MERCER COUNTY COMMUNITY COLLEGE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2015

MERCER COUNTY COMMUNITY COLLEGE

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MEMBERS OF THE BOARD OF TRUSTEES
As of June 30, 2015

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MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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 ("College"), a component unit of the County of Mercer, State of New Jersey, as of and for the years ended June 30, 2015 and 2014, 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.

Auditors' 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 (the "Foundation") a discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the Foundation, is 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, the 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 auditor's 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 entity's

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (Continued)

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

In our opinion, based on our audits, and the report 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 the College as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note A to the financial statements, in 2015, the College adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Comparative Financial Information

The financial statements of the Foundation as of and for the year ended June 30, 2014, were audited by other auditors, whose report dated November 7, 2014, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Management's Discussion and Analysis* on pages 5 through 9 and the Schedule of the College's Proportionate Share of Net Pension Liability and Schedule of the College's Contributions on page 36 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance (the "schedules"), and the related notes to the schedules, as well as the schedule of findings and questioned costs, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations and State of New Jersey Circular Letter 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 schedules are the responsibility of management and were derived from and relate 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 13, 2016 and December 2, 2014, for the years ended June 30, 2015 and 2014, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are 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, the Foundation, were not audited in accordance with *Government Audit Standards.*

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

January 13, 2016

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 years ended June 30, 2015, 2014 and 2013. 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 presents the financial position of 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.

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 Foundation have been included in the reports as a component unit.

Enrollment

The College enrollment is comprised of both credit and non-credit full time equated students. Only credit classes are considered eligible for support under the State of New Jersey funding formula. The College contracted The Hanover Group to perform a study of enrollment trends. Their findings projected decreases through 2017.

	2015	2014	2013	Change 2015-2014	% Change 2015-2014
Credit Hours	156,268	160,955	173,803	(4,687)	-2.9%

Financial Highlights

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.

Condensed Schedule of Net Position

	2015	2014	2013	Change 2015-2014
Current Assets	$ 16,806,718	$ 14,623,342	$ 13,818,159	$ 2,183,376
Capital Assets, net of Depreciation	60,353,521	55,831,814	55,262,262	4,521,707
Total Assets	77,160,239	70,455,156	69,080,421	6,705,083
Deferred Outflows of Resources	1,082,321	-	-	1,082,321
Current Liabilities	12,519,748	10,755,232	10,136,171	1,764,516
Net, Pension Liability	34,422,046	35,636,591	-	(1,214,545)
Total Liabilities	46,941,794	46,391,823	10,136,171	549,971
Deferred Inflows of Resources	2,472,797	-	-	2,472,797
Net Position				
Investment in Capital Assets	60,353,521	55,831,814	55,262,262	4,521,707
Restricted	708,413	774,871	614,361	(66,458)
Unrestricted	(32,233,965)	(32,543,352)	3,067,627	133,456
Total Net Position	$ 28,827,969	$ 24,063,333	$ 58,944,250	$ 4,764,636

Current assets increased from 2014 to 2015 by $2,183,376 and by $805,183 from 2013 to 2014, respectively, due to Chapter 12 monies being held in advance of the projects and an increase in capital appropriation receivables for GO Bond and ELF/TIFF projects.

Also, due to the College's implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions,* deferred outflows and inflows of resources, as well as net pension liability and unrestricted net position – change in accounting principle were included in the schedule this year. Current liabilities increased due to an increase in unearned revenue from Fall tuition collected in advance.

Capital Assets

Capital activity for the fiscal years ended June 30, 2015, 2014 and 2013 is as follows:

	Balance June 30, 2014	Additions	Deletions	Transfers	Balance June 30, 2015	Balance June 30, 2013
Land	$ 1,599,769	$ -	$ -	$ -	$ 1,599,769	$ 1,599,769
Construction in Progress	2,116,979	5,858,731	-	360,467	7,615,243	10,023
Land Improvements	3,173,489	245,357	-	-	3,418,846	2,880,121
Buildings and Improvements	71,933,456	939,097	-	-	72,872,553	71,604,418
Equipment	6,898,372	323,450	-	-	7,221,822	6,686,494
Total	85,722,065	7,366,635	-	360,467	92,728,233	82,780,825
Less Accumulated Depreciation	(29,890,251)	(2,484,461)	-	-	(32,374,712)	(27,518,563)
Capital Assets, net	$ 55,831,814	$ 4,882,174	$ -	$ 360,467	$ 60,353,521	$ 55,262,262

Capital Assets (Continued)

Capital assets have increased over the previous year primarily due to both Chapter 12 funded and GO Bond funded projects as follows:

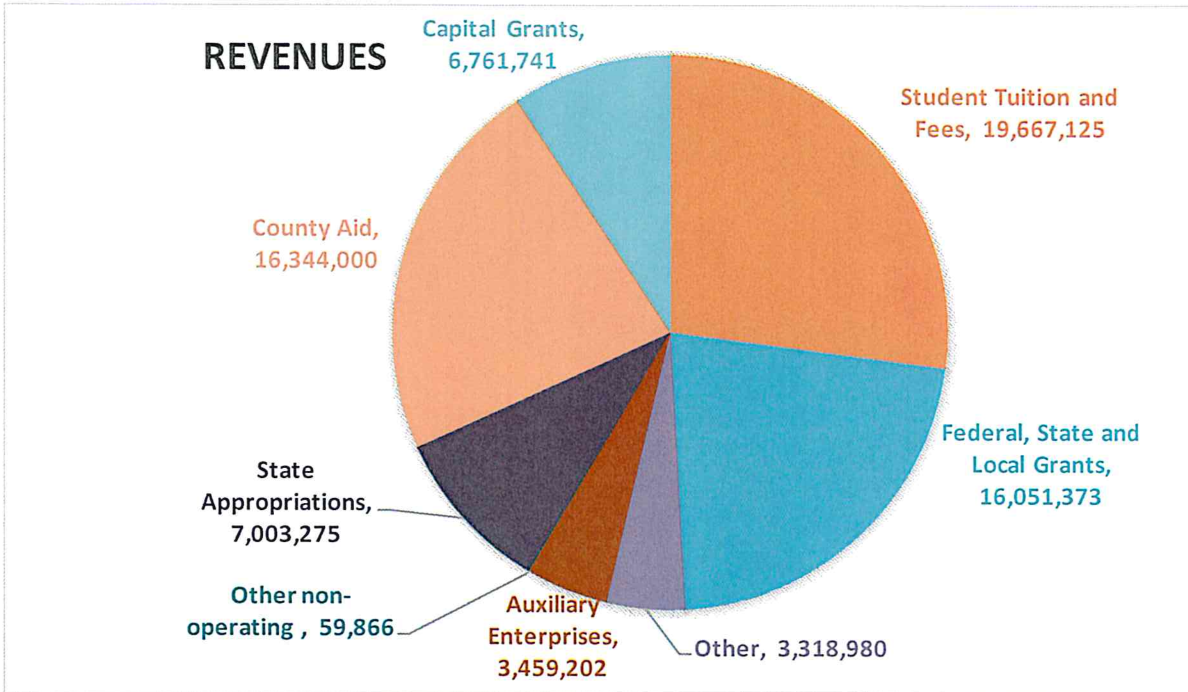
- Major renovations on the West Windsor campus including work at the Math Science, Engineering and Liberal Arts Buildings.
- Security Fence and North Wall Construction on the James Kearney Campus.
- Additional renovations at the Physical Education Building and Tennis Courts, on the West Windsor Campus.

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 enterprises.

Condensed Schedule of Revenues, Expenses and Changes in Net Position

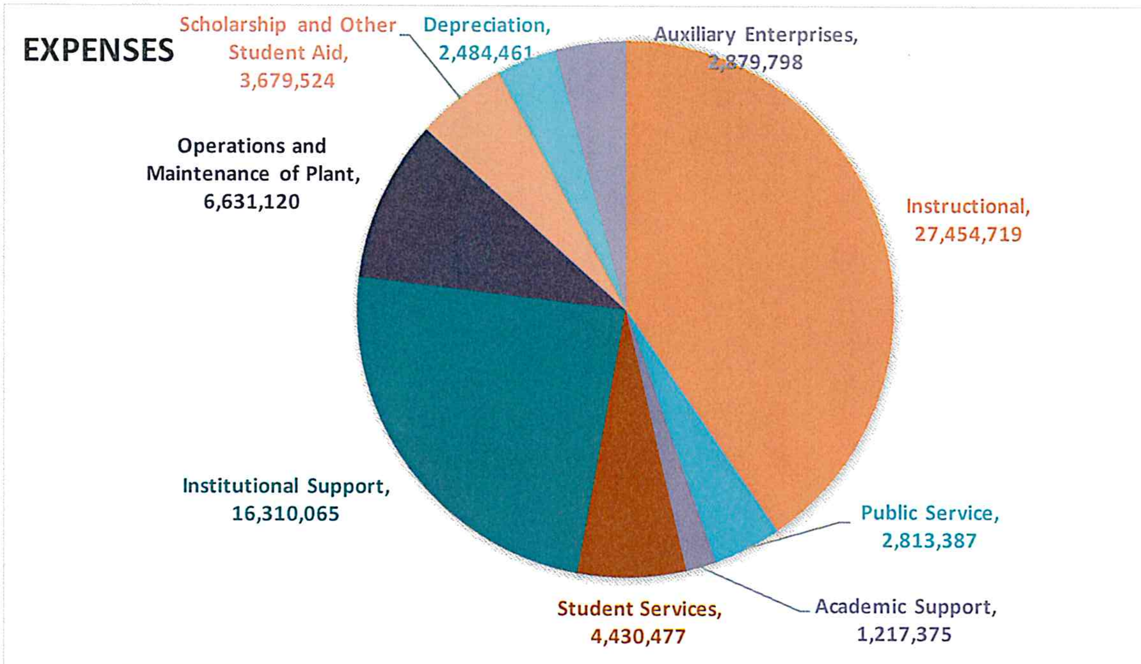
	2015	2014	2013	Change 2015-2014
Operating Revenues:				
Student tuition and fees, net	$ 19,667,125	$ 20,017,287	$ 19,418,936	$ (350,162)
Federal, state, and local grants and student aid	16,051,373	17,450,883	17,659,264	(1,399,510)
Other	3,318,980	3,217,468	3,708,298	101,512
Auxiliary enterprises	3,459,202	3,567,231	3,638,105	(108,029)
Total operating revenues	42,496,680	44,252,869	44,424,603	(1,756,189)
Operating expenses:				
Educational and general:				
Instruction	27,454,719	27,571,156	28,432,392	(116,437)
Public service	2,813,387	2,955,794	3,079,674	(142,407)
Academic support	1,217,375	1,434,382	1,522,279	(217,007)
Student services	4,430,477	4,482,136	4,451,875	(51,659)
Institutional support	16,310,065	16,263,841	16,625,343	46,224
Operations and maintenance of plant	6,631,120	7,814,461	8,599,567	(1,183,341)
Scholarship and other student aid	3,679,524	3,233,183	4,732,510	446,341
Depreciation	2,484,461	2,450,754	2,226,986	33,707
Auxiliary enterprises	2,879,798	3,172,493	3,138,265	(292,695)
Total operating expenses	67,900,926	69,378,200	72,808,891	(1,477,274)
Operating loss	(25,404,246)	(25,125,331)	(28,384,288)	(278,915)
Non-operating revenues, net	23,407,141	23,923,237	23,361,449	(516,096)
Capital grants	6,761,741	1,957,768	5,334,915	4,803,973
Increase in net position	4,764,636	755,674	312,076	4,008,962
Net position - beginning of year	24,063,333	58,944,250	58,632,174	(34,880,917)
Cumulative change in accounting principle	-	(35,636,591)	-	35,636,591
Net position-beginning of year, restated	24,063,333	23,307,659	58,632,174	755,674
Net position - end of year	$ 28,827,969	$ 24,063,333	$ 58,944,250	$ 4,764,636



Operating revenues decreased by $1,756,189 from fiscal 2014 to 2015 and by $171,734 from 2013 to 2014, respectively, primarily as a result of a decline in student credit enrollment, from both tuition and fees and related government grants and enrollment in the College's non-credit contracted training program.

Non-operating revenues (state appropriations, county aid and capital grants) decreased by $516,096 from fiscal year 2014 to 2015 and increased $561,788 from fiscal year 2013 and 2014, respectively, due to changes in the County's financial support of the College.

Also, Chapter 12 financing in the form of capital grants resulted in revenue from the County totaling $6,761,741 in fiscal year 2015 and $1,957,768 in fiscal year 2014, due to the renovation projects on both the West Windsor and Trenton Campuses mentioned previously.



Operating expenses decreased $1,477,274 from fiscal year 2014 to 2015 primarily due to a decrease in consulting expense related to the Ellucian project completed in 2014 and a decrease in utilities expenses due to the solar project which is producing 70% of the College's electric energy at the West Windsor Campus.

Economic and Other Factors that will Effect 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 2015 decline of 2.9% compared to 2014, in credit hour enrollment as shown in the enrollment audit. This decline is consistent with the study prepared by Hanover Institute, which forecasted continuing decline in enrollment every year totaling an estimated 25% for the 5 year period from 2012 through 2017.

- This decreased enrollment will be partially offset by:
    - An expected increase in enrollment resulting from the College's agreement with American Honors, which is a program offered to help students committed to earning a bachelor's degree.
    - The College partnerships with Rutgers, the State University, William Paterson University, Felician College and Fairleigh Dickinson University which could 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 years 3 and 4 at the College with these University partners.
    - The successful implementation of the First Thirty program which focuses on enrollment and retention of students.
    - An increased emphasis on retention of students and new program offerings, especially at the Trenton Campus.

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

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

MERCER COUNTY COMMUNITY COLLEGE

STATEMENT OF NET POSITION
As of June 30, 2015 AND 2014

	2015		2014	
	College	Component Unit The Foundation	College	Component Unit The Foundation
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 5,281,081	$ 686,364	$ 4,284,425	$ 1,271,688
Investments	1,474,280	8,254,110	1,596,029	7,750,567
Accounts Receivable, net	5,744,430	-	5,812,488	-
Interest Receivable	-	4,407	-	16,351
Pledges Receivable, net	-	130,014	-	140,342
Inventories	15,930	-	26,494	-
Prepaid Expenses	444,750	-	589,938	-
Capital Appropriation Receivables	3,846,247	-	2,313,968	-
	16,806,718	9,074,895	14,623,342	9,178,948
Non-Current Assets:				
Capital Assets, net	60,353,521	-	55,831,814	-
Total Assets	77,160,239	9,074,895	70,455,156	9,178,948
DEFERRED OUTFLOW OF RESOURCES	1,082,321	-	-	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,804,795	63,932	3,169,139	14,519
Accrued Expenses	3,414,915		3,233,217	
Due to Affiliate:				
Other	-	56,970	-	165,932
Unearned Revenue:				
Student Tuition and Fees	7,300,038	-	4,352,876	-
	12,519,748	120,902	10,755,232	180,451
Non-Current Liabilities:				
Net Pension Liability	34,422,046	-	35,636,591	-
Total Liabilities	46,941,794	120,902	46,391,823	180,451
DEFERRED INFLOW OF RESOURCES	2,472,797	-	-	-
NET POSITION				
Net Investment in Capital Assets	60,353,521	-	55,831,814	-
Restricted for:				
Nonexpendable:				
Scholarships	353,811	1,077,132	186,878	1,235,305
Programs	-	353,811	-	168,823
Expendable:				
Scholarships and Grants	-	4,083,892	587,993	4,159,797
Programs	354,602	501,045	-	522,158
Capital Improvements	-	356,653	-	269,790
Unrestricted	(32,233,965)	2,581,460	(32,543,352)	2,642,624
Total Net Position	$ 28,827,969	$ 8,953,993	$ 24,063,333	$ 8,998,497

See notes to financial statements.

MERCER COUNTY COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2015 and 2014

	2015		2014	
	College	Component Unit The Foundation	College	Component Unit The Foundation
REVENUES				
Operating Revenues:				
Student Tuition and Fees, net	$ 19,667,125	$ -	$ 20,017,287	$ -
Federal State and Local Grants	16,051,373	-	17,450,883	-
Gifts and Contributions	-	462,194	-	527,840
Other	3,318,980	142,412	3,217,468	130,622
Auxiliary Enterprises	3,459,202	-	3,567,231	-
Total Operating Revenue	42,496,680	604,606	44,252,869	658,462
EXPENSES				
Operating Expenses:				
Educational and General:				
Instruction	27,454,719	-	27,571,156	-
Public Service	2,813,387	-	2,955,794	-
Academic Support	1,217,375	-	1,434,382	-
Student Services	4,430,477	-	4,482,136	-
Institutional Support	16,310,065	-	16,263,841	-
Operations and Maintenance of Plant	6,631,120	-	7,814,461	-
Scholarships and Other Student Aid	3,679,524	366,987	3,233,183	312,030
Depreciation	2,484,461	-	2,450,754	-
Other Expenditures	-	399,653	-	221,346
Auxiliary Enterprises	2,879,798	-	3,172,493	-
Total Operating Expenses	67,900,926	766,640	69,378,200	533,376
Operating (Loss) Income	(25,404,246)	(162,034)	(25,125,331)	125,086
NON-OPERATING REVENUES (EXPENSES)				
State Appropriations	7,003,275	-	7,158,627	-
County Operating Appropriation				
County Aid	16,344,000	-	16,752,953	-
Disposal of Capital Assets	-	-	(14,796)	-
Investment Income (Loss)	59,866	117,530	26,453	612,134
On-Behalf Payments - Alternate Benefit Program:				
Revenues	1,147,425	-	1,154,946	-
Expenses	(1,147,425)	-	(1,154,946)	-
Net Non-Operating Revenues	23,407,141	117,530	23,923,237	612,134
(Loss) Income Before Other Revenue	(1,997,105)	(44,504)	(1,202,094)	737,220
OTHER REVENUE				
Capital Grants	6,761,741	-	1,957,768	-
Increase in Net Position	4,764,636	(44,504)	755,674	737,220
Net Position - Beginning of Year	24,063,333	8,998,497	58,944,250	8,261,277
Cumulative change in accounting principle	-	-	(35,636,591)	-
Net Position- Beginning of Year, restated	24,063,333	8,998,497	23,307,659	8,261,277
Net Position - End of Year	$ 28,827,969	$ 8,953,993	$ 24,063,333	$ 8,998,497

See notes to financial statements.

MERCER COUNTY COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015 College	2014 College
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tuition and Fees	$ 22,682,345	$ 20,192,256
Receipts from Grants and Contracts	16,051,373	18,955,462
Other Receipts	6,778,182	5,105,151
Payments to Employees and Fringe Benefits	(44,934,924)	(46,098,138)
Payments to Vendors and Suppliers	(17,652,980)	(16,834,944)
Payments for Scholarships and Student Aid	(3,679,524)	(3,233,183)
Net Cash from Operating Activities	(20,755,528)	(21,913,396)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	7,003,275	7,158,627
County Appropriations	16,344,000	14,563,616
Net Cash from Noncapital Financing Activities	23,347,275	21,722,243
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets, net	(7,006,168)	(3,049,897)
Capital Grants, net	5,229,462	2,303,464
Net Cash from Capital and Related Financing Activities	(1,776,706)	(746,433)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	110,407	17,421
Interest and Dividends on Investments	71,208	26,454
Net Cash from Investing Activities	181,615	43,875
Net Increase (Decrease) in Cash and Cash Equivalents	996,656	(893,711)
Cash and Cash Equivalents - Beginning of Year	4,284,425	5,178,136
Cash and Cash Equivalents - End of Year	$ 5,281,081	$ 4,284,425
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating Loss	$ (25,404,246)	$ (25,125,331)
Adjustment to Reconcile Operating Loss to Net Cash From Operating Activities:		
Depreciation Expense	2,484,461	2,450,754
Bad Debt Expense	400,456	969,996
Changes in Assets and Liabilities:		
Receivables	(332,398)	(955,815)
Inventories	10,564	(9,318)
Prepaid Expenses	145,188	137,257
Accounts Payable and Accrued Expenses	(1,006,715)	1,523,218
Unearned Revenue	2,947,162	(904,157)
Net Cash from Operating Activities	$ (20,755,528)	$ (21,913,396)

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Mercer County Community College (the "College") is a comprehensive, coeducational, 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 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 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.

The College is a component unit of the County of Mercer.

Component Unit

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 College board members. In addition, College employees and facilities are used to support some activities of the Foundation.

The Foundation meets the requirements for discrete presentation in the financial statements of the College. There were certain presentation adjustments to the financial statements of the Foundation required to conform to the classification and display requirements applicable to the College.

The individual reports of audit of the Foundation for the fiscal years ended June 30, 2015 and 2014, 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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, the 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. 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, and 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 the statements of net position. All interest, dividends and realized and unrealized gains and losses 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. 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 and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or $200 million, 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The College does not have a formal written policy for writing off uncollectible student accounts or re-establishing the allowance; however, past practice has been to write off uncollectable accounts after two years of delinquency.

Inventories

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

Prepaid Expenses

Prepaid expenses represent payments made to vendors for services that will benefit periods beyond June 30.

Capital Assets

Capital assets include land, buildings, improvements and equipment. 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 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 asset's 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:

Asset	Years
Land improvements	20
Buildings and building improvements	20-45
Equipment and furnishing	5-20

Unearned Revenue

Unearned revenue represents tuition revenue that has been billed and collected before June 30 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.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 represents 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. During fiscal year 2015, the cumulative change in accounting principle for the College's net, pension liability that was required to be recorded under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* was also included as a component of unrestricted net position.

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 monies for the support of the college in an amount no less than those monies 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ended June 30, 2015 and 2014, was $8,718,093 and $10,026,892, respectively, which is netted against student tuition and fees.

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 of 1984 (with amendments in 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.

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.

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 over the life of the license for usage and equipment, in the Statement of Revenue, Expenses, and Changes in Net Position under Operating revenues – Auxiliary Enterprises.

Classification of Revenues

<u>Operating Revenues</u> – 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.

<u>Non-Operating Revenues</u> – 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 Nonexpendable 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").

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

Restatement of Net Position

In fiscal year 2015, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The June 30, 2014, net position was restated as follows:

Net position at June 30 - reported	$ 58,944,250
Change in reporting for net pension liability	(35,636,591)
Net position at June 30 - restated	$ 23,307,659

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

Subsequent Events

The College has evaluated subsequent events through DATE, which is the date the financial statements were available to be issued. Based on this evaluation, the College has determined that no events have occurred which require disclosure in the financial statements.

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. Although the College does not have a formal written 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 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, 2015 and 2014, the College's bank balances were exposed to custodial credit risk as follows:

	2015	2014
Insured	$ 315,584	$ 859,141
Collateralized under GUDPA	5,677,962	4,708,773
	$ 5,993,546	$ 5,567,914

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 written policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

B. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 States Treasury Obligations.

As of June 30, 2015 and 2014, the College had the following investments and maturities:

Investment	Moody's Credit Rating	Fair Value 2015	Fair Value 2014
United States Treasury Obligations	AAA	$ 1,474,280	$ 1,596,029

C. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2015 and 2014.

	2015	2014
Student accounts receivable	$ 4,853,811	$ 2,763,406
Federal, state and local grants receivable	1,677,253	2,281,403
Other accounts receivable	983,703	1,515,678
	7,514,767	6,560,487
Less allowance for doubtful accounts	(1,770,337)	(747,999)
Net accounts receivable	$ 5,744,430	$ 5,812,488

D. CAPITAL ASSETS

A summary of changes in the various capital asset categories for the year ending June 30, 2015, is presented as follows:

	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Capital assets, Non-Depreciable					
Land	$ 1,599,769	$ -	$ -	$ -	$ 1,599,769
Construction in Progress	2,116,979	5,858,731	-	360,467	7,615,243
	3,716,748	5,858,731	-	360,467	9,215,012
Capital Assets, Depreciable					
Land Improvements	3,173,489	245,357	-	-	3,418,846
Buildings and Improvements	71,933,456	939,097	-	-	72,872,553
Furniture, Machinery and Equipment	6,898,372	323,450	-	-	7,221,822
	82,005,317	1,507,904	-	-	83,513,221
Less Accumulated Depreciation for					
Land Improvements	(1,062,342)	(163,885)	-	-	(1,226,227)
Buildings and Improvements	(24,291,049)	(1,722,613)	-	-	(26,013,662)
Furniture, Machinery and Equipment	(4,536,860)	(597,963)	-	-	(5,134,823)
	(29,890,251)	(2,484,461)	-	-	(32,374,712)
Total Capital Assets, Depreciable net	52,115,066	(976,557)	-	-	51,138,509
Capital Assets, net	$ 55,831,814	$ 4,882,174	$ -	$ 360,467	$ 60,353,521

A summary of changes in the various capital asset categories for the year ending June 30, 2014, is presented as follows:

	Balance July 1, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
Capital Assets, Non-Depreciable					
Land	$ 1,599,769	$ -	$ -	$ -	$ 1,599,769
Construction in Progress	10,023	2,106,956	-	-	2,116,979
	1,609,792	2,106,956	-	-	3,716,748
Capital Assets, Depreciable					
Land Improvements	2,880,121	293,368	-	-	3,173,489
Buildings and Improvements	71,604,418	329,038	-	-	71,933,456
Furniture, Machinery and Equipment	6,686,494	305,740	93,862	-	6,898,372
	81,171,033	928,146	93,862	-	82,005,317
Less Accumulated Depreciation for					
Land Improvements	(911,925)	(150,417)	-	-	(1,062,342)
Buildings and Improvements	(22,600,139)	(1,690,910)	-	-	(24,291,049)
Furniture, Machinery and Equipment	(4,006,499)	(609,427)	(79,066)	-	(4,536,860)
	(27,518,563)	(2,450,754)	(79,066)	-	(29,890,251)
Total Capital Assets, Depreciable net	53,652,470	(1,522,608)	14,796	-	52,115,066
Capital Assets, net	$ 55,262,262	$ 584,348	$ 14,796	$ -	$ 55,831,814

Depreciation expense for the years ended June 30, 2015 and 2014, was $2,484,461 and $2,450,754, respectively.

E. 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's 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, 2015 and 2014, the liabilities for accrued compensated absences are included in accrued expenses and consist of the following:

	2015	2014
Vacation	$ 1,438,755	$ 1,535,213
Sick	395,645	391,323
Total	$ 1,834,400	$ 1,926,536

F. COMPONENTS OF UNRESTRICTED NET POSITION

The following is a summary of the components of unrestricted net position at June 30, 2015 and 2014:

	2015	2014
Allocated for:		
Unemployment	$ 500,000	$ 500,000
Technology	100,000	100,000
Educational Broadcast Service	150,000	150,000
Insurance	100,000	100,000
WWFM Radio	150,000	150,000
Operating revenue	1,578,557	1,093,239
Capital projects	1,000,000	1,000,000
Subtotal	3,578,557	3,093,239
Long-term net, pension liabilities	(35,812,522)	(35,636,591)
Total components of net position	$ (32,233,965)	$ (32,543,352)

G. 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 ("PERS") or (2) the New Jersey Alternate Benefit Program ("ABP"), both of which are administered and/or regulated by the New Jersey Division of Pensions and Benefits. In addition, a small percentage of part-time College employees participate in the Defined Contribution Retirement Program ("DCRP"), 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

G. PENSION PLANS (CONTINUED)

Plan Description

PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955. The PERS plan 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 43:38.

Benefits Provided

All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Contributions

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the PERS were required to contribute 5.00% 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 5.50% 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 1.00% 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 active member effective contribution rates were July 1, 2014, 6.92%, July 1, 2013, 6.78%, and July 1, 2012, 6.64%. 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. Contributions to PERS from the College were $1,515,646 and $1,404,953 for the years ended June 30, 2015 and 2014, respectively.

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

At June 30, 2015 and 2014, the College reported a liability of $34,422,046 and $35,636,591 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportionate share of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the plan, actuarial determined. At June 30, 2014, the College's proportion was 0.1838515911%, which was a decrease of .002 from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the College recognized pension expense of $1,515,646. At June 30, 2015, the College reported deferred outflows of resources as follows:

G. PENSION PLANS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 1,082,321	$ -
Net difference between projected and actual earnings on pension plan investments	-	2,051,367
Changes in proportion and differences between College contributions and proportionate share of contributions	-	421,430
	$ 1,082,321	$ 2,472,797

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.01%
Salary increases	2.15%-4.4% based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables, with adjustments for mortality improvements from the base year 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

In accordance with State statue, the long term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees, and the actuaries. Best estimates of arithmetic real rates of return of each major asset class included in PERS's target asset allocation as of June 30, 2014, are summarized in the following table:

	Target Allocation	Long-term Expected Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equities	8.25%	13.02%
Hedge Fund/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	100.00%	

G. PENSION PLANS (CONTINUED)

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projected cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Other Pension Plans

The 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 contribution 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 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 ("TIAAICREF")
ING Life Insurance and Annuity Company
Equitable Life
The Variable Annuity Life Insurance Company ("VALJC")
The Hartford Group
Prudential
MetLife

G. PENSION PLANS (CONTINUED)

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

Fiscal Year	Total Contribution	Funded by Employee	Funded by State	Paid by College
2015	$ 2,057,759	$ 793,877	$ 1,147,425	$ 116,457
2014	2,008,832	774,899	1,154,947	78,986
2013	2,411,770	924,189	1,183,158	304,423

The DCRP - 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.

The College's contributions, equal to the required contribution for each fiscal year, were as follows:

Fiscal Year	Total Contribution	Funded by Employee	Funded by State	Paid by College
2015	$ 67,634	$ 43,763	$ -	$ 23,871
2014	64,710	41,860	-	22,850
2013	66,777	43,218	-	23,559

H. STATE POST EMPLOYMENT BENEFITS

The College participates in a cost sharing multiple-employer defined post-retirement benefit plan PERS, which is administered by the State of New Jersey. PERS provides continued health care benefits to employees retiring after twenty-five years of service. Benefits, contributions, funding and the manner of administration are determined by the State Legislature. The Division of Pension charges the College for its contributions. The total number of employees receiving healthcare benefits was 23, 20 and 22 at June 30, 2015, 2014, and 2013, respectively.

The total cost for these post-retirement benefits approximates $102,135, $105,105 and $98,786 for the years ended June 30, 2015, 2014 and 2013, respectively. Please refer to the State website, www.state.ni.us for more information regarding the plan. The PERS financial report may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

I. 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.

J. 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 - The College is a member of the New Jersey County College Insurance Pool ("Pool") for the purpose of obtaining workers' compensation insurance coverage. Contributions to the Pool are payable in an annual premium and are based on actuarial assumptions determined by the Pool's actuary. Contributions to the Pool for the fiscal years ended June 30, 2015 and 2014, were $210,047 and $227,704, respectively. These contributions are determined by the Pool's underwriters.

K. EDUCATION AND GENERAL EXPENSES BY FUNCTION

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

2015							
Educational and General Expenditures	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Instruction	$ 22,753,536	$ 3,943,724	$ 757,459	$ -	$ -	$ -	$ 27,454,719
Public Service	1,834,195	908,373	70,819	-	-	-	2,813,387
Academic Support	779,770	417,375	20,230	-	-	-	1,217,375
Student Services	3,767,442	525,197	137,838	-	-	-	4,430,477
Institutional Support	13,565,577	2,491,572	252,916	-	-	-	16,310,065
Operation and Maintenance of Plant	2,592,033	1,749,725	614,032	-	1,675,330	-	6,631,120
Scholarship and Other Student Aid	-	-	-	3,679,524	-	-	3,679,524
Depreciation	-	-	-	-	-	2,484,461	2,484,461
Subtotal	$ 45,292,553	$ 10,035,966	$ 1,853,294	$ 3,679,524	$ 1,675,330	$ 2,484,461	$ 65,021,128
Auxiliary Expenses							2,879,798
						Total Functional Expenses	$ 67,900,926

2014							
Educational and General Expenditures	Salaries & Benefits	Supplies & Materials	Services	Scholarships	Utilities	Depreciation	Total
Instruction	$ 23,164,067	$ 3,729,966	$ 677,123	$ -	$ -	$ -	$ 27,571,156
Public Service	1,989,926	883,071	82,797	-	-	-	2,955,794
Academic Support	980,737	416,396	37,249	-	-	-	1,434,382
Student Services	3,783,916	557,071	141,149	-	-	-	4,482,136
Institutional Support	12,873,392	3,085,004	305,445	-	-	-	16,263,841
Operation and Maintenance of Plant	2,669,755	1,234,074	1,389,028	-	2,521,604	-	7,814,461
Scholarship and Other Student Aid	-	-	-	3,233,183	-	-	3,233,183
Depreciation	-	-	-	-	-	2,450,754	2,450,754
Subtotal	$ 45,461,793	$ 9,905,582	$ 2,632,791	$ 3,233,183	$ 2,521,604	$ 2,450,754	66,205,707
Auxiliary Expenses							3,172,493
						Total Functional Expenses	$ 69,378,200

L. 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, 2015 and 2014, were $427,012 and $497,408, respectively.

M. 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 less the deductible.

N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

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

NATURE OF ACTIVITIES

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Basis of Presentation
Financial reporting for not-for-profit organizations requires that the Foundation report information regarding its financial position and activity according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents
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-related losses.

Investments
The Foundation carries investments at fair market value. Unrealized gains and losses occurring during the years ended June 30, 2015 and 2014, are presented in the accompanying statement of revenues, expenses and changes in net position.

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, 2015 or 2014, respectively.

N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POUCIES (CONTINUED)

The Foundation files a tax return in the U.S. federal jurisdiction. The Foundation has no open years prior to June 30, 2012. The Foundation does not have any income tax related penalties or interest for the periods reported in 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.

2. INVESTMENTS

Investments are stated at fair value as of June 30, 2015 and 2014, respectively. The unrealized appreciation (depreciation) reflects differences from cost on a cumulative basis, and consists of the following:

	June 30, 2015		
	Cost	Fair Market Value	Unrealized (Depreciation) Appreciation
Corporate Fixed Income	$ 2,998,663	$ 2,947,656	$ (51,007)
Mutual funds	5,285,488	5,306,454	20,966
	$ 8,284,151	$ 8,254,110	$ (30,041)

	June 30, 2014		
	Cost	Value	Unrealized Appreciation
Corporate Fixed Income	$ 259,065	$ 283,857	$ 24,792
Common Stocks	536,290	731,182	194,892
Mutual Funds	2,616,956	2,722,602	105,646
Exchange-Traded and Closed-End Funds	682,418	717,266	34,848
Certificates of Deposit	3,201,120	3,295,660	94,540
	$ 7,295,849	$ 7,750,567	$ 454,718

N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

3. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 exchange 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.

Assets measured at fair value on a recurring basis as of June 30, 2015 and 2014, are summarized as follows:

	Fair Value Measurements as of June 30, 2015			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 686,364	$ 686,364	$ -	$ -
Corporate Fixed Income	2,947,656	2,947,656	-	-
Mutual Funds	5,306,454	5,306,454	-	-
	$ 8,940,474	$ 8,940,474	$ -	$ -

	Fair Value Measurements as of June 30, 2014			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 1,271,688	$ 1,271,688	$ -	$ -
Corporate Fixed Income	283,857	283,857	-	-
Common Stocks	731,182	731,182	-	-
Mutual Funds	2,722,602	2,722,602	-	-
Exchange-Traded & Closed-End Funds	717,266	717,266	-	-
Certificates of Deposit	3,295,660	-	3,295,660	-
	$ 9,022,255	$ 5,726,595	$ 3,295,660	$ -

N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

4. PLEDGES RECEIVABLE

Pledges receivable include only unconditional promises to give:

	June 30, 2015	June 30, 2014
Pledges Receivable	$ 130,414	$ 140,726
Present Value Discount at 0.75 Percent	(400)	(384)
	$ 130,014	$ 140,342

5. 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 fulltime 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 $56,970 and $165,932 at June 30, 2015 and 2014, respectively.

6. RESTRICTIONS ON NET ASSETS

Temporarily Restricted Assets
Temporarily restricted assets were available for the following purposes:

	June 30, 2015	June 30, 2014
Scholarships	$ 4,083,892	$ 4,159,796
Programs	501,045	522,158
Capital Improvements	356,653	269,790
	$ 4,941,590	$ 4,951,744

N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

6. RESTRICTIONS ON NET ASSETS (CONTINUED)

Net assets were released from donor restrictions as follows:

	June 30, 2015	June 30, 2014
Expenses incurred to satisfy donor requirements	$ 477,543	$ 154,791

In May 2013, in accordance with a donor request, $82,468 of net assets was reclassified from temporarily restricted assets to permanently restricted assets and in 2014, $100,000 was reclassified from permanently restricted net assets to board designated net 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.

7. ENDOWMENT FUNDS

The Foundation's endowment funds consist of approximately four 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:

N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

7. ENDOWMENT FUNDS (CONTINUED)

(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; and
(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:

Fund Investments Objectives	Investment Policy	Target Return
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 Morgan Stanley 3-month T-Bill Index

N. DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

7. ENDOWMENT FUNDS (CONTINUED)

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.

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:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, July 1, 2013	$ 1,031,051	$ 191,576	$ 1,339,508	$ 2,562,135
Investment Return	-	30,080	-	30,080
Contributions	154,791	-	64,620	219,411
Appropriated for Expenditure	(401,143)	(39,220)	-	(440,363)
Other Changes:				
Reclassification	100,000	-	-	100,000
Board-Designed Endowments	130,522	-	-	130,522
Endowment Net Assets, June 30, 2014	1,015,221	182,436	1,404,128	2,601,785
Investment Return	-	45,600	-	45,600
Contributions	477,543	-	26,815	504,358
Appropriated for Expenditure	(623,240)	(59,514)	-	(682,754)
Other Changes:				
Reclassification	105,509	-	-	105,509
Board-Designed Endowments	142,412	-	-	142,412
Endowment Net Assets, June 30, 2015	$ 1,117,445	$ 168,522	$ 1,430,943	$ 2,716,910

REQUIRED SUPPLEMENTARY INFORMATION

MERCER COUNTY COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

Schedule of the College's Proportionate Share of the Net Pension Liability

	2015	2014
College's Proportion of the Net Pension Liability	0.1838516%	0.18646199%
College's Proportionate Share of the Net Pension Liability	34,422,046	35,636,591
College's Covered-Employee Payroll	11,872,074	12,514,154
College's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	290%	285%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75%	

Schedule of the College's Contributions

	2015	2014
Contractually Required Contribution	$ 1,515,646	$ 1,404,953
Contribution in Relation to the Contractually Required Contribution	1,515,646	1,404,953
	$ -	$ -
College's Covered-Employee Payroll	11,872,074	12,514,154
Contributions as a Percentage of Covered-Employee Payroll	13%	11%

SUPPLEMENTARY INFORMATION

MERCER COUNTY COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Program Funds Received	Grant Period From	Grant Period To	Expenditures
US Department of Education (Direct Funding):							
Student Financial Aid:							
Federal Family Education Loan Program:							
Subsidized	84.268	P268K150476	$ 2,006,859	$ 2,006,859	07/01/14	06/30/15	$ 2,006,859
Unsubsidized	84.268		1,797,079	1,797,079	07/01/14	06/30/15	1,797,079
Federal Pell	84.063	P063P140476	9,990,881	9,990,881	07/01/14	06/30/15	9,990,881
Federal Supplemental Educational Opportunity	84.007	P007A142582	206,217	158,668	07/01/14	06/30/15	158,668
Federal College Work Study	84.033	P033A142582	168,574	153,036	07/01/14	06/30/15	153,036
Total Student Financial Aid							14,106,523
Other Federal Programs:							
Talent Search	84.044		300,073	244,776	09/01/14	08/31/15	244,776
Talent Search	84.044		275,360	44,560	09/01/13	08/31/14	44,560
Upward Bound	84.047		394,260	267,773	09/01/14	08/31/15	267,773
Upward Bound	84.047		373,640	128,599	09/01/13	08/31/14	128,599
Total Other Federal							685,708
US Department of Education:							
Passed Through New Jersey Department of Education:							
Carl D. Perkins Vocational and Applied Technology Act	84.048		362,378	362,378	07/01/14	06/30/15	362,378
Gear Up	84.002		550,261	331,978	09/26/14	9/2452015	331,978
Gear Up	84.002		550,261	279,893	09/26/13	9/25/2014	279,893
TAACCCT	17.282		192,633	47,302	10/01/14	09/30/15	47,302
Activity Grant	84.002		9,277	9,277			9,277
Adult Basic Skills	84.002		493,210	473,992	07/01/14	06/30/15	473,992
21st Century	84.287	EK28	250,000	223,324	10/01/14	09/30/15	223,324
WIA ABE Literacy	17.259		117,000	80,091	07/01/14	06/30/15	80,091
Total Department of Education							1,808,235
Total Federal Assistance							$ 16,600,466

See 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 Year Ended June 30, 2015

State Grantor/Program Title	State Grant Number	Program or Award Amount	Program Funds Received	Grant Period From	Grant Period To	Expenditures
Student Financial Aid Programs:						
Department of State - Commission on Higher Education:						
Opportunities Program Grants:						
Educational Opportunity Fund - Article III	07-100-074-2401-001	$ 176,441	$ 167,354	07/01/14	06/30/15	$ 167,354
Educational Opportunity Fund - Article III, Summer	07-100-074-2401-001	114,117	114,117	07/01/14	06/30/15	114,117
Educational Opportunity Fund - Article IV	07-100-074-2401-002	209,003	209,003	07/01/14	06/30/15	209,003
New Jersey Stars	07-100-074-2405-313	190,246	190,246	07/01/14	06/30/15	190,246
New Jersey Gear Up	07-100-074-2400-026	37,962	37,962	07/01/14	06/30/15	37,962
College Bound - S.M.I.L.E.	07-100-074-2400-012	191,771	191,771	07/01/14	06/30/15	191,771
Department of the Treasury - Office of Student Assistance:						
Tuition Aid Grants	07-100-074-2405-007	1,680,449	1,680,449	07/01/14	06/30/15	1,680,449
Total Student Financial Aid Programs		2,599,989	2,590,902			2,590,902
NJ Department of Education:						
Career & Technical Education Partnership Grant (CTEP)	NJDOEBE08-22-4020-0	6,780	6,780	09/01/13	08/31/14	6,780
Department of the Treasury:						
Chapter 12 Reimbursed Expenses	13-100-082-2155-016	2,127,624	2,127,624	07/01/14	06/30/15	2,127,624
Operational Costs - County Colleges	13-100-082-2155-015	7,003,275	7,003,275	07/01/14	06/30/15	7,003,275
Employer Contributions - Alternative Benefit Program-Faculty	13-100-082-2155-017	981,175	981,175	07/01/14	06/30/15	981,175
Employer Contributions - Alternative Benefit Program-Adjunct	13-100-082-2155-017	166,250	166,250	07/01/14	06/30/15	166,250
Employer Contributions - FICA / TPAF	13-100-082-2155-020	9,685	9,685	07/01/14	06/30/15	9,685
Total Department of Treasury		10,288,009	10,288,009			10,288,009
Department of Labor;						
New Jersey Youth Corps	NTE 'FY15YC	357,020	322,436	07/01/14	06/30/15	322,436
Total State Financial Assistance		$ 13,251,798	$ 13,208,127			$ 13,208,127

See notes to schedules of expenditures of federal awards and state financial assistance.

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Note 1: **General**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state programs of the College. The College is defined in Note A 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 A to the financial statements.

Note 3: **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, 2015.

Note 4: **Major Programs**

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: ***Unmodified***

Internal control over financial reporting:

• Material weaknesses identified?	___ Yes	_X_ No
• Significant deficiencies identified?	___ Yes	_X_ None Reported
Noncompliance material to financial statements noted?	___ Yes	_X_ No

Federal Awards and State Financial Assistance

Internal control over major programs:

• Material weaknesses identified?	___ Yes	_X_ No
• Significant deficiencies identified?	_X_ Yes	___ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 or New Jersey Circular Letter 04-04-OMB?	_X_ Yes	___ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.268	Federal Family Education Loan Program
84.063	Federal Pell Grant Program (PELL)
84.007	Federal Suppl. Educational Opportunity Grant (FSEOG)
84.033	Federal College Work Study Program (FWS) TRIO Cluster

MERCER COUNTY COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

Section I - Summary of Auditors' Results (Continued)

Identification of major programs:

State Grant Number	Name of State Program
100-074-2401-001	Educational Opportunity Fund (EOF) – Article III
100-074-2401-002	Educational Opportunity Fund (EOF) Article IV
100-074-2405-313	New Jersey Stars Program
100-074-2405-007	Tuition Aid Grant (TAG)
100-074-2400-026	New Jersey Gear Up
100-074-2400-012	College Bound - SMILE
100-082-2155-016	Chapter 12 Reimbursed Expense

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

Federal $498,014

State $396,244

Auditee qualified as low-risk auditee? _X_ Yes ___ No

Section II - Financial Statement Findings

None

Section III – Federal Award and State Financial Assistance Findings and Questioned Costs

2015-001 Return of Title IV Funds
Student Financial Assistance Cluster
Grantor: Department of Education

Criteria
In accordance with the Code of Federal Regulations, 34 CFR 668.22(j), the College must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date the College determines that the student withdrew from the class.

Condition
The College did not return the amount of Title IV funds timely to the U.S. Department of Education, for eight out of 20 students selected for testing.

Cause
We understand based on discussions with management that the return of funds was calculated on a timely basis, but due to human error, was not returned to the U.S. Department of Education in a timely fashion.

Effect
The College is not in compliance with the timeframe for the return of Title IV funds to the U.S. Department of Education ($3,195 Pell and $6,341 FDL).

Recommendation
Management should institute a formal control to review the listing of students who withdrew on a monthly basis and verify that all applicable refunds have been sent in a timely manner.

Management's Corrective Action Plan
With the start of the Summer 2015 reporting term, the financial aid office has initiated a regular request for registration activity that is supplied by the IT office. When requested, this report will be defined with date parameters that should not extend beyond a two week period. This will reduce the size of the work file, therefore, allowing for manageable scrutiny of withdrawal dates that impact the R2T4 requirements.

With the use of process mapping of our Return of Title IV procedures, we determined that we will vertically integrate the responsibility of the person who determines the withdraw date and subsequently recalculates the awards. The individual who calculated the award did not have the functional clearance to request an immediate transmit of the calculations to the Bursar. Also, the individual assigned to the project did not have the clearance and responsibility to report the calculation updates directly to the U.S. Department of Education (COD).

As a corrective action measure, the individual who performs the calculation will now have functional access and responsibility to transmit and subsequently report to the Department, using the institution's IMIS. This will eliminate the need for the calculator to rely on others in the office to transmit and/or report the corrections to the Department of Education (COD). This measure will eliminate the fragmentation in the process.

Section III – Federal Award and State Financial Assistance Findings and Questioned Costs (Continued)

As an additional internal control, the Pell Grant Officer and the Loan Specialist will run a monthly query that will look for any awards that are not transmitted and any awards that are not reported to the Department of Education (COD).

2015-002 Return of Title IV Funds
Student Financial Assistance Cluster
Grantor: Department of Education

Criteria
In accordance with the Code of Federal Regulations, 34 CFR 668.22(i), in the case of a program that is measured in credit hours, dividing the total number of calendar days in the payment period (or period of enrollment) into the number of calendar days completed in that period, as of the student's withdrawal date, calculates the percentage of payment period completed and the amount of unearned aid to return.

Condition
We tested a sample of 20 students who withdrew from courses, and noted that three students selected for testing; two enrolled in the Fall10 week and one enrolled in the Fall15 week semester did not receive the correct amount of return of unearned aid based on the withdrawal date calculation.

In determining the amount of unearned aid to be returned, the College incorrectly calculated the number of days in the Fall 10 week semester, therefore, an overpayment to the U.S. Department of Education and underpayment to the students of $125 occurred. For the Fall15 week semester student, a forced withdrawal date was entered resulting in an overpayment to the U.S. Department of Education and underpayment to the student of $136.

Cause
We understand based on discussions with management that the Fall 10 week semester calculation included the weekend before the start of the semester, due to human error and the student with the forced withdraw date in the Fall 15 week semester resulted from an override entered into the College's student financial aid system.

Effect
Improper amounts were paid to the students and to the U.S. Department of Education.

Recommendation
We recommend that management institute a formal control to review the withdrawal date calculations and overrides entered into the system.

Management's Corrective Action Plan
Management will implement a dual control process at the start of each annual set-up and will then review prior to the start of each payment period. We will develop an official loan period and disbursement schedule that will outline payment periods. This will include start and end dates for the

Section III – Federal Award and State Financial Assistance Findings and Questioned Costs (Continued)

individual terms. It will also indicate total number of days in each term, the reporting term midpoint, and any break periods.

We will use this document to populate appropriate fields in our IMIS during system set-up. We will also utilize this document when determining the calculation for mini-terms, when appropriate.

We will take the extra measure of control by requesting that our registration office formally review and confirm the term dates.

As a formal control process, we will conduct a quality assurance review toward the end of each term for that term, utilizing a sample of students from our R2T4 listing of students. This will normally take place somewhere after the 60% period of the term is over. The review will be conducted by someone other than the individual who posted the calculation.

2015-003 Remedial Coursework
Student Financial Assistance Cluster
Grantor: Department of Education

Criteria
In accordance with the Code of Federal Regulations, 34 CFR 668.20, one academic year's worth of noncredit or reduced credit remedial coursework is equivalent to thirty semester credits.

Condition
We tested a sample of 40 students, and one student selected for testing was enrolled in one remedial course (four credits); this student had already completed 28 remedial credits, resulting in 32 total remedial credits. The College awarded the student aid for 32 remedial credits, two over of the allowance of thirty credits.

Cause
The College interprets the regulation differently than the Department of Education. The College believes that students should be able to take ten remedial courses and receive financial aid, however based on the regulation above the students can only take seven remedial courses at the College and receive financial aid because the College's remedial courses are worth four credits not three.

Effect
We noted that this student selected for testing was over granted $716 of federal awards.

Recommendation
We recommend that management institute a formal policy to support their interpretation and get this approved by the U.S. Department of Education or consider changing the remedial courses to three credits to stay in compliance with the thirty semester credit limit of the regulation.

Section III – Federal Award and State Financial Assistance Findings and Questioned Costs (Continued)

Management's Corrective Action Plan
In this case, the override attempt was to award him for only 2 additional remedial credits, (considering the Pell payment table).

Moving forward, we will initiate discussion with enrollment administration and faculty to consider changing the remedial courses to three credits to stay in compliance with the thirty semester credit limit of the regulation. At 4 credits, the student is limited to 7 actual attempts of remediation, as opposed to 10 attempts if the course was worth 3 credits. In addition, we will reach out to the Department of Education and/or our regulatory partners for further guidance on the subject.

In the meantime, our immediate response will be to utilize the increased functionality of the institution's IMIS. The September 28, 2015, system enhancement, Release 18, now allows for systematic calculation of prior remediation. The implementation of additional packaging rules will not allow *automatic* packaging of remedial credits to exceed 30 credit attempts. We will rely on the system rules to eliminate cases like this from occurring in the future.

Section IV – Prior Year Audit Findings

No matters were reported.

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

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 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 year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 13, 2016.

We did not audit the financial statements of the discretely presented component unit, Mercer County Community College Foundation (the "Foundation"). Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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 the College's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Internal Control Over Financial Reporting

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. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003.

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.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

January 13, 2016

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND STATE OF NEW JERSEY CIRCULAR LETTER 04-04-OMB

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 State of New Jersey Circular Letter 04-04-OMB that could have a direct and material effect on each of the College's major federal and state programs for the year ended June 30, 2015. The College's major federal and state programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' 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; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and State of New Jersey Circular Letter 04-04-0MB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, and OMB Circular A-133, and State of New Jersey Circular Letter 04-04-OMB, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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Auditors' Responsibility (Continued)

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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and State of New Jersey Circular Letter 04-04-OMB and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, and 2015-003. Our opinion on each major federal and state program is not modified with respect to these matters.

The College's response to the noncompliance findings 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 compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the 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 and 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 Letter 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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND STATE OF NEW JERSEY CIRCULAR LETTER 04-04-OMB (CONTINUED)

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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items, 2015-001, 2015-002 and 2015-003, that we considered to be significant deficiencies.

The College's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Letter 04-04-0MB. Accordingly, this report is not suitable for any other purpose.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

January 13, 2016