u>	<u>(113,103)</u>	<u>232,645,580</u>
Less accumulated depreciation:				
Buildings and building improvements	(72,551,681)	(4,997,536)	—	(77,549,217)
Equipment	(4,646,591)	(719,065)	80,991	(5,284,665)
	<u>(77,198,272)</u>	<u>(5,716,601)</u>	<u>80,991</u>	<u>(82,833,882)</u>
Depreciable assets, net	153,256,440	(3,412,630)	(32,112)	149,811,698
Nondepreciable asset, land	5,882,462	—	—	5,882,462
Capital assets, net	<u>\$ 159,138,902</u>	<u>(3,412,630)</u>	<u>(32,112)</u>	<u>155,694,160</u>
				<b>(Restated)</b>
				<b>Balance,</b>
				<b>June 30,</b>
				<b>2011</b>
Depreciable assets:				
Buildings and building improvements	\$ 207,851,758	14,676,493	—	222,528,251
Equipment	7,940,621	688,921	(703,081)	7,926,461
	<u>215,792,379</u>	<u>15,365,414</u>	<u>(703,081)</u>	<u>230,454,712</u>
Less accumulated depreciation:				
Buildings and building improvements	(67,736,661)	(4,815,020)	—	(72,551,681)
Equipment	(4,593,755)	(747,639)	694,803	(4,646,591)
	<u>(72,330,416)</u>	<u>(5,562,659)</u>	<u>694,803</u>	<u>(77,198,272)</u>
Depreciable assets, net	143,461,963	9,802,755	(8,278)	153,256,440
Nondepreciable asset, land	5,882,462	—	—	5,882,462
Capital assets, net	<u>\$ 149,344,425</u>	<u>9,802,755</u>	<u>(8,278)</u>	<u>159,138,902</u>

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

**(6) Long-Term Debt**

The activity in long-term debt for the years ended June 30, 2012 and 2011 was as follows:

	<u>June 30, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Defeased</u>	<u>June 30, 2012</u>
A. Lease revenue bonds - Series 2003 issue:					
Serial bonds (interest rates between 3.5% to 4.7% due on various dates through fiscal year 2026)	\$ 8,840,000	—	—	(8,840,000)	\$ —
B. Lease revenue bonds - Series 2008 issue:					
Serial bonds (interest rates between 3.25% to 5.25% due on various dates through fiscal year 2025)	8,710,000	—	(465,000)	—	8,245,000
Term bonds (interest rate between 5.25% to 6.00% due in fiscal years 2027, 2029, 2032 and 2039)	18,380,000	—	—	—	18,380,000
C. Lease revenue bonds - Series 2009 issue:					
Serial bonds (interest rates between 2.0% to 5.125% due on various dates through fiscal year 2023)	5,205,000	—	(355,000)	—	4,850,000
Term bonds (interest rate between 3.5% to 4.0% due in fiscal years 2025 to 2032)	5,695,000	—	—	—	5,695,000
D. Lease revenue bonds - Series 2012 issue:					
Serial bonds (interest rates between 2.0% to 5.0% due on various dates through fiscal year 2026)	—	7,660,000	—	—	7,660,000
Bond premium	—	764,690	(6,373)	—	758,317
Deferred loss on bond refinancing	—	(415,734)	3,494	—	(412,240)
	<u>\$ 46,830,000</u>	<u>8,008,956</u>	<u>(822,879)</u>	<u>(8,840,000)</u>	45,176,077
Less current portion					<u>(1,330,000)</u>
					<u>\$ 43,846,077</u>
	<u>June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>		<u>June 30, 2011</u>
A. Lease revenue bonds - Series 2003 issue:					
Serial bonds (interest rates between 3.5% to 4.7% due on various dates through fiscal year 2026)	\$ 9,225,000	—	(385,000)		\$ 8,840,000
B. Lease revenue bonds - Series 2008 issue:					
Serial bonds (interest rates between 3.25% to 5.25% due on various dates through fiscal year 2025)	9,160,000	—	(450,000)		8,710,000
Term bonds (interest rate between 5.25% to 6.00% due in fiscal years 2027, 2029, 2032 and 2039)	18,380,000	—	—		18,380,000
C. Lease revenue bonds - Series 2009 issue:					
Serial bonds (interest rates between 2.0% to 5.125% due on various dates through fiscal year 2023)	5,555,000	—	(350,000)		5,205,000
Term bonds (interest rate between 3.5% to 4.0% due in fiscal years 2025 to 2032)	5,695,000	—	—		5,695,000
	<u>\$ 48,015,000</u>	<u>—</u>	<u>(1,185,000)</u>		46,830,000
Less current portion					<u>(1,220,000)</u>
					<u>\$ 45,610,000</u>

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

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

- A. 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, buildings 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.

On May 16, 2012, the MCIA pursuant to an agreement with the College issued lease revenue Bond Series 2012. As a result, the Series 2003 is considered defeased and the liability for this bond has been removed from the financial statements.

- B. The lease revenue bonds – Series 2008 were issued by The Monmouth County Improvement Authority pursuant to an agreement with the College for the purpose of funding for the Big Four Projects, which is comprised of renovations to the Collins Arena, Fitness Center, Autotech and the Western Monmouth Branch 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 2008 Bonds are not subject to redemption prior to August 1, 2018, and are redeemable thereafter at par plus accrued interest.

The term bonds mature in lump sum payments of \$1,810,000 in fiscal year 2027, \$2,015,000 in fiscal year 2029, \$3,495,000 in fiscal year 2032 and \$11,060,000 in fiscal year 2039.

- C. The lease revenue bonds – Series 2009 were issued by The Monmouth County Improvement Authority 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.

The term bonds mature in lump sum payments of \$1,110,000 in fiscal year 2025, \$1,190,000 in fiscal year 2027, \$1,280,000 in fiscal year 2029 and \$2,115,000 in fiscal year 2032.

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
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**(6) Long-Term Debt (continued)**

D. The lease revenue bonds – Series 2012 were issued by The Monmouth County Improvement Authority 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 of MCIA’s presently outstanding Lease Revenue Bonds - Series 2003, and pay certain costs in connection with the issuance of the bonds. As a result, the Series 2003 is considered to be defeased and the liability has been removed from the financial statements. The purpose of the original bond was 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, 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. Bond principal payments of \$485,000 is due on August 1, 2012, \$415,000 on August 1, 2013 and incrementally increases thereafter to a maximum of \$635,000 on August 1, 2026.

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2012:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,330,000	1,911,002	3,241,002
2014	1,295,000	2,080,575	3,375,575
2015	1,330,000	2,035,513	3,365,513
2016	1,375,000	1,994,878	3,369,878
2017	865,000	1,942,475	2,807,475
2018-2022	7,965,000	8,715,863	16,680,863
2023-2027	10,705,000	6,839,147	17,544,147
2028-2032	5,410,000	4,560,422	9,970,422
2033-2037	3,495,000	2,259,900	5,754,900
2038-2040	11,060,000	222,299	11,282,299
	<u>\$ 44,830,000</u>	<u>32,562,074</u>	<u>77,392,074</u>

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
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**(6) Long-Term Debt (continued)**

Interest charges incurred in fiscal years 2012 and 2011 were \$2,220,870 and \$2,323,792, respectively.

In connection with the refinancing of the Lease Revenue Bonds - Series 2003 with the Lease Revenue Bonds - Series 2012, the premium on the bond refinancing is \$764,690 and deferred loss on the bond refinancing is \$415,734. Bond premium and deferred loss on the bond refinancing are amortized over 15 years (the life of the bond). The balance of the bond premium as of June 30, 2012 is \$758,317 and deferred loss as of June 30, 2012 is \$412,240. The premium on the bond and deferred loss on the bond refinancing are included in long-term debt on the Statement of Net Assets. The amount of premium charged as a reduction of interest expense for the fiscal year 2012 was \$6,372 and the amount of deferred loss charged as a reduction of interest expense for the fiscal year 2012 was \$3,494.

**(7) Designations of Unrestricted Net Assets**

As of June 30, 2012 and 2011, the College had designated portions of its unrestricted net assets as follows:

	<b>June 30, 2012</b>		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Designated:			
Auxiliary enterprises	\$ 9,032,588	—	9,032,588
Risk management	—	251,278	251,278
ADA compliance	—	412,000	412,000
Campus construction projects/minor capital	—	5,824,043	5,824,043
Foundation	1,944,486	—	1,944,486
Appropriation to succeeding fiscal years' budgets	<u>15,062,365</u>	<u>—</u>	<u>15,062,365</u>
	<u>\$ 26,039,439</u>	<u>6,487,321</u>	<u>32,526,760</u>
	<b>June 30, 2011</b>		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Designated:			
Auxiliary enterprises	\$ 6,324,642	—	6,324,642
Risk management	—	215,165	215,165
ADA compliance	—	715,221	715,221
Campus construction projects	—	6,573,540	6,573,540
Foundation	1,519,916	—	1,519,916
Appropriation to succeeding fiscal years' budgets	<u>16,245,502</u>	<u>—</u>	<u>16,245,502</u>
	<u>\$ 24,090,060</u>	<u>7,503,926</u>	<u>31,593,986</u>

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

**(8) Retirement Plans**

***Plan Descriptions***

The College participates in four major retirement plans for its employees – Public Employees’ Retirement System (“PERS”), Police and Fireman’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”), ING Life Insurance, AXA Equitable Life Insurance, The Hartford Life Insurance, Metlife, and VALIC. Effective July 1, 2012, Prudential Retirement has been added as an optional service provider. 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.

***PERS Funding Policy***

PERS members are required to contribute 6.5% for the period from October 1, 2011 to June 30, 2012 and 5.5% for the period from July 1, 2007 to September 30, 2011 of their annual covered salary and the College is required to contribute at an actuarially determined rate for the years ended June 30, 2012 and 2011. During the years ended June 30, 2012 and 2011, the College’s annual contributions to PERS were \$1,929,635 and \$1,834,875, 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 10% for the period from October 1, 2011 to June 30, 2012 and 8% for the period from July 1, 1969 to September 30, 2011 of their annual covered salary for the years ended June 30, 2012 and 2011. 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 2012 and 2011, College contributions to PFRS were \$310,012 and \$282,503, respectively. 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 number of hours per week required 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 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.

(Continued)



**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

**(8) Retirement Plans (continued)**

*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 is 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, are 8%.

During the year ended June 30, 2012, ABP contributions, based upon participating employee salaries of approximately \$25,832,251, were \$1,461,350 from employees and \$2,342,772 from the College. The State of New Jersey reimbursed the College \$2,066,580 for qualified employees and this amount is included in the accompanying financial statements as on-behalf payments.

During the year ended June 30, 2011, ABP contributions, based upon participating employee salaries of approximately \$26,487,761, were \$1,511,824 from employees and \$2,654,536 from the College. The State of New Jersey reimbursed the College \$2,119,021 for qualified employees and this amount is included in the accompanying financial statements as on-behalf payments.

**(9) Commitments and Contingencies**

*Commitments*

The College leases the Neptune Higher Education building. Net rental expenses were approximately \$156,900 and \$156,900 in 2012 and 2011, respectively. The lease is noncancelable and has been classified as an operating lease which will expire in June 2017. Minimum annual rental commitments, net of sublease rentals, approximate the following:

<u>Year Ending June 30</u>	
2013	\$ 175,000
2014	178,500
2015	182,070
2016	185,712
2017	<u>189,425</u>
	<u>\$ 910,707</u>

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

**(9) Commitments and Contingencies (continued)**

***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.

**(10) Compensated Absences**

The College recorded a liability for compensated absences in the amount of \$2,793,060 and \$2,768,076 as of June 30, 2012 and 2011, 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) 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 New Jersey Statutes Annotated, 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. That report may be obtained by writing to Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295.

**Funding Policy** - P.L. 1987, c.384 of 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 thirty years.

(Continued)

**BROOKDALE COMMUNITY COLLEGE**  
(A Component Unit of the County of Monmouth)  
Notes to Financial Statements  
For the fiscal years ended June 30, 2012 and 2011

**(11) Other Postemployment Benefits (continued)**

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 will pay the full premium for retiree health benefits.

**(12) Litigation**

The College was a defendant in a legal proceeding which resulted in a settlement which was not in favor of the College. The College is required to make certain improvements to existing buildings and infrastructure, over a five year period ending December 31, 2012, in order to make the College more ADA accessible. The estimated cost of these improvements is approximately \$200,000 each year. The College is in the fifth and final year of the required improvements.

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.

**(13) Financial Statement Restatement**

As of July 1, 2011, the College as a result of an accounting error restated its financial statements to reflect an understatement of capital appropriations of \$494,968, depreciation of \$10,968, and overstatement of operating expenses of \$492,197. In addition, capital assets, net of accumulated depreciation and net assets - invested in capital assets, net of related debt, each increased \$976,197. The effect of the correction of these errors results in an increase in net assets of \$976,197.

**SINGLE AUDIT SECTION**

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

To the Honorable President and Members of the Board of Trustees of  
Brookdale Community College

We have audited the financial statements of Brookdale Community College as of and for the year ended June 30, 2012 and have issued our report dated December 13, 2012. 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.

***Internal Control Over Financial Reporting***

Management of Brookdale Community College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Brookdale Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brookdale Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Brookdale Community College's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. Finding 2012-1.

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.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Brookdale Community 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated December 13, 2012.

Brookdale Community College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Brookdale Community College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management and federal and state audit agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "EisnerAmper LLP". The signature is written in a cursive, flowing style.

Jenkintown, Pennsylvania  
December 13, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

To the Honorable President and Members of the Board of Trustees of  
Brookdale Community College

***Compliance***

We have audited the compliance of Brookdale Community College with the types of compliance requirements described in U.S. Office of Management and Budget (“OMB”) Circular A-133 *Compliance Supplement* and State of New Jersey, State Grant Compliance Supplement that are applicable to each of its major federal and state programs for the year ended June 30, 2012. Brookdale Community College’s major federal and state programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal and state programs is the responsibility of Brookdale Community College’s management. Our responsibility is to express an opinion on Brookdale Community 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; and the provisions of U.S. Office of Management and Budget (“OMB”) Circular A-133 *Audits of State, Local Governments and Non-Profit Organizations*” and State of New Jersey OMB Circular 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and provisions 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 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. Our audit does not provide a legal determination on Brookdale Community College’s compliance with those requirements.

In our opinion, Brookdale Community College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal and state programs for the year ended June 30, 2012.

### *Internal Control Over Compliance*

Management of Brookdale Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Brookdale Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on Brookdale Community College's internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management and federal and state audit agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "EisnerAmper LLP". The signature is written in a cursive, flowing style.

Jenkintown, Pennsylvania  
December 13, 2012



**BROOKDALE COMMUNITY COLLEGE**

Schedule of Expenditures of Federal Awards

For the fiscal year ended June 30, 2012

<u>Federal grantor/ pass-through grantor/ program or cluster title</u>	<u>Federal CFDA/grant number</u>	<u>Current year expenditures</u>
U.S. Department of Education:		
Student Financial Assistance Cluster:		
William D Ford Federal Direct Loan	84.268	\$ 14,781,648
Federal Supplemental Educational Opportunity Grant (including administrative cost allowance of \$31,884)	84.007	509,900
Federal Pell Grant	84.063	16,775,098
Federal Work-Study (including administrative cost allowance of \$9,546)	84.033	200,467
Academic Competitiveness Grant	84.375	(750)
Job Locator	-	42,671
Total Student Financial Assistance Cluster		<u>32,309,034</u>
U.S. Department of Labor:		
Community Based Job Training Grant	17.269	166,214
Passed through State of New Jersey Department of Labor and Workforce Development:		
Adult Basic Skills and Integrated English Literacy	84.002	490,471
Civics Education Program	84.002	138,318
Institute of Museum and Library Services		
2011 Conservation Program	45.303	3,000
Passed through State of New Jersey Department of Education:		
Carl D. Perkins Vocational and Applied Technology Act	84.048	487,263
U.S. Small Business Administration:		
Small Business Administration and Seminars	59	45,360
Small Business Job Act Workshops	59	212
Passed through Rutgers University:		
Small Business Development Center	59.037	171,923
Small Business Job Act	59.037	29,867
U.S. Department of Health and Human Services:		
ARRA - Health Center Integrated Services Development Initiative	93.703	152,631
Health Profession Opportunity Grant	93.093	365,456
Total expenditures of federal awards		<u><u>\$ 34,359,749</u></u>

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

**BROOKDALE COMMUNITY COLLEGE**  
Schedule of Expenditures of State of New Jersey Awards  
For the fiscal year ended June 30, 2012

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	2401-100-074-2401-002-kkk-6140	\$ 316,552	07/01/11-06/30/12	\$ 316,552
Edward J. Blaustein Distinguished Scholars Program	2401-100-074-2405-278	930	07/01/11-06/30/12	930
N.J. Urban Scholarships	Unknown	1,395	07/01/11-06/30/12	1,395
Tuition Aid Grant	2401-100-074-2405-007-KKK-6150	3,640,644	07/01/11-06/30/12	3,640,644
N.J. Stars	2401-100-074-2405-313	468,441	07/01/11-06/30/12	468,441
Total Student Financial Assistance Cluster				4,427,962
Educational Opportunity Fund – Article IV:				
Educational Opportunity Fund Summer	2401-100-074-2401-002-KKK-6140	20,046	07/01/11-06/30/12	20,046
Educational Opportunity Fund Regular	2401-100-074-002-KKK-6140	186,097	07/01/11-06/30/12	186,097
N.J. Department of Education:				
General Education Development Testing - Yr 2	5063-100-034-5063-324-H302-3620	11,202	07/01/11-06/30/12	11,202
Career and Technical Education Provisional Teacher Pilot	–	185,000	10/01/11-09/30/12	114,192
Career and Technical Education Provisional Teacher Pilot	11-100-034-5062-032-H200	200,346	10/15/10-09/30/11	77,211
N.J. Department of Community Affairs:				
Displaced Homemaker	2011-15863-0025-00	120,575	07/01/11-06/30/12	120,575
N.J. Department of Human Services:				
Family Friendly	12ASNP	45,463	07/01/11-06/30/12	42,918
Higher Education Student Assistance Authority/ Commission of Higher Education				
N.J. College Access Challenge Grant	2405-100-074-A532-001-KKKK-6150	7,500	03/01/11-08/31/11	2,205
N.J. College Access Challenge Grant - Yr 2	2405-100-074-A532-001-KKKK-6150	7,500	02/01/12-04/30/12	5,115
Total restricted				5,007,523
State of New Jersey appropriations – unrestricted:				
N.J. Department of Treasury:				
Operational Costs – County Colleges	01-100-082-2155-015	10,660,107	07/01/11-06/30/12	10,660,107
Alternate Benefit Program	01-100-082-2155-017	2,066,580	07/01/11-06/30/12	2,066,580
Total expenditures of state of New Jersey awards				\$ 17,734,210

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

## **BROOKDALE COMMUNITY COLLEGE**

### **NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE OF NEW JERSEY AWARDS**

#### **NOTE 1: GENERAL**

The accompanying schedules of expenditures of federal and State of New Jersey awards present the activities of all federal awards and state financial assistance programs of Brookdale Community College. The College is defined in the notes to the College's basic financial statements. All federal awards and state financial assistance received directly from federal or state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included in the schedules of expenditures of federal and State of New Jersey awards.

#### **NOTE 2: BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal and State of New Jersey awards are presented using the accrual basis of accounting.

#### **NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Amounts reported in the accompanying of schedules of expenditures of federal and State of New Jersey awards agree with amounts reported in the College's basic financial statements.

#### **NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules of expenditures of federal and State of New Jersey awards agree with the amounts reported in the related federal and state financial reports.

**BROOKDALE COMMUNITY COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Section I – Summary of Auditors’ Results**

***Financial Statements***

Type of auditors’ report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified?   x   yes        no
- Significant deficiency(ies) identified?        yes   x   none reported
- Noncompliance material to financial statements noted?        yes   x   no

***Federal Programs***

Internal control over major federal programs:

- Material weakness(es) identified?        yes   x   no
- Significant deficiency(ies) identified?        yes   x   none reported

Type of auditors’ report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 501(a) of OMB Circular A-133?        yes   x   no

Identification of major federal program(s):

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.063	Federal Pell Grant
84.007	Supplemental Educational Opportunity Grant
84.033	Federal Work-Study
84.268	Federal Direct Loan Program
84.375	Academic Competitiveness Grant
Unknown	Job Locator

Dollar threshold used to distinguish between type A and type B programs:

Type A Federal Program Threshold  $\geq$  \$1,030,792  
 Type B Federal Program Threshold  $<$  \$1,030,792

Auditee qualified as low-risk auditee under OMB Circular A-133?   x   yes        no

**BROOKDALE COMMUNITY COLLEGE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Section I – Summary of Auditors’ Results (continued)**

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*State Programs*

Internal control over major state programs:

- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ x no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes \_\_\_\_\_ x none reported

Type of auditors’ report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04 and listed in Schedule III of this schedule? \_\_\_\_\_ yes \_\_\_\_\_ x no

Identification of major state program(s):

<i>CFDA Number(s)</i>	<i>Name of State Program or Cluster</i>
	Student Financial Aid Cluster:
12-100-074-2401-001	Educational Opportunity Fund (EOF)
12-100-074-2405-278	Blaustein Distinguished Scholarships
Unknown	N.J. Urban Scholarships
12-100-074-2405-007	Tuition Aid Grant (TAG)
12-100-074-2405-313	New Jersey Stars Program
12-100-082-2155-015	Operational Costs
12-100-082-2155-017	Alternate Benefit Program

Program threshold determination:

Type A State Program Threshold  $\geq$  \$532,026  
 Type B State Program Threshold  $<$  \$532,026

Auditee qualified as low-risk auditee under N.J. OMB Circular 04-04? \_\_\_\_\_ x yes \_\_\_\_\_ no

**BROOKDALE COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Section II – Financial Statement Findings**

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**Finding Number 2012-1**

Internal Control over Financial Reporting

**Condition**

EisnerAmper requested support documentation from the College to perform capital asset addition testing for the fiscal year ended June 30, 2011, in order to ascertain reliance on the opening balances of the capital assets. During assembly and review of the requested information, the College Business and Finance Department noted that \$987,128 of net costs were inadvertently excluded on the schedule provided to fixed asset management service provider, a firm contracted to provide the College with a detail report on capital assets, related additions, retirements and depreciation.

**Criteria**

Under accounting principles generally accepted in the United States of America, capital assets are required to be recorded correctly as to account, amount, and period. Capital items are to be identified and distinguished from repairs and maintenance expense items. Retirements, trade-ins, and idle property and equipment are to be promptly identified and recorded correctly as to account, amount, and period.

**Effect**

As a result of the accounting error, the College was required to restate its financial statements for the fiscal year ended June 30, 2011 to reflect an understatement of capital appropriations of \$494,968, depreciation of \$10,968, and overstatement of operating expenses of \$492,197. Capital assets, net of accumulated depreciation, and net assets - invested in capital assets, net of related debt, each increased \$976,197. The effect of the correction of these errors resulted in an increase in net assets as of July 1, 2011 of \$976,197.

**Cause**

The capital asset understatement was the result of an incomplete reconciliation process. The manually prepared schedule reporting capital asset additions to the fixed asset management service provider was not reconciled to the College's Colleague system reports. The incomplete manually prepared schedule was also then used to verify the final fixed asset management service provider reports.

**Recommendation**

We recommend that the College implement review procedures to ensure that the capital asset addition and retirement detail documentation schedules are compared and reconciled to the College's Colleague system detail prior to submission to the fixed asset management service provider. The resultant report from fixed asset management service provider should also be reviewed and compared to the original source data for completeness and accuracy.

**BROOKDALE COMMUNITY COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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**Section II – Financial Statement Findings**

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**Finding Number 2012-1** (continued)

**Corrective Action**

The manually prepared schedule used to report capital asset additions to the fixed asset management service provider will be reconciled to Colleague reports. The schedule will be completed by one of the two Directors of Business and Finance and will then be reviewed by the other Director before submission to the fixed asset management service provider. The final fixed asset management service provider report will be reconciled to Colleague reports by both directors.

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

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NONE

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**Status of Prior Audit Findings**

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NONE