

# MERCER

County Community College



## 2013 Report of Audit

Fiscal Year Ending June 30, 2013  
West Windsor, New Jersey

**MERCER COUNTY COMMUNITY COLLEGE**  
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# **INTRODUCTORY SECTION**

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2013**

**MERCER COUNTY COMMUNITY COLLEGE**  
Members of the Board of Trustees and Executive Administration  
As of June 30, 2013

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**BOARD OF TRUSTEES**

**TERM EXPIRES**

Gwendolyn Harris – Chairman	November 2016
Marvin Gardner – Vice Chair	April 2015
Pam Hersh – Treasurer	November 2014
David Applebaum	November 2014
Reverend William E. Coleman, Jr.	November 2015
Robert Di Falco	November 2016
Kevin Drennan	March 2016
Todd Flora (Acting County Superintendent of Schools)	N/A
Anthony Inverso	November 2015
Mark Matzen	November 2012
Shamil Rodriguez	November 2014
Jana Wolf, Alumni Trustee	October 2013

**EXECUTIVE ADMINISTRATION**

Patricia C. Donohue, Ph.D., President and Secretary to the Board

Jacob Eapen, M.S.W., M.B.A., Vice President of Administration and Chief Business Officer

Donald Generals, Ed.D., Vice President of Academic Affairs

VACANT, Vice President of College Advancement

L. Diane Campbell, Ed.D., Executive Dean of Student Affairs

Jose Fernandez, J.D., Executive Director of Compliance and Human Resources

Rocky Peterson, Esq., College Counsel

# **FINANCIAL SECTION**

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2013**

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Mercer County Community College  
West Windsor, New Jersey 08550

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities of **Mercer County Community College** (the "College"), a component unit of the County of Mercer, State of New Jersey, as of and for the fiscal years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Mercer County Community College Foundation, a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as they relate to the amounts included for Mercer County Community College Foundation, are based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit (Mercer County Community College Foundation) were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with Government Auditing Standards.

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

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

## **Opinions**

In our opinion, based on our audits, and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of **Mercer County Community College** as of June 30, 2013 and 2012, and the respective results of their operations and cash flows, where applicable, for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Adoption of New Accounting Pronouncements*

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2013, the College adopted the following new accounting standards issued by the Governmental Accounting Standards Board (GASB): *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and *Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table on contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

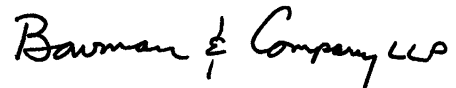
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by U.S. Office of Management and Budget 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2014, on our consideration of **Mercer County Community 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 in considering the College's internal control over financial reporting and compliance. The financial statements of the discretely presented component unit (Mercer County Community College Foundation) were not audited in accordance with Government Auditing Standards.

Respectfully submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
March 4, 2014

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

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Mercer County Community College  
West Windsor, New Jersey 08550

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities of **Mercer County Community College** (the "College"), in the County of Mercer, State of New Jersey, as of and for the fiscal years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 4, 2014.

We did not audit the financial statements of the discretely presented component unit (Mercer County Community College Foundation). Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mercer County Community College Foundation, is based on the report of the other auditor. In addition, these financial statements were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with Government Auditing Standards.

***Internal Control over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College'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 as finding no.: 2013-1.

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

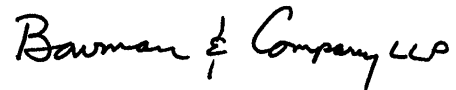
**Mercer County College's Response to Findings**

**Mercer County Community College's** response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
March 4, 2014

## **REQUIRED SUPPLEMENTARY INFORMATION**



## Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2013 and 2012 (Unaudited)

The discussion and analysis section of Mercer County Community College's financial statements presents management's analysis of the College's financial performance during the fiscal years ending June 30, 2013, 2012 and 2011. As this discussion and analysis focuses on current activities, resulting changes and current known facts, it must be read in conjunction with the College's basic financial statements and the footnotes.

### Using this Annual Report

This report consists of three basic financial statements and focuses on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The Statement of Net Position is designed to resemble bottom line results for the College. This statement combines and consolidates current financial resources with capital assets. The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of College activities which are supported mainly by tuition, state and local appropriations, and other revenues. The Statement of Cash Flows shows the sources and uses of the College's cash for operations, noncapital financing, capital and related financing, and investment activities. This approach is intended to summarize and simplify the user's analysis of the cost to provide various College services to students and the public.

In May 2002, the GASB issued Statement No. 39 "*Determining Whether Certain Organizations are Component Units*". This statement requires the financial activities of the foundation to be reported in the financial statements of the College when specific criteria are met. The Statement also specifies the manner in which those activities should be reported. GASB Statement No. 39 is effective for fiscal years beginning after June 15, 2003.

The activities of the College's Foundation are considered a component unit of the College due to the fact that the foundation's activities are entirely for the direct benefit of the College. The financial statements for the Mercer County Community College Foundation, Inc. (the Foundation) have been included in the reports as a component unit, pursuant to GASB Statement No. 39.

### Financial Highlights

As of June 30, 2013, the College held net assets of \$58.9 million compared to net assets of \$58.6 million on June 30, 2012, an increase of \$312,076. Total revenue for the fiscal year 2013 and 2012 were \$73.1 million and \$73.8 million respectively, a decrease of \$681 thousand resulting from a net decrease in Operating and Non-Operating Revenue of \$ 2.6 million and an increase Capital grants of \$1.9 million. Operating expenses for fiscal year 2013 were \$72.8 million, an increase of \$969 thousand resulting from a net increase in Instructional, Student Services, and Institutional Support due to salary and benefit expense increases, and a decrease in Scholarship and other Student Aid, following our decrease in enrollment.

### Enrollment

The College enrollment is comprised of both credit and non-credit full time equated students (FTE's). Only credit classes are considered eligible for fiscal support under the State of New Jersey funding formula. During fiscal year 2013, fundable FTE enrollment was 173,803 credit hours compared to 186,157 in fiscal year 2012, and 193,296 in fiscal year 2011 a decrease of 6.6% and 3.7%, respectively. The College contracted with The Hanover Group to perform a study of enrollment trends. Their report projected decreases in enrollment for the next 5 years.

(Continued)

# MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS

## For the Fiscal Years Ended June 30, 2013 and 2012

### Summary of Assets and Liabilities

#### Summary of Assets and Liabilities

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$ 13,818,159	\$ 19,791,787	\$ 21,624,867
Non-current Assets			
Capital Assets, net of Depreciation	55,262,262	50,825,264	47,483,004
Total Assets	<u>\$ 69,080,421</u>	<u>\$ 70,617,051</u>	<u>\$ 69,107,871</u>
Current Liabilities	<u>\$ 10,136,172</u>	<u>\$ 11,984,877</u>	<u>\$ 12,439,125</u>

This schedule is prepared from the College's statement of net position which is presented on an accrual basis of accounting where assets are capitalized and depreciated.

Current assets decreased in fiscal year 2013 and in fiscal year 2012 by \$5.9 million and by \$ 1.8 million, respectively due to the following:

- In fiscal year 2013 and 2012, a continuing decline in student enrollment resulted in a decrease of 13.8% and 2.8%, respectively, in students receiving Federal, State, and Local grants
- In addition, Chapter 12 projects of \$8.5 million, approved in fiscal year 2011 were fully completed in fiscal year 2013. Chapter 12 projects of \$1.5 million, approved in fiscal year 2012 are currently under construction. All of these factors resulted in a decrease of \$3 million or 89.4% of the Capital Appropriation Receivable.
- Student enrollments decrease over 3% from fiscal year 2011 to fiscal year 2012.

Non-current assets increased in both fiscal years 2013 and 2012 by \$4.4 million and \$3.3 million respectively primarily due to the Chapter 12 funded projects as follows:

- Renovations of science labs at both the Trenton and West Windsor Campuses
- Roof replacements in the CM Annex and the MS Buildings
- Major renovations of Trenton Hall and the Trenton expansion project

(Continued)

**MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

**Capital Assets**

Capital activity for the fiscal year ended June 30, 2013 and 2012 is as follows:

**Capital Assets**

**FY13**

	<b>Balance</b>				<b>Balance</b>
	<b><u>June 30, 2012</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Transfers</u></b>	<b><u>June 30, 2013</u></b>
Land	\$ 1,161,669	\$ 438,100			\$ 1,599,769
Construction in Progress	3,041,299	10,023		\$ (3,041,299)	10,023
Land Improvements	2,433,074	36,380		410,667	2,880,121
Buildings and Improvements	63,231,710	5,742,076		2,630,632	71,604,418
Equipment	6,269,086	437,405	\$ 19,997		6,686,494
	76,136,838	6,663,984	19,997	-	82,780,825
Less Accumulated Depreciation	(25,311,574)	(2,226,986)	(19,997)	-	(27,518,563)
Capital Assets, net	\$ 50,825,264	\$ 4,436,998	\$ -	\$ -	\$ 55,262,262

**FY12**

	<b>Balance</b>				<b>Balance</b>
	<b><u>June 30, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Transfers</u></b>	<b><u>June 30, 2012</u></b>
Land	\$ 1,161,669				\$ 1,161,669
Construction in Progress		\$ 3,041,299			3,041,299
Land Improvements	1,871,443	561,631			2,433,074
Buildings and Improvements	62,822,823	408,887			63,231,710
Equipment	5,679,598	1,582,093	\$ 992,605		6,269,086
	71,535,533	5,593,910	992,605	-	76,136,838
Less Accumulated Depreciation	(24,052,529)	(1,921,371)	(662,326)	-	(25,311,574)
Capital Assets, net	\$ 47,483,004	\$ 3,672,539	\$ 330,279	\$ -	\$ 50,825,264

(Continued)

# MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT'S DISCUSSION AND ANALYSIS

## For the Fiscal Years Ended June 30, 2013 and 2012

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

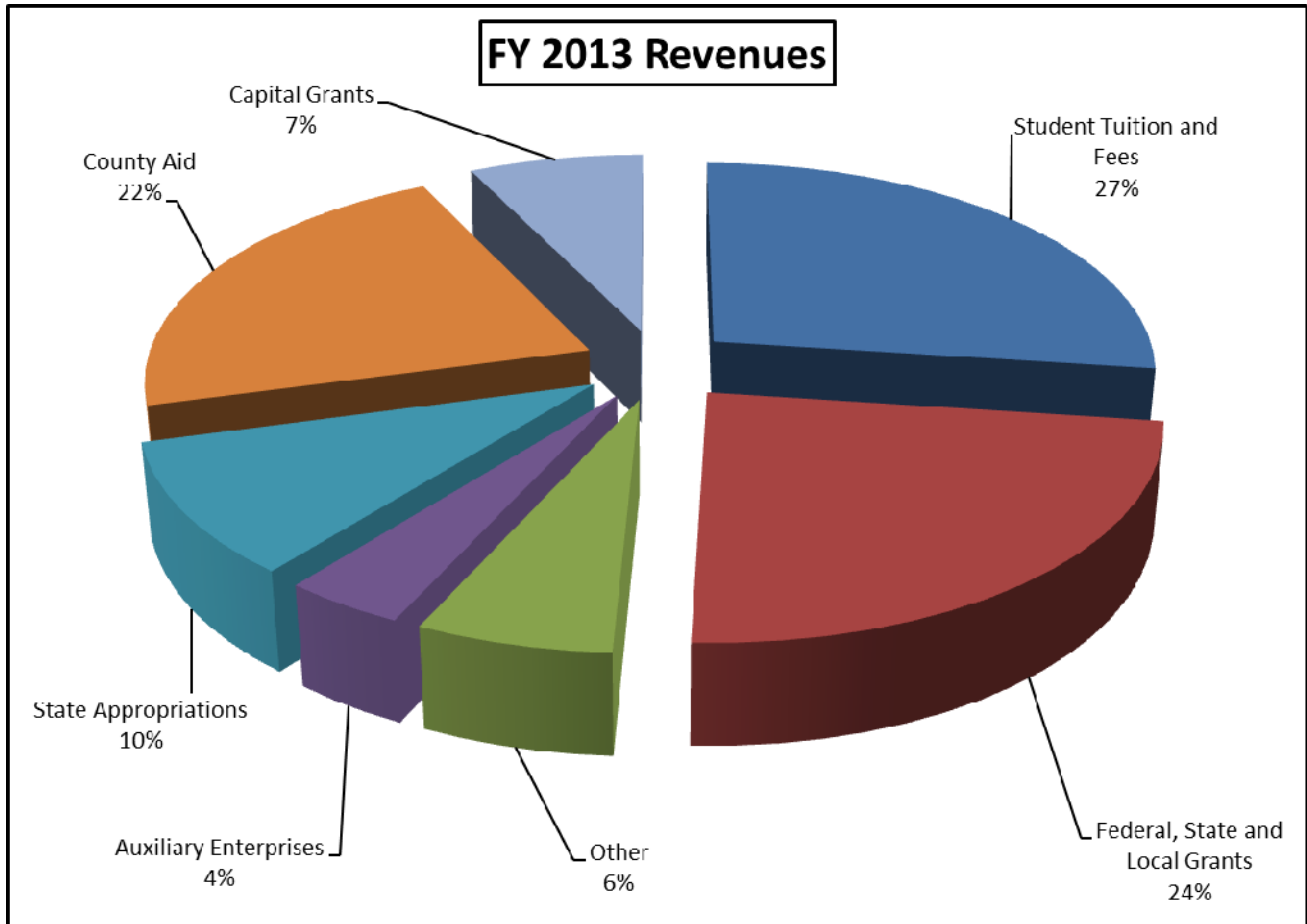
The College received its operating revenue from three primary sources: Tuition and fees, Grants, and Auxiliary.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>			
Student Tuition and Fees, net	\$ 19,802,081	\$ 19,879,671	\$ 19,496,346
Federal, State, and Local Grants and Student Aid	17,295,032	20,059,947	20,640,792
Other	4,504,223	4,890,012	5,571,685
Auxiliary Expenses	2,823,267	2,940,104	2,408,091
	<u>44,424,603</u>	<u>47,769,734</u>	<u>48,116,914</u>
<b>Operating Expenses:</b>			
Educational and General:			
Instructional	28,941,534	28,289,380	27,123,767
Public Service	1,670,766	1,623,821	2,518,235
Academic Support	1,665,430	1,583,557	1,506,347
Student Services	4,563,149	4,067,281	3,946,834
Institutional Support	22,965,740	22,024,918	22,418,248
Operations and Maintenance of Plant	2,917,965	3,183,432	3,103,987
Scholarship and Other Student Aid	4,732,510	5,533,781	6,291,311
Depreciation	2,226,986	1,921,371	1,779,735
Auxiliary Enterprises	3,124,815	3,611,505	2,650,761
	<u>72,808,893</u>	<u>71,839,046</u>	<u>71,339,225</u>
Operating Loss	<u>(28,384,289)</u>	<u>(24,069,312)</u>	<u>(23,222,311)</u>
<b>Non-Operating Revenues (Expenses):</b>			
State Appropriations	7,352,873	7,367,873	7,476,176
County Appropriations:			
County Aid	16,021,650	15,540,001	14,828,451
Federal Appropriation			
Disposal of Capital Assets		(330,279)	
Prior Year Accounts Payable Cancelled			746,244
Investment Income	(13,074)	57,950	75,633
	<u>23,361,449</u>	<u>22,635,545</u>	<u>23,126,504</u>
Income (Loss) Before Other Revenue	<u>(5,022,840)</u>	<u>(1,433,767)</u>	<u>(95,807)</u>
<b>Other Revenues:</b>			
Capital Grants	5,334,915	3,397,195	390,643
Increase in Net Position	312,076	1,963,428	294,836
Net Position - Beginning of Year	58,632,174	56,668,746	56,373,910
Net Position - End of Year	<u>\$ 58,944,250</u>	<u>\$ 58,632,174</u>	<u>\$ 56,668,746</u>

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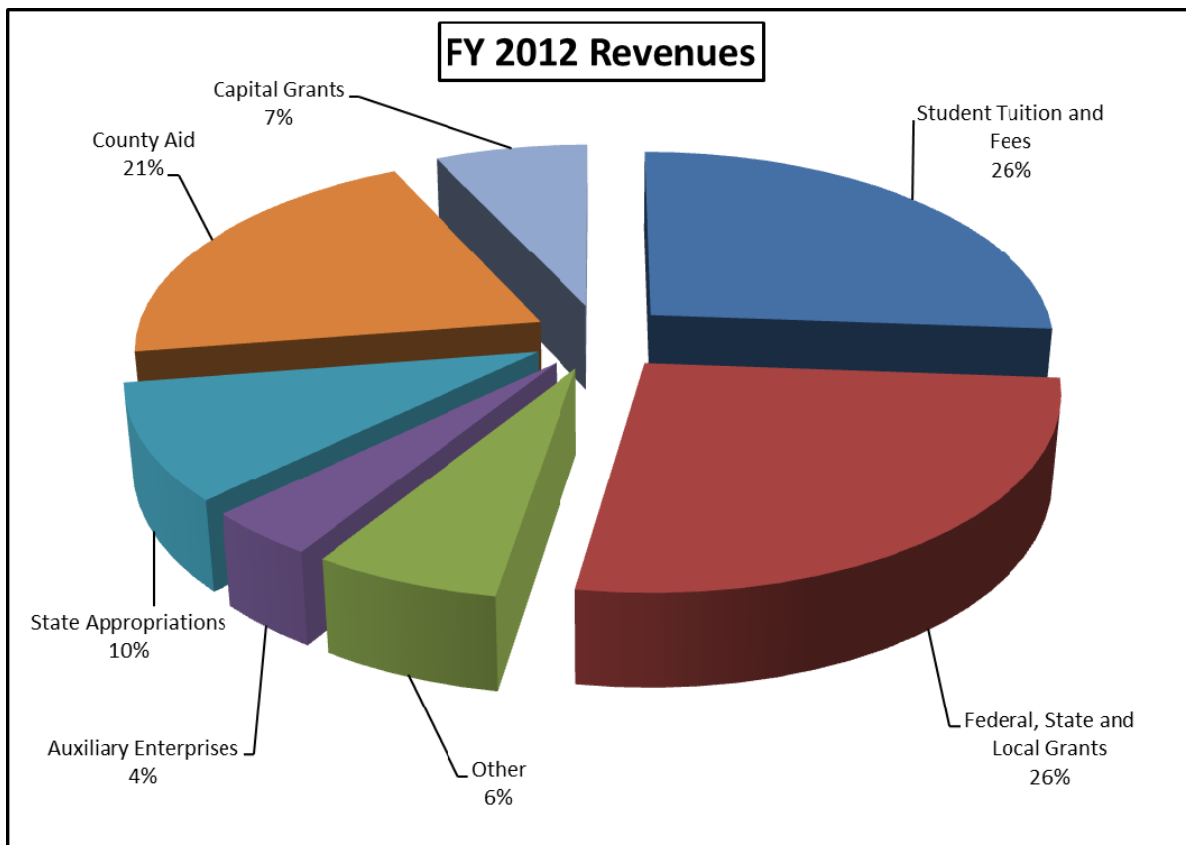
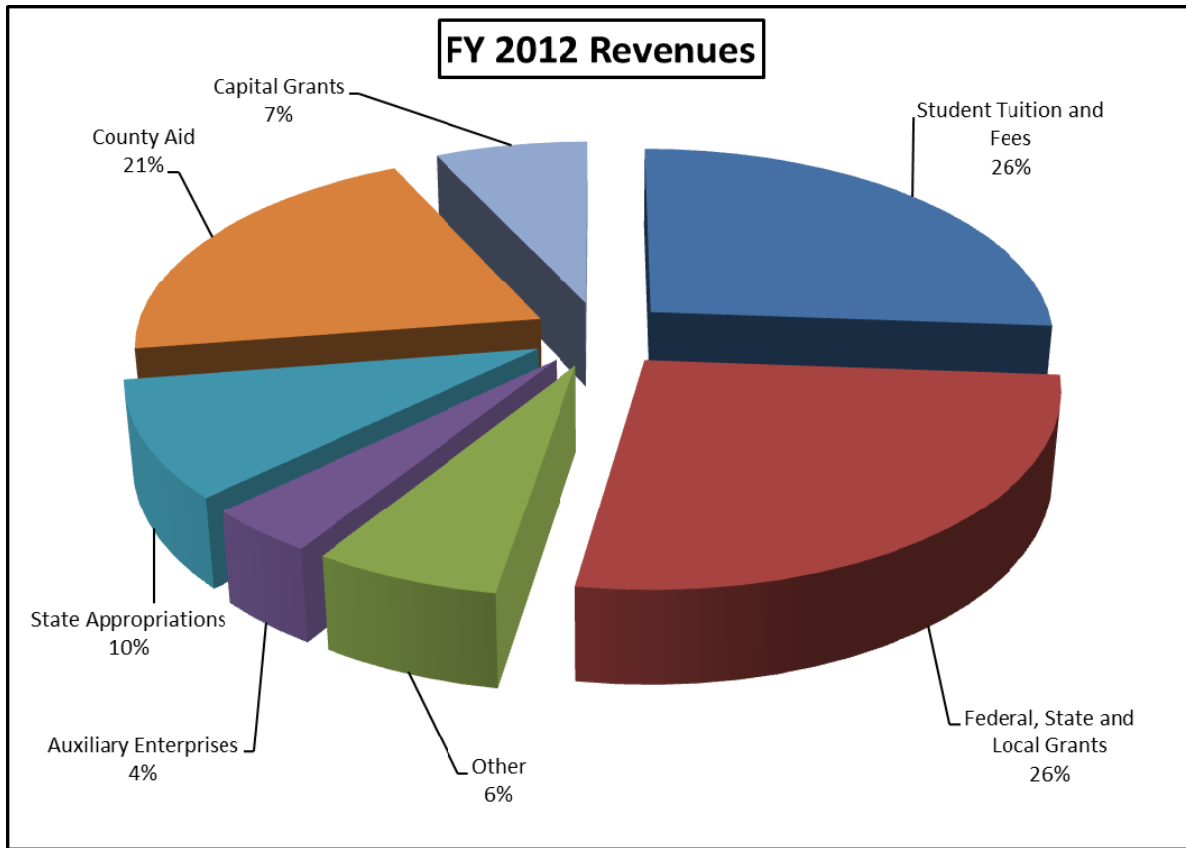
**MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

The following graphs illustrate the percentages of operating, non-operating, and other revenues by source for the fiscal years ending June 30, 2013, 2012 and 2011:



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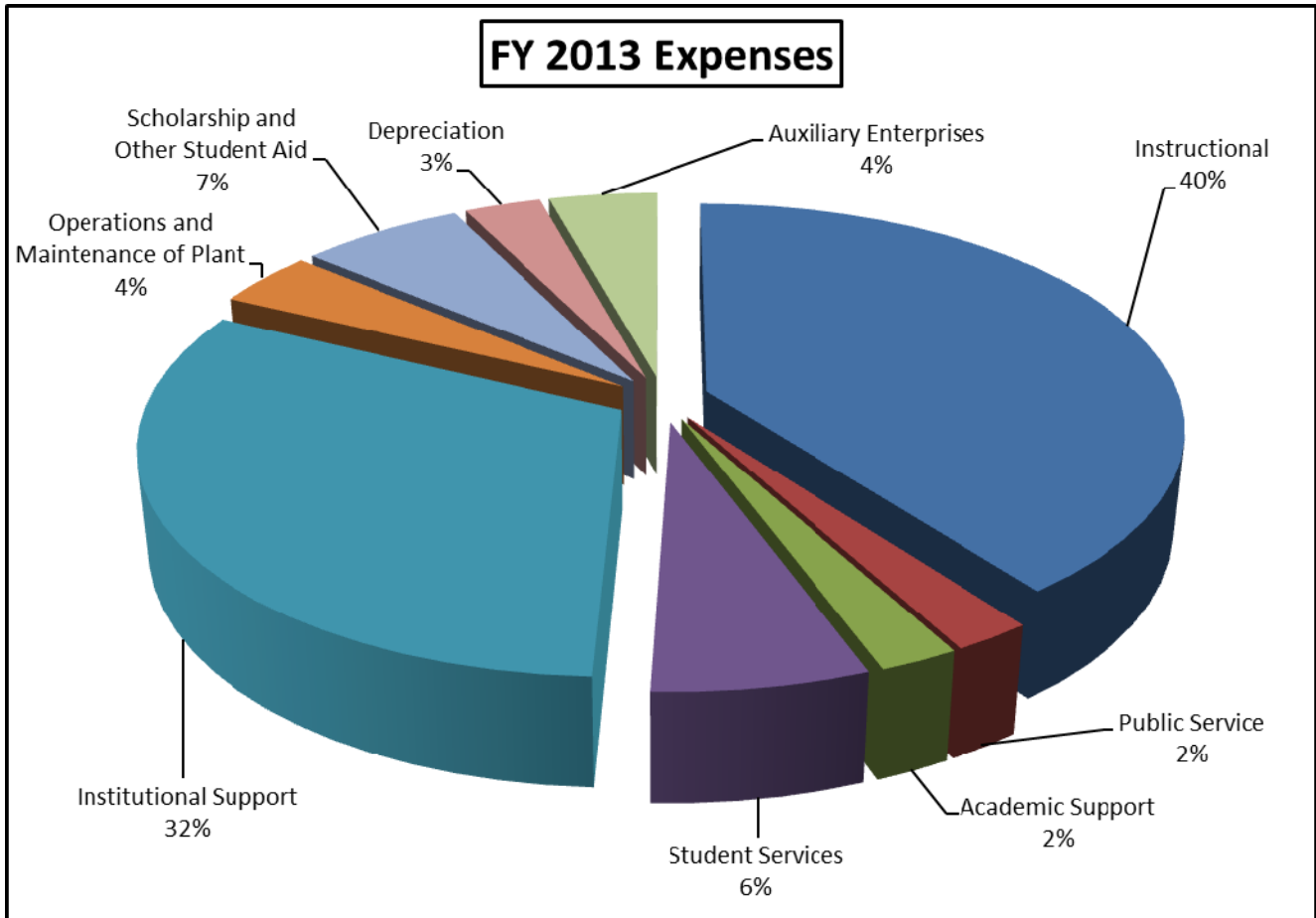
**MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Years Ended June 30, 2013 and 2012**



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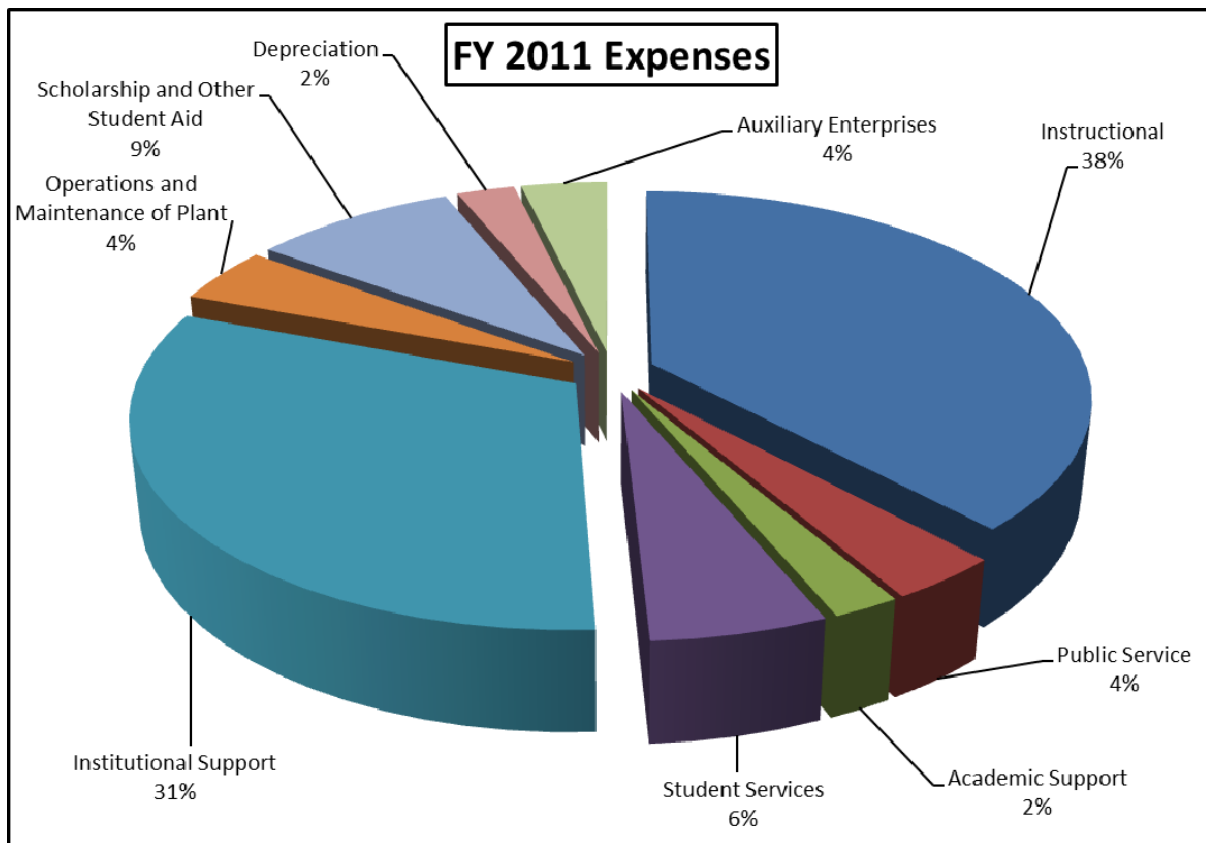
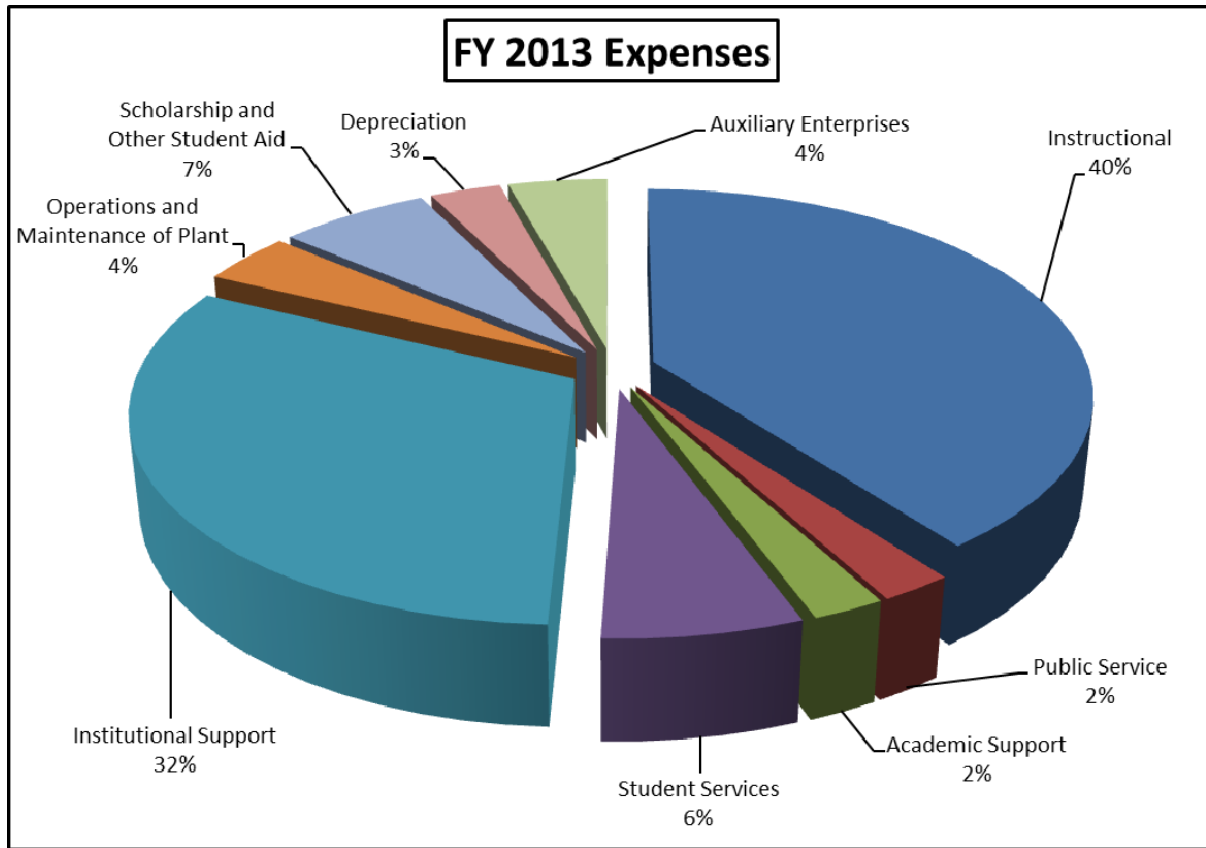
**MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

The following graphs illustrate the percentages of operating expenses for fiscal years ending June 30, 2013, 2012, and 2011:



(Continued)

**MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**For the Fiscal Years Ended June 30, 2013 and 2012**



(Continued)

# MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS

## For the Fiscal Years Ended June 30, 2013 and 2012

### Revenue

Operating Revenue decreased by \$3.3 million from fiscal year 2012 primarily due to a decrease in Federal, State, and Local Grant Funding.

In fiscal year 2012, the decrease is a result of decreases in student credit enrollment and enrollment in our non-credit Contracted Training program. This reflects the continued economic sluggishness and high unemployment in New Jersey.

Non-operating revenue increased by \$725,904 and decreased by \$490,959 in fiscal years 2013 and 2012, respectively due to the following:

- In 2013, funding by the State decreased less than 0.2%. However, the County continued to sustain their financial support of the College with an increase of 3.1%
- In 2012 there was a decrease in state funding and a write off from the disposal of capital assets.
- Although our county appropriation increased in both years, the state appropriation continues to decline.

Chapter 12 Financing Capital Grants recorded revenue reimbursed from the county totaling \$5.3 million in fiscal year 2013 and \$3.4 million in fiscal year 2012 due to the above mentioned renovation projects on both the West Windsor and Trenton Campuses.

### Expenses

Institutional Support increased in fiscal year 2013 from fiscal year 2012 by \$940,822 primarily due to contractual salary increases and an increase in net Health Care premium costs of 12.6 %. Scholarship and Other Student Aid decreased by \$801,271 due to the decrease in student enrollment.

- Fiscal year 2013 changes from fiscal year 2012 for PERS and ABP pension benefit expense decreased by \$20,311 due to a one-time payment for adjuncts made in FY 12 totaling \$543,035

### Summary of Net Position

The College had the following net position as of June 30, 2013, 2012 and 2011:

#### Summary of Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net Investment in Capital Assets	\$ 55,262,262	\$ 50,825,264	\$ 47,483,004
Restricted for:			
Non-Expendable:			
Scholarships	188,917	357,849	359,443
Expendable:			
Scholarships and Grants	425,444	1,338,110	1,036,913
Unrestricted	3,067,626	6,110,951	7,789,386
	<u>\$ 58,944,250</u>	<u>\$ 58,632,174</u>	<u>\$ 56,668,746</u>

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## **MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **For the Fiscal Years Ended June 30, 2013 and 2012**

#### **Economic and Other Factors That Will Affect the Future**

There are the following significant events that will impact the College's future financial statements.

- The College has experienced declines in enrollment since 2010, with a 2013 decline of 6.6% compared to 2012. This decline is consistent with the study prepared by Hanover Institute, which forecasted continuing declines in enrollment every year totaling to approximately 25% for the 5 year period beginning in 2012 through 2017.
- This decreased enrollment will be partially offset by the following:
  1. An expected increase in enrollment resulting from the College's agreement with American Honors.
  2. The College partnerships with Rutgers, the State University, William Paterson University, Felician College, and Fairleigh Dickinson University is expected to result in an increase in enrollment from students who study at Mercer County Community College for 1-2 years of their college education, and can complete year 3 and 4 year here with these University partners.
  3. The successful implementation of the First Thirty program which focuses on enrollment and retention of students.
- With the completion and the implementation of the Ellucian/Colleague ERP system, the College will have increased efficiency and improved data driven decision-making.
- The elimination of 32 vacant positions between faculty and staff, and strategic hiring will continue to assist in managing salaries and fringe benefits, which together make up about 75% of the College budget.
- Although health benefit costs continue to rise, these costs are partially offset by the State program mandating cost sharing contributions to be made by employees.
- The Solar project has been completed and is producing cost savings of approximately 70% of the electric energy for the WWC. Cost savings in fiscal year 2013 were approximately \$0.8million.

#### **Requests for Information**

Requests for information concerning any information provided in this report can be addressed to:

Mercer County Community College  
1200 Old Trenton Rd.  
West Windsor Township, NJ 08550

Information on or requests for the audit report for Mercer County Community College Foundation can be addressed to:

Mercer County Community College Foundation  
1200 Old Trenton Rd.  
West Windsor Township, NJ 08550

# **BASIC FINANCIAL STATEMENTS**

**MERCER COUNTY COMMUNITY COLLEGE**  
 Statements of Net Position  
 As of June 30, 2013

	<b>2013</b>		<b>2012</b>	
	<u>College</u>	<u>Component Unit MCCC Foundation</u>	<u>College</u>	<u>Component Unit MCCC Foundation</u>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 5,178,136	\$ 1,307,673	\$ 7,584,257	\$ 1,627,341
Investments	1,616,178	6,745,904	1,641,163	6,073,418
Accounts Receivable, net	5,826,669		5,473,165	
Interest Receivable		26,234		31,898
Pledges Receivable, net of discount		239,059		22,949
Inventories	17,176		21,152	
Prepaid Expenses	727,195		803,290	
Capital Appropriation Receivables	452,805		4,268,760	
Real Estate Holding				807,641
	13,818,159	8,318,870	19,791,787	8,563,247
Non-Current Assets:				
Capital Assets, net	55,262,262		50,825,264	
Total Assets	69,080,421	8,318,870	70,617,051	8,563,247
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	1,757,453	17,133	3,188,089	20,283
Accrued Expenses	3,121,685		2,925,967	
Due to Affiliate:				
Real Estate Holding				807,641
Other		40,460		43,995
Unearned Revenue:				
Student Tuition and Fees	5,257,033		5,870,821	
Total Liabilities	10,136,172	57,593	11,984,877	871,919
<b>NET POSITION</b>				
Net Investment in Capital Assets	55,262,262		50,825,264	
Restricted for:				
Nonexpendable:				
Scholarships	188,917	1,170,684	357,849	1,000,506
Programs		168,824		160,000
Expendable:				
Scholarships and Grants	425,444	4,004,266	1,338,110	3,915,814
Programs		571,416		464,897
Capital Improvements		120,805		105,069
Unrestricted	3,067,626	2,225,282	6,110,951	2,045,042
Total Net Position	\$ 58,944,250	\$ 8,261,277	\$ 58,632,174	\$ 7,691,328

The Accompanying Notes to Financial Statements are an integral part of this statement.

**MERCER COUNTY COMMUNITY COLLEGE**  
 Statements of Revenues, Expenses and Changes in Net Position  
 For the Fiscal Year Ended June 30, 2013

	<b>2013</b>		<b>2012</b>	
	<u>College</u>	<u>Component Unit MCCC Foundation</u>	<u>College</u>	<u>Component Unit MCCC Foundation</u>
<b>REVENUES</b>				
Operating Revenues:				
Student Tuition and Fees, net	\$ 19,802,081		\$ 19,879,671	
Federal State and Local Grants	17,295,032		20,059,947	
Gifts and Contributions		\$ 404,828		\$ 541,022
Other	4,504,223	125,052	4,890,012	200,510
Auxiliary Enterprises	2,823,267		2,940,104	
Total Operating Revenue	<u>44,424,603</u>	<u>529,880</u>	<u>47,769,734</u>	<u>741,532</u>
<b>EXPENSES</b>				
Operating Expenses:				
Educational and General:				
Instructional	28,941,534		28,289,380	
Public Service	1,670,766		1,623,821	
Academic Support	1,665,430		1,583,557	
Student Services	4,563,149		4,067,281	
Institutional Support	22,965,740		22,024,918	
Operations and Maintenance of Plant	2,917,965		3,183,432	
Scholarships and Other Student Aid	4,732,510	327,207	5,533,781	295,419
Depreciation	2,226,986		1,921,371	
Other Expenditures		224,216		1,101,876
Auxiliary Enterprises	3,124,815		3,611,505	
Total Operating Expenses	<u>72,808,893</u>	<u>551,423.00</u>	<u>71,839,046.00</u>	<u>1,397,295.00</u>
Operating Loss	<u>(28,384,289)</u>	<u>(21,543.00)</u>	<u>(24,069,312)</u>	<u>(655,763)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State Appropriations	7,352,873		7,367,873	
County Operating Appropriation				
County Aid	16,021,650		15,540,001	
Disposal of Capital Assets			(330,279)	
Investment Income (Loss)	(13,074)	591,492	57,950	(17,972)
On-Behalf Payments - Alternate Benefit Program:				
Revenues	1,183,158		945,591	
Expenses	(1,183,158)		(945,591)	
Net Non-Operating Revenues	<u>23,361,449</u>	<u>591,492</u>	<u>22,635,545</u>	<u>(17,972)</u>
Income (Loss) Before Capital Grants and Contributions	<u>(5,022,840)</u>	<u>569,949</u>	<u>(1,433,767)</u>	<u>(673,735)</u>
<b>OTHER REVENUES</b>				
Capital Grants	5,334,915		3,397,195	
Increase (Decrease) in Net Position	312,076	569,949	1,963,428	(673,735)
Net Position - Beginning of Year	58,632,174	7,691,328	56,668,746	8,365,063
Net Position - End of Year	<u>\$ 58,944,250</u>	<u>\$ 8,261,277</u>	<u>\$ 58,632,174</u>	<u>\$ 7,691,328</u>

The Accompanying Notes to Financial Statements are an integral part of this statement.

**MERCER COUNTY COMMUNITY COLLEGE**  
**Statements of Cash Flows**  
For the Fiscal Years Ended June 30, 2013 and 2012

	<b><u>2013</u></b> <b><u>College</u></b>	<b><u>2012</u></b> <b><u>College</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tuition and Fees	\$ 19,206,356	\$ 18,336,606
Receipts from Grants and Contracts	18,041,113	19,751,547
Other Receipts	4,202,676	5,558,749
Payments to Employees and Fringe Benefits	(47,334,046)	(46,221,496)
Payments to Vendors and Suppliers	(16,545,382)	(13,792,602)
Payments for Scholarships and Student Aid	<u>(4,156,494)</u>	<u>(5,259,624)</u>
Net Cash Used in Operating Activities	<u>(26,585,777)</u>	<u>(21,626,820)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	7,352,873	7,367,873
County Appropriations	<u>14,327,986</u>	<u>15,540,001</u>
Net Cash Provided by Noncapital Financing Activities	<u>21,680,859</u>	<u>22,907,874</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets, net	(5,856,343)	(6,465,475)
Capital Grants	<u>8,343,229</u>	<u>-</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>2,486,886</u>	<u>(6,465,475)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments	24,985	2,590,669
Interest and Dividends on Investments	(13,074)	57,950
Purchase of Investments	<u>(75,026)</u>	<u>(75,026)</u>
Net Cash Provided by Investing Activities	<u>11,911</u>	<u>2,573,593</u>
Net Decrease in Cash and Cash Equivalents	(2,406,121)	(2,610,828)
Cash and Cash Equivalents - Beginning of Year	<u>7,584,257</u>	<u>10,195,085</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 5,178,136</u></u>	<u><u>\$ 7,584,257</u></u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	\$ (28,384,289)	\$ (24,069,312)
Adjustment to Reconcile Net Loss to Net Cash		
Used in Operating Activities:		
Depreciation Expense	2,226,986	1,921,371
Changes in Assets and Liabilities:		
Receivables, net	1,340,160	918,948
Inventories	3,976	1,139
Prepaid Items	76,095	55,282
Accounts Payable and Accrued Expenses	(1,234,916)	1,376,026
Unearned Revenue	<u>(613,788)</u>	<u>(1,830,274)</u>
Net Cash Used in Operating Activities	<u><u>\$ (26,585,777)</u></u>	<u><u>\$ (21,626,820)</u></u>

The Accompanying Notes to Financial Statements are an integral part of this statement.

**MERCER COUNTY COMMUNITY COLLEGE**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2013 and 2012

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Reporting Entity** - Mercer County Community College is a comprehensive, co-educational, community college, founded in 1966. Mercer County Community College is an instrumentality of the State of New Jersey, established to function as a two-year community college. The College is an accredited member of the Middle States Association of Colleges and Schools. The College operates one main campus in West Windsor, New Jersey. In addition to the main campus, the College operates a campus in the City of Trenton.

The College is a collegiate institution that is dedicated to the intellectual development of students and to instilling in them the skills, habits, and inclinations with which they will continue to educate themselves. The College is also a community institution that is entrusted with the responsibility of preparing a well-educated and informed citizenry able to undertake the responsibilities of good citizenship. Additionally, the College is a community forum and a source of programs and services that addresses the current and emerging human resource needs of area employers, meets the continuing education needs of a variety of community residents, and enriches the cultural and artistic life of the Mercer County Community.

Mercer County Community College is a component unit of the County of Mercer as described in Governmental Accounting Standards Board (GASB) Statement No. 14 – *The Financial Reporting Entity*. The financial statements of the College would be either blended or discreetly presented as part of the County's financial statements if the County prepared its financial statements in accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The County of Mercer currently follows a basis of accounting and reporting model that is prescribed by the Department of Community Affairs, Division of Local Government Services, State of New Jersey. Therefore the financial statements of the College are not presented with the County of Mercer's.

**Component Units** – Mercer County Community College Foundation (the "Foundation") is a New Jersey non-profit corporation. It is operated exclusively for the purpose of assisting the board of trustees of the College in holding, investing and administering property and making expenditures to or for the benefit of the College, its students and its faculty. The Foundation solicits public and private contributions to carry out its objectives. The Foundation is governed by a board of directors, which includes representation by the college president and several board members. In addition, College employees and facilities are used to support some activities of the Foundation.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, provide guidance that all entities associated with a primary government are potential component units, and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity, but also for legally separate organizations that meet the criteria established by GASB Statements No. 14 and No. 39. In addition, GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, provides additional guidance for organizations that do not meet the financial accountability criteria for inclusion as component units but that nevertheless should be included because the primary government's management determines that it would be misleading to exclude them. In addition, GASB Statement No. 61 clarifies the manner in which component units are presented (discretely presented, blended, or included in the fiduciary fund financial statements).

In accordance with GASB 61 the Foundation meets the requirements for discrete presented in the financial statements of the College. In accordance with GASB Statement 34 and 35, certain presentation adjustments to the financial statements of the Foundation were required to conform to the classification and display requirements in the aforementioned GASB Statements as applicable to the College.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Component Units (Cont'd)** - During the fiscal years ending June 30, 2013 and June 30, 2012, the Foundation distributed \$327,207 and \$295,419 to the College in scholarships for both restricted and unrestricted purposes, respectively. In addition, during fiscal year ending June 30, 2012 the Foundation turned over real estate valued at \$807,641 to the College.

The individual reports of audit of the Foundation for the fiscal years ended June 30, 2013 and 2012 can be obtained at the Foundation offices at the following address during normal business hours:

Mercer County Community College Foundation  
1200 Old Trenton Road  
West Windsor, New Jersey 08550

**Basis of Presentation** - The accompanying financial statements include all activities that are directly controlled by the College. In addition, the financial statements include the financial position and activities of the College's discretely presented component unit, Mercer County Community College Foundation. The financial statements are presented in accordance with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as adopted by the Governmental Accounting Standards Board (GASB) Statement No. 35 – *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, cash flows and replaces the fund-group perspective previously required.

**Basis of Accounting and Measurement Focus** - For financial reporting purposes, the College is considered a special-purpose government engaged in only business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Cash, Cash Equivalents and Investments** - For the purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Funds invested through the State of New Jersey Cash Management Fund are also considered cash and cash equivalents.

The College accounts for its investments at fair value in accordance with GASB Statement No. 31 - *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

Additionally, the College has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. The Act was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Accounts Receivable** – Accounts receivable consists of tuition and fees charged to students and various other receivables. Accounts receivable are recorded net of estimated uncollectible amounts.

**Inventories** - Inventories, consisting of goods and supplies at the College cafeteria and conference center, are determined on a first-in, first-out (FIFO) method and are stated at the lower of cost or market.

**Tuition** - Each year the Board of Trustees sets tuition rates based on a per credit hour rate. Rates vary based upon residence within Mercer County, out of county and international students. Tuition revenue is earned in the fiscal year the classes are taken.

**State Aid** - The New Jersey Department of Treasury, Office of Management and Budget (OMB) allocates the annual appropriation for community college operating aid according to credit hour enrollment as prescribed by N.J.S.A.18A:64A-22. Aid is based upon enrollment, which is made up of credit course categories.

**County Aid** - N.J.S.A. 18A:64A-22 States that each county which operates a county college shall continue to provide moneys for the support of the college in an amount no less than those moneys provided in the year in which this act is enacted or 25% of the operational expense in the base State fiscal year, whichever is greater.

**Unearned Revenue** - Unearned revenue represents tuition revenue that has been billed before June 30<sup>th</sup> for classes that are scheduled to begin the next fiscal year. It also includes cash, which has been received for grants, but not yet earned.

**Prepaid Expenses** - Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

**Compensated Absences** - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the College and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the College and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

**Financial Dependency** – The College's largest revenue sources include appropriations from the State of New Jersey and County of Mercer and contributions made by the State on behalf of the College for the Alternative Benefit Program. The College is economically dependent on these appropriations to carry on its operations.

**Reclassifications** – Certain 2012 amounts have been reclassified to conform to 2013 presentation.

**Allowance for Doubtful Accounts** – The College does not have a formal policy for writing off uncollectible student accounts or re-establishing the allowance; however, past practice has been to write off uncollectible accounts after two years of delinquency. The allowance for June 30, 2013 and 2012 was \$188,098 and \$500,000, respectively.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Capital Assets** - Capital assets include property, plant equipment and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the College as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the College are depreciated using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Land Improvements	20
Buildings and Building Improvements	20 – 45
Equipment and Furnishings	5 – 20

Depreciation expense for the fiscal years ending June 30, 2013 and 2012 was \$2,226,986 and \$1,921,371, respectively.

**Federal Financial Assistance Programs** - The College participates in the following federally funded financial assistance programs; Federal Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Work-Study Grants and Federal Direct Loan Program (DL). Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the OMB A-133 Compliance Supplement.

**On-Behalf Payments for Pension Contributions** - In fiscal year 1997 the College adopted the requirements of Governmental Accounting Standards Board (GASB) Statement No. 24 – *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. GASB No. 24 recommends that revenue and expenditures be recorded in the financial statements for the State of New Jersey On-Behalf Payments for the Alternate Benefit Program.

**Income Taxes** - The College is a political subdivision of the State of New Jersey and is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

**Scholarship Discounts and Allowances** – Student tuition and fees revenue, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowance are the difference between the stated charge for goods and services provided by the College and the amount paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. The amount of scholarship discount and allowances for the fiscal years ending June 30, 2013 and 2012 was \$9,825,470 and \$11,169,314, respectively.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Revenue Recognition – License Agreements** – During the fiscal year ended June 30, 2006 the College entered into two licensing agreements with Clearwire Spectrum Holdings, LLC for a term of ten years with the option to renew for an additional ten years. Revenue from these agreements is recognized in the Statement of Revenue, Expenses, and Changes in Net Assets under Operating revenues – Other sources for the monthly fee and value added services, which will be recognized over the life of the license for usage and equipment, respectively.

**Classification of Revenues** - The College has classified its revenues as either operating or non-operating revenues in accordance with GASB Statement No. 33 – *Accounting and Financial Reporting for Non-exchange Transactions*.

**Operating Revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local government grants and contracts as well as federal appropriations.

**Non-Operating Revenues** – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9 – *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 35, such as state appropriations, county appropriations, investment income, and amounts paid by the State of New Jersey on behalf of the College for the employer contribution to the Alternate Benefit Program (ABP).

**Net Position** - The College's net position is classified as follows:

**Net Investment in Capital Assets** - This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of Net Investment in Capital Assets.

**Restricted Net Position – Expendable** - Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with the restrictions imposed by external third parties.

**Restricted Net Position – Non-Expendable** – Non-expendable restricted net position consists of endowment and similar types of funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

**Unrestricted Net Position** – Unrestricted net position represent resources derived from student tuition and fees, state and county appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for the transactions related to the educational and general operations of the College, and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASBS 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The College does not have any SCA's and therefore the adoption of GASBS 60 does not have any impact on the College's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASBS 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. The adoption of GASBS 61; however, does not have any impact on the College's financial statements.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011. The adoption of GASBS 62 does not have any impact on the College's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. This Statement is effective for financial statements for periods beginning after December 15, 2011. The adoption of GASBS 63, however, does not have a material impact on the College's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The College elected to early implement GASBS 65 effective for fiscal year 2013. The adoption of GASB 65; however, does not have a material impact on the College's financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued and Adopted Accounting Pronouncements (Cont'd)**

In March 2012, the GASB issued Statement 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. GASBS 66 is to improve accounting and financial reporting by state and local governmental entities by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. This Statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this Statement on the College's financial statements although no impact is expected.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. GASBS 67 is to improve the usefulness of pension information included in the general purpose external financial reports (financial reports) of state and local governmental pension plans for making decisions and assessing accountability. This Statement is effective for periods beginning after June 15, 2013. The College does not administer any state or local pension plans; therefore, the adoption of GASBS 67 will not have any impact on the College's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. GASBS 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. In addition, this Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on the College's financial statements and expects the impact to be material.

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASBS 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the College's financial statements although no impact is expected.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued and Adopted Accounting Pronouncements (Cont'd)**

In April 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASBS 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this Statement on the College's financial statements although no impact is expected.

**Note 2: 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 might not be recovered. 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). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the College in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the College relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule below.

As of June 30, 2013 and 2012 the College's bank balances were exposed to custodial credit risk as follows

	<u>2013</u>	<u>2012</u>
Insured	\$ 310,193	\$ 307,253
Collateralized under GUDPA	<u>4,676,490</u>	<u>8,270,511</u>
	<u>\$ 4,986,683</u>	<u>\$ 8,577,764</u>

**New Jersey Cash Management Fund** - During the year, the College participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to categorization as defined above. At June 30, 2013 and 2012, the College had \$543,943 and \$343,610 invested in the Fund, respectively.

**Note 3: INVESTMENTS**

**Custodial Credit Risk Related to Investments** – 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. All of the College's investments are held in the name of the College.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

**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** – Concentration of credit risk is the risk of loss attributed to the magnitude of a college's investment in a single issuer. The College does not place a limit on the amount that may be invested in any one issuer. The College's investments are in United State Treasury Obligations.

As of June 30, 2013 and 2012, the College had the following investments and maturities:

<u>Investment</u>	<b>Moody's Credit Rating</b>	<b><u>Fair Value</u></b>	
		<b><u>2013</u></b>	<b><u>2012</u></b>
United States Treasury Obligations	AAA	<u>\$ 1,616,178</u>	<u>\$ 1,641,163</u>

**Note 4: CAPITAL ASSETS**

A summary of changes in the various capital asset categories for the year ending June 30, 2013 is presented as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Capital Assets, Non-Depreciable:</b>					
Land	\$ 1,161,669	\$ 438,100			\$ 1,599,769
Construction in Progress	3,041,299	10,023		\$ (3,041,299)	10,023
	<u>4,202,968</u>	<u>448,123</u>	<u>-</u>	<u>(3,041,299)</u>	<u>1,609,792</u>
<b>Capital Assets, Depreciable:</b>					
Land Improvements	2,433,074	36,380.00		410,667	2,880,121
Buildings and Improvements	63,231,710	5,742,076		2,630,632	71,604,418
Furniture, Machinery and Equipment	6,269,086	437,405	\$ 19,997		6,686,494
	<u>71,933,870</u>	<u>6,215,861</u>	<u>19,997</u>	<u>3,041,299</u>	<u>81,171,033</u>
<b>Less Accumulated Depreciation for:</b>					
Land Improvements	(780,580)	(131,345)			(911,925)
Buildings and Improvements	(21,105,360)	(1,494,779)			(22,600,139)
Furniture, Machinery and Equipment	(3,425,634)	(600,862)	(19,997)		(4,006,499)
	<u>(25,311,574)</u>	<u>(2,226,986)</u>	<u>(19,997)</u>	<u>-</u>	<u>(27,518,563)</u>
<b>Total Capital Assets, Depreciable net</b>	<u>46,622,296</u>	<u>3,988,875</u>	<u>-</u>	<u>3,041,299</u>	<u>53,652,470</u>
<b>Capital Assets, net</b>	<u>\$ 50,825,264</u>	<u>\$ 4,436,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,262,262</u>

Depreciation expense for the year ended June 30, 2013 was \$2,226,986.

**Note 4: CAPITAL ASSETS (CONT'D)**

A summary of changes in the various capital asset categories for the year ending June 30, 2012 is presented as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Capital Assets, Non-Depreciable:</b>					
Land	\$ 1,161,669				\$ 1,161,669
Construction in Progress		\$ 3,041,299			3,041,299
	<u>1,161,669</u>	<u>3,041,299</u>	<u>-</u>	<u>-</u>	<u>4,202,968</u>
<b>Capital Assets, Depreciable:</b>					
Land Improvements	1,871,443	561,631			2,433,074
Buildings and Improvements	62,822,823	408,887			63,231,710
Furniture, Machinery and Equipment	5,679,598	1,582,093	\$ (992,605)		6,269,086
	<u>70,373,864</u>	<u>2,552,611</u>	<u>(992,605)</u>	<u>-</u>	<u>71,933,870</u>
<b>Less Accumulated Depreciation for:</b>					
Land Improvements	(675,012)	(105,568)			(780,580)
Buildings and Improvements	(19,838,190)	(1,267,170)			(21,105,360)
Furniture, Machinery and Equipment	(3,539,327)	(548,633)	662,326		(3,425,634)
	<u>(24,052,529)</u>	<u>(1,921,371)</u>	<u>662,326</u>	<u>-</u>	<u>(25,311,574)</u>
<b>Total Capital Assets, Depreciable net</b>	<u>46,321,335</u>	<u>631,240</u>	<u>(330,279)</u>	<u>-</u>	<u>46,622,296</u>
<b>Capital Assets, net</b>	<u>\$ 47,483,004</u>	<u>\$ 3,672,539</u>	<u>\$ (330,279)</u>	<u>\$ -</u>	<u>\$ 50,825,264</u>

Depreciation expenses for the year ended June 30, 2012 was \$1,921,371.

**Note 5: ACCRUED COMPENSATED ABSENCES**

Accrued vacation represents the College's liability for the cost of unused employee vacation time payable in the event of employee termination. College employees are granted vacation time in varying amounts under the college personnel policies and labor negotiated contracts. Regular sick leave benefits provide for ordinary sick pay and begin vesting after a predetermined number of years of service, with a maximum payout of \$15,000. As of June 30, 2013 and 2012, the liabilities for accrued compensated absences are included in accrued expenses and consist of the following:

	<u>2013</u>	<u>2012</u>
Sick	\$ 383,061	\$ 360,347
Vacation	<u>1,569,376</u>	<u>1,549,188</u>
	<u>\$1,952,437</u>	<u>\$1,909,535</u>

**Note 6: PENSION PLANS**

A substantial number of the College's employees participate in one of the two following defined benefit pension plans: (1) the Public Employees' Retirement System or (2) the New Jersey Alternate Benefit Program, both of which are administered and/or regulated by the New Jersey Division of Pensions and Benefits. In addition, several College employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295

**Public Employees' Retirement System** - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased to 6.5% plus an additional 1.0% phased-in over seven years. The phase-in of the additional incremental member contribution amount began July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The College is billed annually for its normal contribution plus any accrued liability.

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Group Insurance</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by College</u>
<b>Public Employees Retirement System</b>						
2013	\$ 424,469	\$ 1,014,917	\$ 85,668	\$ 1,525,054	\$ -	\$ 1,525,054
2012	531,281	1,055,490	100,871	1,687,642	-	1,687,642
2011	591,170	940,251	116,228	1,647,649	-	1,647,649

**Note 6: PENSION PLANS (CONT'D)**

**New Jersey Alternate Benefit Program** - The New Jersey Alternate Benefit Program (ABP) is a defined contribution pension plan, which was established pursuant to P.L.1969, c. 242 (N.J.S.A. 18A:66-167 et seq.) The ABP provides retirement, death and disability, and medical benefits to qualified members.

The contributions requirements of plan members are determined by State statute. In accordance with N.J.S.A. 18A:66-173, required contributions, calculated on the employee's base pay, are 5% for plan members, and 8% for employers. Plan members may make additional voluntary contributions subject to section 403(b) of the internal revenue code.

Under N.J.S.A 18A:66-174, most employer contributions are made by the State of New Jersey on-behalf of the College. The College is responsible for the employer contributions for non-academic employees.

Plan members direct the investment of contributions to insurance companies and mutual fund companies selected by the New Jersey Division of Pensions' Pension Provider Selector Board. These companies administer plan funds based on alternate benefit contracts with the New Jersey Division of Pensions.

Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. The plan carriers are as follows:

***Teacher's Insurance and Annuity Association (TIAA/CREF)***  
***ING Life Insurance and Annuity Company***  
***Equitable Life***  
***The Variable Annuity Life Insurance Company (VALIC)***  
***The Hartford Group***  
***Prudential***  
***Metlife***

The College is billed annually for its normal contribution plus any accrued liability.

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>Total</u></b> <b><u>Contribution</u></b>	<b><u>Funded by</u></b> <b><u>Employee</u></b>	<b><u>Funded by</u></b> <b><u>State</u></b>	<b><u>Paid by</u></b> <b><u>College</u></b>
<b>Alternate Benefit Program</b>				
2013	\$ 2,411,770	\$ 924,189	\$ 1,183,158	\$ 304,423
2012	1,982,466	762,384	945,951	274,131
2011	1,847,434	710,551	891,112	245,770

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the College's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

**Note 6: PENSION PLANS (CONT'D)**

**Defined Contribution Retirement Program(Cont'd):** The College's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Total Contribution</u>	<u>Funded by Employee</u>	<u>Funded by State</u>	<u>Paid by College</u>
<b>Defined Contribution Retirement Program</b>				
2013	\$ 66,777	\$ 43,218	\$ -	\$ 23,559
2012	-	-	-	-
2011	-	-	-	-

**Note 7: RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance** - The College maintains commercial insurance coverage for property (including crime and physical damage, liability (general and automobile), boiler and machinery, and surety bonds.

**Joint Insurance Pool** – Mercer County Community College is a member of the New Jersey County College Insurance Pool for the purpose of obtaining workers' compensation insurance coverage.

Contributions to the Fund are payable in an annual premium and are based on actuarial assumptions determined by the Fund's actuary. Contributions to the pool for the Fiscal Years Ending June 30, 2013 and 2012 were \$225,614 and \$199,762 respectively. These contributions are determined by the pool's underwriters.

**Note 8: DESIGNATION OF UNRESTRICTED NET POSITION**

The following is a summary of the designations of unrestricted net position at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Allocated for:		
Unemployment	\$ 500,000	\$ 500,000
Technology	100,000	61,126
Educational Broadcast Service	150,000	300,000
Insurance	100,000	100,000
WWFM Radio	150,000	500,000
Operating Reserve	1,067,626	2,455,465
Capital Projects	1,000,000	2,194,360
	<u>\$ 3,067,626</u>	<u>\$ 6,110,951</u>

**Note 9: STATE POSTEMPLOYMENT BENEFITS**

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 the TPAF and 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. As of June 30, 2012, there were 97,661 retirees receiving postemployment medical benefits. 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 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 retire from a board of education or county college with 25 years of service. The State paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

**Note 10: ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following as of June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Federal, State and Local Grants Receivable	\$ 1,901,995	\$ 2,478,011
County Aid Receivable	1,693,664	
Student Accounts Receivable	1,626,400	2,238,546
Alternative Benefit Program - Due from State	387,647	748,268
Other Accounts Receivable	405,061	508,340
	<u>6,014,767</u>	<u>5,973,165</u>
Less Allowance for Doubtful Accounts	<u>(188,098)</u>	<u>(500,000)</u>
Net Accounts Receivables	<u>\$ 5,826,669</u>	<u>\$ 5,473,165</u>

**Note 11: DEFERRED COMPENSATION SALARY ACCOUNT**

The College offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Service Code 457. The Plan, available to full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the College or its creditors.

**Note 12: EDUCATION AND GENERAL EXPENSES BY FUNCTION**

The College's operating expenses by functional classification are presented as follows:

<b>2013</b>	<u>Salaries &amp; Benefits</u>	<u>Supplies &amp; Materials</u>	<u>Services</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Educational and General Expenditures:							
Instruction	\$ 24,582,349	\$ 3,953,842	\$ 405,343				\$ 28,941,534
Public Service	1,110,178	446,171	114,417				1,670,766
Academic Support	981,487	627,433	56,510				1,665,430
Student Services	3,815,145	169,588	578,416				4,563,149
Institutional Support	15,923,070	4,173,878	394,082		\$ 2,474,710		22,965,740
Operation and Maintenance of Plant	921,817	1,466,354	529,794				2,917,965
Scholarship and Other Student Aid				\$ 4,732,510			4,732,510
Depreciation						\$ 2,226,986	2,226,986
	<u>\$ 47,334,046</u>	<u>\$ 10,837,266</u>	<u>\$ 2,078,562</u>	<u>\$ 4,732,510</u>	<u>\$ 2,474,710</u>	<u>\$ 2,226,986</u>	<u>69,684,080</u>
Auxiliary Expenses							<u>3,124,815</u>
							<u>\$ 72,808,895</u>
<b>2012</b>	<u>Salaries &amp; Benefits</u>	<u>Supplies &amp; Materials</u>	<u>Services</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Educational and General Expenditures:							
Instruction	\$ 23,879,707	\$ 4,131,523	\$ 264,030	\$ 14,120			\$ 28,289,380
Public Service	1,282,157	232,531	5,995	103,138			1,623,821
Academic Support	1,167,702	396,449	19,406				1,583,557
Student Services	3,297,247	768,931	1,103				4,067,281
Institutional Support	15,122,813	3,272,331	846,814		2,782,960		22,024,918
Operation and Maintenance of Plant	1,301,185	1,877,526			4,721		3,183,432
Scholarship and Other Student Aid				5,533,781			5,533,781
Depreciation						\$ 1,921,371	1,921,371
	<u>\$ 46,050,811</u>	<u>\$ 10,679,291</u>	<u>\$ 1,137,348</u>	<u>\$ 5,651,039</u>	<u>\$ 2,787,681</u>	<u>\$ 1,921,371</u>	<u>68,227,541</u>
Auxiliary Expenses							<u>3,611,505</u>
							<u>\$ 71,839,046</u>

**Note 13: AUXILIARY OPERATIONS- BOOKSTORE**

The College has an agreement with Follett, Inc. a private contractor for the operation of the official Campus Bookstore at both the Trenton and the West Windsor campuses. The agreement is for a period of five years commencing July 1, 2011, and ending June 30, 2016, with an option to renew the contract for an additional five years.

Net commissions paid to the College for the fiscal years ended June 30, 2013 and 2012 were \$537,379 and \$526,492 respectively.

**Note 14: LITIGATION**

The College is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the College from such litigation is either unknown or potential losses, if any, would not be material to the financial statements or would be covered by insurance coverage's less the deductible.

**Note 15: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES**

The significant disclosures of the discretely presented component unit, Mercer County Community College Foundation, are as follows:

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Organization**

The Mercer County Community College Foundation (the "Foundation") is a not-for-profit foundation organized under section 501(c)(3) of the Internal Revenue Code (the "Code"). It is operated exclusively for the purpose of assisting the board of trustees of Mercer County Community College (the "College") in holding, investing and administering property and making expenditures to or for the benefit of the College, its students and its faculty.

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents includes unrestricted time deposits, certificates of deposit and highly liquid instruments with initial maturities of three months or less. In addition, the statement of cash flows excludes permanently restricted cash.

Cash balances maintained at financial institutions may exceed federally insured limits. The Foundation monitors the health of these banking institutions. Historically, the Foundation has not experienced any credit-losses.

**Investments**

The Foundation carries investments at fair market value. Unrealized gains and losses occurring during the years ended June 30, 2013 and 2012 are presented in the accompanying statement of activities.

**Income Taxes**

The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Foundation had no unrecognized tax benefits at June 30, 2013.

The Foundation files a tax return in the U.S. federal jurisdiction. The Foundation has no open years prior to June 30, 2010. The Foundation does not have any income tax related penalties or interest for the periods reported on these financial statements.

**Use of Estimates**

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 15: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)****B. INVESTMENTS**

Investments are stated at fair market value as of June 30, 2013 and 2012, respectively. The unrealized appreciation (depreciation) reflects differences from cost on a cumulative basis, and consists of the following:

<b>June 30, 2013</b>			
	<b>Cost</b>	<b>Fair Market Value</b>	<b>Unrealized (Depreciation) Appreciation</b>
Corporate Fixed Income	\$ 237,816	\$ 251,811	\$ 13,995
Common Stocks	794,081	960,543	166,462
Mutual Funds	1,237,069	1,253,055	15,986
Exchange-traded and Closed-end Funds	472,145	502,359	30,214
Certificates of Deposit	3,724,922	3,778,136	53,214
	<u>\$ 6,466,033</u>	<u>\$ 6,745,904</u>	<u>\$ 279,871</u>

<b>June 30, 2012</b>			
	<b>Cost</b>	<b>Fair Market Value</b>	<b>Unrealized (Depreciation) Appreciation</b>
Corporate Fixed Income	\$ 233,594	\$ 225,989	\$ (7,605)
Common Stocks	1,660,471	1,605,848	(54,623)
Mutual Funds	773,235	789,817	16,582
Exchange-traded and Closed-end Funds	61,300	59,906	(1,394)
Certificates of Deposit	3,302,902	3,391,858	88,956
	<u>\$ 6,031,502</u>	<u>\$ 6,073,418</u>	<u>\$ 41,916</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities.

<b>Year Ended June 30, 2013</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Interest and Dividend Income	\$ 119,166	\$ 161,236	
Net Realized and Unrealized Gains	311,090		
	<u>\$ 430,256</u>	<u>\$ 161,236</u>	<u>\$ -</u>

<b>Year Ended June 30, 2012</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>
Interest and Dividend Income	\$ 122,568	\$ 103,045	
Net Realized and Unrealized Gains	(243,503)	(82)	
	<u>\$ (120,935)</u>	<u>\$ 102,963</u>	<u>\$ -</u>

**Note 15: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)****C. FAIR VALUE MEASUREMENTS**

Effective January 1, 2009, the Plan adopted Accounting Standards Codification ("ASC") No. 820, "Fair Value Measurements and Disclosures" ("ASC No. 820"), which defines fair value, establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1 – Quoted prices in active markets for identical assets or liabilities,
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In accordance with ASC 820, the following tables represent the Foundation's fair value hierarchy for its financial assets (cash equivalents and investments) measured at fair value on a recurring base as of June 30, 2013 and 2012.

**Fair Value Measurements as of June 30, 2013**

<b>Investments:</b>	<b><u>Total</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
Cash and Cash Equivalents	\$ 1,307,673	\$ 1,307,673		
Corporate fixed income				
Investment Grade (AAA to A)	32,913	32,913		
Investment Grade (BBB to BBB-)	88,029	88,029		
Speculative Grade (BB+ to B)	62,277	62,277		
Speculative Grade (CCC to D)	1,527	1,527		
Unrated Bonds	67,065	67,065		
Common Stocks				
Cap Funds	638,841	638,841		
International Funds	295,621	295,621		
Convertible Funds	26,082	26,082		
Mutual Funds				
Cap Funds	117,497	117,497		
Fixed Income Funds	576,477	576,477		
International Funds	559,080	559,080		
Exchange-traded and Closed-end Funds	502,359	502,359		
Certificates of Deposits	3,778,136		\$ 3,778,136	
	<u>\$ 8,053,577</u>	<u>\$ 4,275,441</u>	<u>\$ 3,778,136</u>	<u>\$ -</u>

**Note 15: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)****C. FAIR VALUE MEASUREMENTS (CONT'D)****Fair Value Measurements as of June 30, 2012**

<b>Investments:</b>	<b><u>Total</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
Cash and Cash Equivalents	\$ 1,627,341	\$ 1,627,341		
Corporate Fixed Income				
Investment Grade (AAA to A)	46,188	46,188		
Investment Grade (BBB to BBB-)	61,434	61,434		
Speculative Grade (BB+ to B)	55,833	55,833		
Speculative Grade (CCC to D)	5,744	5,744		
Unrated Bonds	56,790	56,790		
Common Stocks				
Cap Funds	966,202	966,202		
International Funds	613,405	613,405		
Convertible Funds	26,241	26,241		
Mutual Funds				
Cap Funds	114,276	114,276		
Fixed Income Funds	675,541	675,541		
Exchange-traded and Closed-end Funds	59,906	59,906		
Certificates of Deposits	3,391,858		\$ 3,391,858	
	<u>\$ 7,700,759</u>	<u>\$ 4,308,901</u>	<u>\$ 3,391,858</u>	<u>\$ -</u>

**D. PLEDGES RECEIVABLE**

Pledges receivable include only unconditional promises to give and are expected to be received subsequent to June 30, 2013 and 2012 as follows:

	<b><u>2013</u></b>	<b><u>2012</u></b>
Pledges Receivable	\$ 81,663	\$ 23,000
Transfer of Funds Previously Donated to College and Reassigned to Foundation	157,441	
	239,104	23,000
Present Value Discount at 0.75 Percent	(45)	(51)
	<u>\$ 239,059</u>	<u>\$ 22,949</u>

**E. REAL ESTATE HOLDING**

In June 2012, the Foundation acquired a property located at 135 N. Broad Street in Trenton NJ. The carrying value of the asset consists of \$800,000 of contracted sales price, net of remediation credits, plus \$7,641 of settlement charges. This resulted in a payable in the amount of \$807,641 as of June 30, 2012. In August 2012, the Foundation transferred the asset to the College with a carrying value of \$807,641.

**Note 15: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)****F. RELATED PARTY TRANSACTIONS**

The books of the Foundation are maintained through accounting and administrative services provided by the College. The fair value of these services has not been determined. Therefore, no amounts for these services have been recognized in the statements of activities, except for a portion of the salary of one full-time administrator. "Due to and from Mercer County Community College" accounts are set up to record related party activity between the College and the Foundation. Due to Mercer County Community College was \$40,460 and \$43,995 at June 30, 2013 and 2012, respectively.

**G. RESTRICTIONS ON NET ASSETS****Temporarily Restricted Assets**

Temporarily restricted assets were available for the following purpose:

	<b>June 30,</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
Scholarships	\$ 4,004,266	\$ 3,915,814
Programs	571,416	464,897
Capital Improvements	120,805	105,069
	<b><u>\$ 4,696,487</u></b>	<b><u>\$ 4,485,780</u></b>

Net assets were released from donor restrictions as follows:

	<b>June 30,</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
Expenses Incurred to Satisfy Donor Requirements	<b><u>\$ 161,794</u></b>	<b><u>\$ 737,630</u></b>

In May 2013, in accordance with a donor request, \$82,468 of net assets was reclassified from temporarily restricted assets to permanently restricted assets.

**Permanently Restricted Net Assets**

Permanently restricted net assets are endowment funds restricted in perpetuity to continue the purpose of the Foundation. Interest and dividend income along with investment gains and losses generated by these assets are unrestricted and available for use by the Foundation.

**Note 15: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)****H. ENDOWMENT FUNDS**

The Foundation's endowment funds consist of approximately 4 individual funds and 9 certificates of deposits established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Foundation's Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Foundation's Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by state law. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is as follows:

<b><u>Fund Investments Objectives</u></b>	<b><u>Investment Policy</u></b>	<b><u>Target Return</u></b>
Foundation Board Designated Account	5- year or greater time horizon moderate to high risk	7%
Foundation Student Assistance Account	5- year or greater time horizon low risk	5%
Foundation Athletic Account	5- year or greater time horizon with moderate to high risk as well as less than 5-year time horizon with low risk	\$30,000 budgeted to supplement Athletic Scholarships
Foundation Capital Campaign Account	Short term holdings focused on maintaining liquidity.	Less than 1%
Named Scholarship Fund	Less than 5-year time horizon	Competitive with Salmon Brothers' 3-month T- Bill Index

The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5 – 7 percent annually.

Actual returns in any given year may vary from this amount.

**Note 15: DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONT'D)****H. ENDOWMENT FUNDS (CONT'D)**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on fixed income investments to achieve its long-term return objectives.

The following table provides information regarding the change in endowment net assets:

	<b><u>Board Designated</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Endowment Net Assets, July 1, 2011	\$ 1,282,731	\$ 185,209	\$ 890,063	\$ 2,358,003
Investment Return		40,989		40,989
Contributions	303,264		270,443	573,707
Appropriated for Expenditure	(459,355)	(29,213)		(488,568)
Other Changes:				
Board-designated Endowments	108,124			108,124
Endowment Net Assets, June 30, 2012	1,234,764	196,985	1,160,506	2,592,255
Investment Return		34,950		34,950
Contributions	161,794		96,534	258,328
Appropriated for Expenditure	(447,057)	(40,359)		(487,416)
Other Changes:				
Reclassification			82,468	82,468
Board-designated Endowments	81,550			81,550
Endowment Net Assets, June 30, 2013	<u>\$ 1,031,051</u>	<u>\$ 191,576</u>	<u>\$ 1,339,508</u>	<u>\$ 2,562,135</u>

# **SINGLE AUDIT SECTION**

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**FOR THE FISCAL YEAR ENDING  
JUNE 30, 2013**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND  
STATE OF NEW JERSEY CIRCULAR 04-04-OMB**

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Mercer County Community College  
West Windsor, New Jersey, 08550

***Report on Compliance for Each Major Federal and State Program***

We have audited **Mercer County Community College's** (the "College") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the College's major federal and state programs for the fiscal year ended June 30, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 **Mercer County Community College's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the College's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, ***Mercer County Community College*** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2013.

### ***Report on Internal Control Over Compliance***

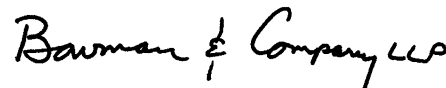
Management of the ***Mercer County Community College*** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program 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, 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 the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
March 4, 2014

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title		Federal CFDA Number	Grant Number	Program or Award Amount	Matching Contribution	Grant Period		FY 2013 Expenditures
						From	To	
U.S. Department of Education:								
Student Financial Aid Cluster (Direct Funding):								
Federal Direct Student Loans		84.268	P268K130476	\$ 5,856,025	N/A	07/01/12	06/30/13	\$ 5,856,025
Federal Pell		84.063	P063P120476	12,026,451	N/A	07/01/12	06/30/13	11,647,436
Federal Supplemental Educational Opportunity		84.007	P007A112582	176,246	N/A	07/01/12	06/30/13	164,647
Federal College Work Study		84.033	P033A122582	189,916	N/A	07/01/12	06/30/13	142,709
Total Student Financial Aid Cluster								17,810,817
TRIO Cluster (Direct Funding):								
Talent Search		84.044	P044A110142	300,073	N/A	09/01/11	08/31/12	77,560
Talent Search		84.044	P044A110147	584,452	N/A	09/01/12	08/31/13	218,652
Upward Bound		84.047	P047A070208	682,038	N/A	09/01/11	08/31/12	152,561
Upward Bound		84.047	P047A120355	394,260	N/A	09/01/12	08/31/13	230,084
Total Trio Cluster								678,857
Passed Through New Jersey Department of Education:								
Adult Basic Skills		84.002	ABS-FY 12010	536,801	N/A	07/01/12	06/30/13	393,826
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)		84.334	2400-100-074-026	550,261	\$ 116,041	09/26/12	09/25/13	290,342
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)		84.334	2400-100-074-026	400,000	181,351	09/01/11	08/31/12	201,763
Activity Grant Add'td		84.334	2400-100-074-026	2,812	N/A	09/01/11	08/31/12	2,812
								494,917
Carl D. Perkins Vocational and Applied Technology Act		84.048	Unknown	413,424	N/A	07/01/12	06/30/13	387,551
Career and Technical Education Partnership Grant (CTEP)		84.xxx	NJDOEEBE08-22-4020-0	200,000	N/A	09/01/11	08/31/12	22,266
Career and Technical Education Partnership Grant (CTEP)		84.xxx	NJDOEEBE08-22-4020-0	163,100	N/A	09/01/12	08/31/13	146,696
WIA ABE Literacy		17.259	Unknown	131,471	N/A	07/01/12	06/30/13	131,471
Total Federal Assistance								687,984.00
								\$ 20,066,401

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

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2013

<u>State Grantor/Program Title</u>	<u>State G.M.I.S. Number</u>	<u>Program or Award Amount</u>	<u>Program Funds Received</u>	<u>Grant Period From To</u>	<u>FY 2013 Expenditures</u>	<u>Cumulative Expenditures</u>
<b>Student Financial Aid Cluster:</b>						
<b>N.J. Office of the Secretary of Higher Education:</b>						
Educational Opportunity Fund - Article III	100-074-2401-001	\$ 196,626	\$ 178,784	07/01/12 06/30/13	\$ 178,784	\$ 178,784
Educational Opportunity Fund - Article III, Summer	100-074-2401-001	168,717	168,717	07/01/12 06/30/13	168,717	168,717
<b>N.J. Higher Education Student Assistance Authority:</b>						
New Jersey Stars	100-074-2405-313	172,486	165,147	07/01/12 06/30/13	165,147	165,147
Tuition Aid Grants	100-074-2405-007	1,792,167	1,659,922	07/01/12 06/30/13	1,659,922	1,659,922
New Jersey Gear Up	100-074-2400-026	42,319	42,319	07/01/12 06/30/13	42,319	42,319
<b>Total Student Financial Aid Cluster</b>					2,214,889	2,214,889
<b>N.J. Office of the Secretary of Higher Education:</b>						
Educational Opportunity Fund - Article IV	100-074-2401-002	187,559	187,345	07/01/12 06/30/13	187,345	187,345
College Bound - S.M.I.L.E.	100-074-2400-012	191,771	191,771	07/01/12 06/30/13	191,771	191,771
<b>N.J. Department of Education:</b>						
Career and Technical Education Partnership Grant (CTEP)	NJDOEEBE08-22-4020-0	146,500	109,546	09/01/12 08/31/13	379,116	379,116
<b>N.J. Department of the Treasury - Higher Education Administration:</b>						
P.L. 1971, Chapter 12 Debt Service	13-100-082-2155-015	2,667,458	2,667,458	07/01/12 06/30/13	2,667,458	2,667,458
Operational Costs - County Colleges	13-100-082-2155-016	7,352,873	7,352,873	07/01/12 06/30/13	7,352,873	7,352,873
Employer Contributions - Alternative Benefit Program- FT Faculty	13-100-082-2155-017	1,017,753	1,017,753	07/01/12 06/30/13	1,017,753	1,017,753
Employer Contributions - Alternative Benefit Program- Adjunct	13-100-082-2155-017	165,406	165,406	07/01/12 06/30/13	165,406	165,406
Employer Contributions - FICA / TPAF	13-100-082-2155-020	25,885	25,885	07/01/12 06/30/13	25,885	25,885
<b>N.J. Department of Labor:</b>						
Entrepreneurial Training Program for the Unemployed	4545-780-062-4545-002-N729-6140	7,200	7,200	07/01/12 06/30/13	7,200	7,200
<b>N.J. Department of Community Affairs</b>						
New Jersey Construction Code	100-022-5015-801	1,185	1,185	07/01/12 06/30/13	1,185	1,185
<b>Total State Financial Assistance</b>					\$ 13,941,311	\$ 13,941,311

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

**Mercer County Community College**  
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2013

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Note 1: **GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of Mercer County Community College. The College is defined in Note 1 to the College's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

Note 2: **BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting. The accrual basis of accounting is described in Note 1 to the financial statements.

Note 3: **RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the financial statements.

Note 4: **STUDENT LOAN PROGRAMS**

The College is responsible only for the performance of certain administrative duties with respect to Federal Direct Student Loans; accordingly, these loans balances 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, 2013.

Note 5: **MAJOR PROGRAMS**

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

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ending June 30, 2013

**Section 1- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified?   X   yes        no

Were significant deficiencies 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 significant deficiencies identified that were not considered to be material weaknesses?        yes   X   none reported

Type of auditor's report on compliance for major programs Unmodified

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:

<u><b>CFDA Numbers</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
<u>84.268</u>	<b>Student Financial Aid Cluster:</b>
	<u>Federal Direct Student Loans (Direct Loan)</u>
<u>84.063</u>	<u>Federal Pell Grant Program (PELL)</u>
<u>84.007</u>	<u>Federal Suppl. Educational Opportunity Grant (FSEOG)</u>
<u>84.033</u>	<u>Federal Work Study Program (FWS)</u>
<u>84.044</u>	<b>TRIO Cluster:</b>
	<u>Talent Search</u>
<u>84.047</u>	<u>Upward Bound</u>

Dollar threshold used to determine Type A programs \$601,992

Auditee qualified as low-risk auditee?   X   yes        no

**MERCER COUNTY COMMUNITY COLLEGE**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ending June 30, 2013

**Section 1- Summary of Auditor's Results (Cont'd)**

**State Financial Assistance**

Internal control over compliance:

Material weaknesses identified? \_\_\_\_\_ yes **X** no

Were significant deficiencies identified that were considered to be material weaknesses? \_\_\_\_\_ yes **X** none reported

Type of auditor's report on compliance for major programs Unmodified

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:

<u><b>GMIS Numbers</b></u>	<u><b>Name of State Program</b></u>
<u>100-074-2401-001</u>	<b>Student Financial Aid Cluster:</b> <u>Educational Opportunity Fund (EOF) - Article III</u>
<u>100-074-2401-001</u>	<u>Educational Opportunity Fund (EOF) - Article III Summer</u>
<u>100-074-2405-313</u>	<u>New Jersey Stars Program</u>
<u>100-074-2405-007</u>	<u>Tuition Aid Grant (TAG)</u>
<u>100-074-2400-026</u>	<u>New Jersey Gear Up</u>
<u>100-082-2155-015</u>	<u>Operational Costs - County Colleges</u>
<u>100-082-2155-016</u>	<u>P.L. 1971, Chapter 12 Debt Service</u>
<u>100-082-2155-017</u>	<u>Employer Contributions - Alternate Benefit Program</u>

Dollar threshold used to determine Type A programs \$418,239

Auditee qualified as low-risk auditee? **X** yes \_\_\_\_\_ no

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013

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***Section 2- Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, 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.

**Finding No. 2013-1**

**Criteria or Specific Requirement**

The general ledger and subsidiary records should be properly maintained and closed out in a timely manner to allow for the preparation of financial statements which are free from material misstatement.

**Condition**

As a result of audit procedures, material adjusting journal entries were required to be made to the general ledger to properly reflect financial statements which are free from material misstatement.

**Context**

A significant amount of time was required for researching the correct general ledger amounts and posting adjusting journal entries so that the College's financial statements would be free from material misstatements.

**Effect**

Potential errors and/or irregularities could develop and not be detected in a timely manner to enable the College to institute prompt corrective actions.

**Cause**

Due to the implementation of new accounting software, Colleague Datatel, the accounting staff was unfamiliar with generating the proper financial reports and converting beginning balances from the old software (Integrow) into the new software (Colleague Datatel). As a result, the accounting records were not closed out or reviewed in a timely manner and material audit adjustments were required.

**Recommendation**

That the general ledger and subsidiary records be properly maintained and closed out in a timely manner to allow for financial statements to be produced which are free from material misstatement.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013

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***Section 3- Schedule of Federal Award Findings and Questioned Costs***

This section identifies the significant deficiencies, 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**

**MERCER COUNTY COMMUNITY COLLEGE**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2013

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

This section identifies the significant deficiencies, 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**

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

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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**

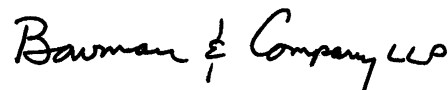
No Prior Year Findings

APPRECIATION

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

Respectfully submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants