Bergen Community College
(A Component Unit of the County of Bergen)

Basic Financial Statements,
Management's Discussion and Analysis and
Schedules of Expenditures of Federal and
State Awards

June 30, 2014 and 2013

(With Independent Auditors' Reports Thereon)

Bergen Community College
(A Component Unit of the County of Bergen)

Report on Financial Statements and
Federal and State Awards
June 30, 2014 and 2013

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O'CONNOR DAVIES

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Independent Auditors' Report

The Board of Trustees
Bergen Community College

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Bergen Community College, State of New Jersey (the College), a component unit of the County of Bergen, State of New Jersey, as of and for the year ended June 30, 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

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

We did not audit the financial statements of Bergen Community College Foundation (the Foundation), the discretely presented component unit of Bergen Community College. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Bergen Community College Foundation is based on the report of the other auditors.

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

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

O'CONNOR DAVIES, LLP
Dorothy B. Kraft Center, 15 Essex Road, Suite 503, Paramus, NJ 07652 I Tel: 201.712.9800 I Fax: 201.712.0988 I www.odpkf.com

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Bergen Community College as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements for the year ended June 30, 2013, were audited by another auditor who expressed an unmodified opinion on those statements in their opinion dated November 25, 2013.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 regarding 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Expenditures of Federal and State Awards on pages 37 through 38 as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB Circular Letter 04-04, *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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bergen Community College's internal control over financial reporting and compliance.

O'Connor Davies, LLP

Paramus, New Jersey
October 27, 2014

Overview of the Basic Financial Statements and Financial Analysis

This section of the audited financial statements for Bergen Community College (the College) presents management's discussion and analysis of the College's financial position for the years ended June 30, 2014 and 2013, with selected information pertaining to the year ended June 30, 2012. Management has prepared the financial statements and the related note disclosures, along with this discussion and analysis. Responsibility for the completeness and fairness of this information rests with management.

Financial Statements

Included in this report are the College's basic financial statements, which include the Statements of Net Position, Statements of Revenues, Expense, and Changes in Net Position and the Statements of Cash Flows. These basic financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and accounting principles generally accepted in the United States of America.

The College adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, as of July 1, 2003. GASB Statement No. 39 establishes criteria for determining whether certain organizations should be reported as component units of the financial reporting entity.

As a result, this report also includes the statements of financial position and statements of activities of the Bergen Community College Foundation (the Foundation). The Foundation is a legally separate component unit of the College and is exempt from tax under the Internal Revenue Code Section 501(c)(3). The Foundation's purpose is to obtain private funding to enhance the educational goals of the College. Because the resources of the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. Complete financial statements can be obtained from the Bergen Community College Foundation at 400 Paramus Road, Paramus, NJ 07652.

Statements of Net Position

Net position represent the residual interest in the College's assets after liabilities are deducted. Net position consist of three categories: net investment in capital assets, restricted and unrestricted. Net investment in capital assets, reflects the equity in capital assets. Restricted net position primarily include grants and contracts and capital funds that are subject to regulations or restrictions governing their use. Unrestricted net position are available to the College for general purposes, but are internally designated for various academic and student programs.

Statements of Net Position *(continued)*

The statements of net position present the College's current and non-current assets and liabilities and the resultant net position. The statements of revenues, expenses, and changes in net position show the College's revenues and expenses segregated into operating and non-operating sections. It is important to note that the state and county appropriations, which are essential to the College's operations, are recorded as non-operating revenues. Therefore, the operating revenues less operating expenses show a loss of $51.7, $53.8, and $51.6 million for fiscal years ended June 30, 2014, 2013 and 2012, respectively, while the net of non-operating revenues less non-operating expenses shows an excess of revenues over expenses of $51.0, $48.6, and $50.2 million for fiscal years ended June 30, 2014, 2013 and 2012, respectively. These amounts reflect the reclassification of Pell Grant Revenue from operating revenues to non-operating revenues. The statements of cash flows show the sources and uses of the College's cash for operating activities, non-capital financing activities, capital and related financing activities and investing activities.

Because the statements of net position treat the College as a whole as opposed to a group of separate funds, all inter-fund receivables and payables have been eliminated.

Management's discussion and analysis of specific assets, liabilities, net position, revenues, and expenses follows this general discussion. For the most part, this analysis will utilize condensed portions of the basic financial statements with appropriate comments on specific items.

Financial Highlights
Condensed Schedule of Net Position (in Millions)

The following represents assets, liabilities and net position of the College at June 30, 2014, 2013 and 2012:

	Net Position as of June 30,				
	2012	2013	Change from 2012	2014	Change from 2013
CURRENT ASSETS	$ 51.8	$ 54.5	2.7	$ 59.6	$ 5.1
NONCURRENT ASSETS					
Capital assets, net of accumulated depreciation	121.6	118.7	(2.9)	115.8	(2.9)
Other noncurrent assets	16.9	14.5	(2.4)	12.2	(2.3)
Total Assets	190.3	187.7	(2.6)	187.6	(0.1)
CURRENT LIABILITIES	11.1	11.8	0.7	10.6	(1.2)
NONCURRENT LIABILITIES					
Deposits held in trust	0.4	0.6	0.2	0.1	(0.5)
Long-term debt	18.7	18.3	(0.4)	17.8	(0.5)
Other noncurrent liabilities	4.0	4.0	-	3.4	(0.6)
Total Liabilities	34.2	34.7	0.5	31.9	(2.8)
NET POSITION					
Net investment in capital assets	102.8	99.8	(3.0)	94.0	(5.8)
Restricted	33.4	36.5	3.1	55.7	19.2
Unrestricted	19.9	16.7	(3.2)	6.0	(10.7)
Total Net Position	$ 156.1	$ 153.0	$ (3.1)	$ 155.7	$ 2.7

This schedule is prepared from the College's statements of net position.

Condensed Schedule of Revenues, Expenses and Changes in Net Position (in Millions)

The statements of revenues, expenses and changes in net position present the College's changes in net position. The purpose of the statement is to present revenues earned by the College, both operating and non-operating and expenses incurred by the College, both operating and non-operating. A summary of the College's revenues for the years ended June 30, 2014, 2013 and 2012 as follows:

	Year Ended June 30				
	2012	2013	Change from 2012	2014	Change from 2013
OPERATING REVENUES					
Tuition and fees and auxiliary enterprises, net of scholarship allowances	$ 42.9	$ 45.4	$ 2.5	$ 46.0	$ 0.6
Federal grants and contracts	17.5	21.5	4.0	20.0	(1.5)
State, county and private grants	6.7	6.9	0.2	6.9	-
Other operating revenues	1.3	1.5	0.2	1.5	-
Total	68.4	75.3	6.9	74.4	(0.9)
Less operating expenses	120.0	129.1	9.1	126.1	(3.0)
Operating Loss	(51.6)	(53.8)	(2.2)	(51.7)	2.1
NONOPERATING REVENUES (EXPENSES)					
State appropriations	12.2	12.3	0.1	12.3	-
Pell Grants	24.2	22.5	(1.7)	21.6	(0.9)
County appropriations	14.1	14.1	-	17.9	3.8
Investment income/(expenses), net	(0.6)	(0.5)	0.1	(0.5)	-
Other nonoperating revenues (expenses), net	0.3	0.2	(0.1)	(0.2)	(0.4)
Total	50.2	48.6	(1.6)	51.1	2.5
CAPITAL APPROPRIATIONS	10.4	2.5	(7.9)	3.4	0.9
INCREASE (DECREASE) IN NET POSITION	$ 9.0	$ (2.7)	$ (11.7)	$ 2.8	$ 5.5

State and county appropriations make up a significant portion of the College's annual revenues and should be viewed as an offset to net operating expenses. The increases in tuition are a result of a significant increase in scholarship allowance. Federal grants and contracts have decreased by $1.5 million in 2014; this is primarily attributable to an decrease in Student Financial Assistance and award of a Department of Health & Human Services Health Professions Opportunities Grant. Pell Grants have been excluded from Operating Revenues with prior year balances being restated.

Bergen Community College
(A Component Unit of the County of Bergen)

Management's Discussion and Analysis
June 30, 2014

Condensed Schedules of Operating Expenses (in Millions)

A summary of the College's operating expenses for the years ended June 30, 2014, 2013 and 2012 follows:

	Year Ended June 30				
	2012	2013	Change from 2012	2014	Change from 2013
OPERATING EXPENSES					
Instruction	$ 55.5	$ 60.8	$ 5.3	$ 59.7	$ (1.1)
Public service	0.3	0.3	-	0.2	$ (0.1)
Academic support	7.4	7.7	0.3	7.5	$ (0.2)
Student services	9.7	11.0	1.3	10.9	$ (0.1)
Institutional support	22.6	22.9	0.3	24.9	$ 2.0
Operation and maintenance of plant	12.4	14.3	1.9	11.3	$ (3.0)
Scholarships and fellowships	5.9	5.5	(0.4)	5.4	$ (0.1)
Auxiliary enterprises	0.3	0.3	-	0.3	$ -
Depreciation	6.1	6.3	0.2	5.9	$ (0.4)
Total	$ 120.2	$ 129.1	$ 8.9	$ 126.1	$ (3.0)

Operating expenses include salaries, fringe benefits, and other personal services expenses. Fringe benefits are allocated to functional departments using various factors, including direct charges and headcounts. Operating expenses decreased from the prior year due to a reduction in overtime salary costs and a reduction in staffing levels with the related benefit costs.

Schedule of Components of Net Position

The following represents the components of net position at June 30, 2014 and 2013:

	Net Position as of June 30,				
	Net Investment in Capital Assets	Restricted	Unrestricted	Total FY 2014	Total FY 2013
NET INVESTMENT IN CAPITAL ASSETS	$ 94,044,743	$ -	$ -	$ 94,044,743	$ 99,803,001
RESTRICTED FOR:				-	
Capital projects	-	43,630,408	-	43,630,408	33,681,375
Unemployment reserve	-	2,413,074	-	2,413,074	2,733,371
Other reserves	-	106,779	-	106,779	101,881
EXPENDABLE FOR:					
Renewals and replacements of capital assets	-	3,636,664	-	3,636,664	6,615,538
Reserve for Workers Comp.	-	284,190	-	284,190	475,055
Subsequent year's budget	-	2,128,884	-	2,128,884	1,900,000
UNRESTRICTED:					
Current funds	-	-	5,985,427	5,985,427	3,475,881
Plant funds	-	3,502,479	-	3,502,479	4,230,777
Total per Statements of Net Position	$ 94,044,743	$55,702,478	$ 5,985,427	$155,732,648	$153,016,879

Balances on the statements of net position are shown as either invested in capital assets, net, restricted, or unrestricted. Restricted funds are those specifically restricted by the funding source. Certain unrestricted funds have been designated by the Board of Trustees for the renewal and replacement of capital assets and other reserves. All board-designated and undesignated net position are included in unrestricted net position on the statements of net position.

Capital Assets Activity for the Year Ended June 30, 2014	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 3,113,469	$ -	$ -	$ 3,113,469
Land improvements	3,015,601	12,565	-	3,028,166
Buildings	93,335,614	-	-	93,335,614
Building improvements	69,606,927	511,126	-	70,118,053
Furniture and furnishings	224,674	-	-	224,674
Equipment	19,307,258	1,136,446	-	20,443,704
Vehicles	791,819	-	-	791,819
Machinery	36,784	-	-	36,784
Infastructure	4,427,733	-	-	4,427,733
Capitalized software	2,222,555	-	-	2,222,555
Equipment leasing fund assets	836,816	-	-	836,816
Construction in progress	1,755,657	2,302,474	974,543	3,083,588
Total	198,674,907	3,962,611	974,543	201,662,975
Accumulated depreciation	79,965,565	5,926,715	-	85,892,280
Total per Statements of Net Position	$ 118,709,342	$ (1,964,104)	$ 974,543	$ 115,770,695

Capital Assets Activity for the Year Ended June 30, 2013	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 3,113,469	$ -	$ -	$ 3,113,469
Land improvements	3,003,036	12,565	-	3,015,601
Buildings	93,335,614	-	-	93,335,614
Building improvements	69,238,998	367,929	-	69,606,927
Furniture and furnishings	203,624	21,050	-	224,674
Equipment	18,675,989	631,269	-	19,307,258
Vehicles	692,225	99,594	-	791,819
Machinery	30,789	5,995	-	36,784
Infastructure	3,198,600	1,229,133	-	4,427,733
Capitalized software	2,222,555	-	-	2,222,555
Equipment leasing fund assets	836,816	-	-	836,816
Construction in progress	782,643	987,619	14,605	1,755,657
Total	195,334,358	3,355,154	14,605	198,674,907
Accumulated depreciation	73,695,223	6,270,342	-	79,965,565
Total per Statements of Net Position	$ 121,639,135	$ (2,915,188)	$ 14,605	$ 118,709,342

Depreciation of capital assets is recorded on a straight-line basis over their estimated useful lives. Additional information related to capital assets and related depreciation can be found at note 3 to the basic financial statements.

Debt Administration

At June 30, 2014, the College had $21,266,181 of outstanding long-term liabilities, including debt. Of this amount, $3,372,785 is for compensated absences, $71,615 is for deposits held in custody for others, $17,570,000 is for the repayment of bonds issued by the Bergen County Improvement Authority and the remaining $251,780 represents the unamortized premium on the bonds.

For more detailed information, please refer to Notes 4 and 5 to the basic financial statements.

Summary and Outlook

Founded in 1965, Bergen Community College enrolls more than 17,000 students in Associate in Arts, Associate in Science and Associate in Applied Science degree programs and certificate programs. More than 10,000 students are enrolled in non-credit, professional development courses through the Division of Continuing Education.

Bergen Community College programs prepare students for transfer to four-year colleges and universities, or for immediate entry into a career. Since its inception, Bergen Community College has offered open admissions, small classes, affordable tuition, dedicated faculty, outstanding student services, flexible scheduling and a student centered campus.

Requests for Information

This financial report is designed to provide a general overview of Bergen Community College's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Bergen Community College, 400 Paramus Road, Paramus, New Jersey 07652.

FINANCIAL STATEMENTS

Bergen Community College
(A Component Unit of the County of Bergen)

Statements of Net Position

	June 30, 2014	June 30, 2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 13,759,080	$ 16,140,804
Restricted investments	3,949,025	3,932,072
Investments	34,682,298	26,399,389
Total Cash and Equivalents and Investments	52,390,403	46,472,265
Receivables - Student, net of allowance of $12,032,577 and $9,997,973, respectively	4,424,731	4,377,591
Other receivables	2,321,144	3,641,233
Total Receivables	6,745,875	8,018,824
Inventories	25,846	22,529
Prepaid expenses	404,407	-
Total Current Assets	59,566,531	54,513,618
Noncurrent Assets		
County of Bergen receivable	12,260,114	14,382,139
Bergen County Improvement Authority receivable	-	162,785
Capital assets, net of accumulated depreciation of $85,892,280 and $79,965,565, respectively	115,770,695	118,709,342
Total Noncurrent Assets	128,030,809	133,254,266
Total Assets	187,597,340	187,767,884
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses		
Vendors	1,578,265	1,840,076
Accrued salaries and benefits	424,688	634,185
Compensated absences, current portion	4,096,077	3,312,710
Other accrued expenses	390,314	773,514
Total Accounts Payable and Accrued Expenses	6,489,344	6,560,485
Unearned student tuition and fees	3,202,864	4,489,650
Unearned grant revenue	481,304	378,011
Long-term debt, current portion	425,000	415,000
Total Current Liabilities	10,598,512	11,843,146
Noncurrent Liabilities		
Long-term debt, net	17,821,780	18,256,558
Deposits held in custody for others	71,615	641,396
Compensated absences	3,372,785	4,009,905
Total Noncurrent Liabilities	21,266,180	22,907,859
Total Liabilities	31,864,692	34,751,005
NET POSITION		
Net Investment in Capital Assets	94,044,743	99,803,001
Restricted Expendable for		
Unemployment	2,413,074	2,733,371
Other reserves	106,779	101,881
Capital projects	53,182,625	33,681,375
Unrestricted	5,985,427	16,697,251
Total Net Position	$ 155,732,648	$ 153,016,879

The accompanying notes are an integral part of the financial statements.

Bergen Community College Foundation
(A Component Unit of the County of Bergen)

Statements of Financial Position

	June 30, 2014	June 30, 2013
ASSETS		
Cash and cash equivalents	$ 304,773	$ 465,116
Investments	9,384,555	8,558,306
Receivables		
Pledges, net of discount	234,842	59,172
Other receivables	33,930	24,440
Prepaid expenses	18,290	11,250
	$ 9,976,390	$ 9,118,284
LIABILITIES		
Scholarships and awards payable	$ 259,629	$ 276,236
Accounts payable	57,614	97,148
Unearned revenue	13,000	13,000
Total Liabilities	330,243	386,384
NET ASSETS		
Unrestricted	1,081,830	855,827
Temporarily restricted	3,618,131	3,103,717
Permanently restricted	4,946,186	4,772,356
Total Net Assets	9,646,147	8,731,900
Total Liabilities and Net Assets	$ 9,976,390	$ 9,118,284

The accompanying notes are an integral part of the financial statements.

Bergen Community College
(A Component Unit of the County of Bergen)

Statements of Revenues, Expenses and Changes in Net Position

	Years Ended June 30, 2014	Years Ended June 30, 2013
OPERATING REVENUES		
Student revenues		
Tuition and fees	$ 78,908,224	$ 80,662,233
Auxiliary enterprises	183,463	134,261
Less scholarship allowance	(33,175,638)	(35,445,815)
Net student revenues	45,916,049	45,350,679
Federal grants and contracts	20,050,420	21,511,938
State, county, and private grants	6,912,823	6,854,339
Other operating revenues	1,522,760	1,472,958
Total Operating Revenues	74,402,052	75,189,914
OPERATING EXPENSES		
Instruction	59,567,152	60,808,429
Public service	220,462	277,229
Academic support	7,528,618	7,668,177
Student services	10,916,943	11,014,837
Institutional support	24,898,932	22,906,571
Operation and maintenance of plant	11,287,882	14,294,373
Scholarships and fellowships	5,413,418	5,483,605
Auxiliary enterprises	326,755	338,251
Depreciation	5,926,715	6,270,342
Total Operating Expenses	126,086,877	129,061,814
OPERATING LOSS	(51,684,825)	(53,871,900)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	12,331,672	12,349,928
County appropriations	17,876,630	14,139,870
Pell grants	21,593,887	22,481,463
Investment income, net of bonding costs of $8,658 and $20,000, respectively	139,835	82,956
Interest expense	(683,393)	(625,735)
Other nonoperating revenues/expenses, net	(224,465)	198,640
Net Nonoperating Revenues	51,034,166	48,627,122
LOSS BEFORE OTHER REVENUES	(650,659)	(5,244,778)
OTHER REVENUES		
Capital appropriations	3,366,428	2,506,645
INCREASE (DECREASE) IN NET POSITION	2,715,769	(2,738,133)
NET POSITION		
Beginning of year	153,016,879	156,120,654
Effect of adoption of GASB 65	-	(365,642)
End of year	$ 155,732,648	$ 153,016,879

The accompanying notes are an integral part of the financial statements.

Bergen Community College Foundation
(A Component Unit of the County of Bergen)

Statements of Activities

	Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions and grants	$ 551	$ 599,395	$ 164,867	$ 764,813
Special events, net of expenses of $ 198,907	78,291	147,241	4,150	229,682
Contributed services	252,148	-	-	252,148
Interest and dividends	54,341	124,794	-	179,135
Realized and unrealized gain on investments	248,462	570,599	-	819,061
Net assets released from restrictions	922,802	(927,615)	4,813	-
Total Support and Revenues	1,556,595	514,414	173,830	2,244,839
EXPENSES				
Program services	849,099	-	-	849,099
Support services-management and general	481,493	-	-	481,493
Total expenses	1,330,592	-	-	1,330,592
CHANGE IN NET ASSETS	226,003	514,414	173,830	914,247
NET ASSETS				
Beginning of year	855,827	3,103,717	4,772,356	8,731,900
End of year	$ 1,081,830	$ 3,618,131	$ 4,946,186	$ 9,646,147

	Year Ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
Contributions and grants	$ 89	$ 187,801	$ 82,236	$ 270,126
Special events, net of expenses of $210,865	70,381	126,531	15,000	211,912
Contributed services	294,658	-	-	294,658
Interest and dividends	58,280	139,694	-	197,974
Realized and unrealized gain on investments	94,794	227,219	-	322,013
Net assets released from restrictions	735,804	(735,804)	-	-
Total Support and Revenues	1,254,006	(54,559)	97,236	1,296,683
EXPENSES				
Program services	626,739	-	-	626,739
Support services-management and general	441,181	-	-	441,181
Total expenses	1,067,920	-	-	1,067,920
CHANGE IN NET ASSETS	186,086	(54,559)	97,236	228,763
NET ASSETS				
Beginning of year	669,741	3,158,276	4,675,120	8,503,137
End of year	$ 855,827	$ 3,103,717	$ 4,772,356	$ 8,731,900

The accompanying notes are an integral part of the financial statements.

Bergen Community College
(A Component Unit of the County of Bergen)

Statements of Cash Flows

	Years Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees (including chargebacks to other counties)	$ 44,398,660	$ 44,622,950
Federal grants and contracts	19,227,195	21,511,938
State, county, and private grants	7,922,243	6,400,072
Payments to suppliers	(27,899,622)	(27,591,316)
Payments to utilities	(3,000,674)	(3,030,028)
Payments to employees	(65,083,560)	(66,639,227)
Payments for benefits	(19,408,625)	(19,337,014)
Payments for scholarships and fellowships	(5,413,418)	(5,483,605)
Auxiliary enterprises	209,336	133,151
Deposits held in custody for others	(569,780)	276,515
Other receipts	1,903,828	1,784,747
Net Cash from Operating Activities	(47,714,417)	(47,351,817)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	12,331,672	12,349,928
County appropriations	17,876,630	14,139,870
Pell grant	21,953,887	22,481,463
Loan program receipts	10,530,320	11,798,289
Loan program disbursements	(10,530,320)	(11,798,289)
Other non-capital financing activities	(236,229)	198,640
Net Cash from Noncapital Financing Activities	51,925,960	49,169,901
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Bergen County Improvement Authority	162,785	119,855
Payments on capital debt	(424,778)	(409,778)
County Capital appropriation	5,488,453	4,251,961
Interest and bonding paid on capital debt	(683,393)	(645,735)
Purchase of capital assets and construction in progress	(2,976,307)	(3,328,790)
Net Cash from Capital and Related Financing Activities	1,566,760	(12,487)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	-	29,561,809
Interest and dividends on investments	139,835	102,956
Purchase of investments	(8,299,862)	(30,333,973)
Net Cash from Investing Activities	(8,160,027)	(669,208)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,381,724)	1,136,389
CASH AND CASH EQUIVALENTS		
Beginning of year	16,140,804	15,004,415
End of year	$ 13,759,080	$ 16,140,804

The accompanying notes are an integral part of the financial statements.

Bergen Community College
(A Component Unit of the County of Bergen)

Statements of Cash Flows

	Years Ended June 30, 2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	$ (52,044,825)	$ (53,871,900)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	5,926,715	6,270,342
Changes in operating assets and liabilities		
Student accounts and other receivables, net	1,272,949	(763,980)
Inventories	(3,317)	2,280
Prepaid Expenses	(404,405)	-
Accounts payable and accrued expenses	(708,262)	741,958
Unearned student tuition and fees	(1,286,784)	247,291
Unearned grant revenue	103,293	(254,323)
Deposits held in custody for others	(569,781)	276,515
Net Cash Flows Used in Operating Activities	$ (47,714,417)	$ (47,351,817)

The accompanying notes are an integral part of the financial statements.

1. Organization

Bergen Community College ("the College") was established as a unit of the New Jersey Master Plan for Higher Education and is one of 19 county colleges in the State of New Jersey. The College offers pre-baccalaureate preparation (A.S. and A.A. degrees), as well as programs and certificates that are designed to prepare students for employment (A.A.S. degrees). The College also maintains a comprehensive community development operation which provides lifelong learning opportunities to the citizens and businesses of the County of Bergen. The College is a component unit of the County of Bergen, State of New Jersey.

Bergen Community College Foundation ("the Foundation") is a legally separate component unit of Bergen Community College, exempt from tax under the Internal Revenue Code Section 501(c)(3). The Foundation's purpose is to obtain private funding to enhance the educational goals of the College. Because the resources of the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. Complete financial statements can be obtained from the Bergen Community College Foundation at 400 Paramus Road, Paramus, New Jersey 07652.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the College conform to U.S. generally accepted accounting principles as applicable to public colleges and universities. The University's reports are based on all applicable GASB authoritative literature in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 35 and 63 establish standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

1. Summary of Significant Accounting Policies *(Continued)*

Basis of Presentation (continued)

- *Net investment in capital assets* – Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- *Restricted*
  Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the College.

  Expendable – Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to the stipulations or that expire by the passage of time.

- *Unrestricted*: Net position not subject to externally imposed stipulations that may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position are designated for academic programs and initiatives and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Measurement Focus and Basis of Accounting

The accompanying financial statements of the College have been prepared on the accrual basis of accounting using the economic resources measurement focus. The College as a business-type activity, as defined by GASB Statements No. 34 and 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and that have original maturities of three months or less when purchased.

Investments

The College carries investments in certificates of deposit at cost which approximates fair market value; interest income is included in investment income in the accompanying statements of revenues, expenses, and changes in net position.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable, students and other, are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts. Student accounts receivable are deemed uncollectible if payment is not received within one academic year. The College will reserve for each individual student receivable deemed uncollectible by the end of the next fiscal year. The allowance as of June 30, 2014 and 2013 was $12,032,577 and $9,997,973, respectively.

Inventories

Inventories consist of stock room supplies at cost. Cost is determined by the first-in, first-out (FIFO) method.

Capital Assets

Capital assets with acquisition costs of at least $1,500 and useful lives of at least two years are recorded at historical cost if purchased or constructed. Construction-in-progress is recorded as costs are incurred during construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings	50 years
Building improvements	50 years
Land improvements	20 years
Infrastructure	20 years
Equipment, furniture and furnishings machinery, vehicles and capitalized software	4-20 years

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

Revenue Recognition and Unearned Revenue

Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as scholarship expense and are recognized in the periods earned. Student tuition and fees collected before year end for courses that are held subsequent to year end are recorded as unearned student tuition and fees in the accompanying statements of net position.

Grants and contracts revenue is comprised mainly of revenues received from grants from the State of New Jersey, the Federal government and the County of Bergen are recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreement are recorded as unearned grant revenue in the accompanying statements of net position.

Revenue from federal, state and county appropriations is recognized in the fiscal years during which the United States, State of New Jersey and the County of Bergen appropriate the funds to the College.

Classification of Revenue

For the purpose of the statements of revenues, expenses, and changes in net position, the College's policy is to define operating activities as those that serve the College's principal purpose and generally result from exchange transactions, such as the payment received for services or the payment made for the purchase of goods and services. Examples of such operating activities include (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as operating and capital appropriations from the state and county, Pell Grants, net investment income and interest expense.

Financial Dependency

Significant sources of revenue include appropriations from the State of New Jersey and the County of Bergen. The College is economically dependent on these appropriations to carry on its operations.

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

County of Bergen Capital Support

The County of Bergen is responsible for the issuance of certain bonds and notes for the College's capital expenditures which are authorized by county bond ordinances. The County of Bergen is also responsible for the payment of interest on issued debt and the retirement of such obligations. Accordingly, such debt is not included in the accompanying statement of net position. Unexpended money in the current year is available for capital expenditures in subsequent years.

Bergen County Improvement Authority

The Bergen County Improvement Authority ("Authority") is responsible for the issuance of certain lease revenue bonds and notes for the College's capital expenditures which are financed by revenues which include rental payments made by the College pursuant to lease agreements between the Authority and the College. The Bergen County Improvement Authority is responsible for the payment of interest on issued debt and the retirement of such obligations solely from the revenues associated with such bonds. The obligation of the College to pay rent under the lease is a direct obligation of the College and is recorded as long-term debt in the accompanying statements of net position.

Income Taxes

The College is exempt from Federal income taxes under Internal Revenue Code Section 115(1). The Foundation is exempt from Federal income taxes under the Internal Revenue Code Section 501C(3) and, therefore, has made no provision for Federal income taxes. The Foundation is subject to the accounting standard for uncertain tax positions and has determined that no liabilities are required to be recorded for uncertain tax positions. The Foundation is no longer subject to Federal tax examinations for its Federal Form 990 and for the State of New Jersey Form CRI-300R for years prior to June 30, 2011.

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 27, 2014.

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

New Accounting Standards Adopted (continued)

The College adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* as of June 30, 2014, which incorporates into the GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements.

The College also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* as of June 30, 2014, which changed the Statement of Net Assets to the Statement of Net Position and provides guidance for reporting deferred outflows and inflows of resources.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The requirements of this Statement are effective for the fiscal year ending June 30, 2014. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.* The requirements of this Statement are effective for the fiscal year ending June 30, 2014. Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting.

Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and Statement no. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* The requirements of Statement No. 67 are effective for the fiscal year ending June 30, 2014. The requirements of Statement No. 68 are effective for the fiscal year ending June 30, 2015. These Statements require governments providing defined benefit pension plans to (1) recognize their long-term obligation for pension benefits as liabilities on the balance sheet, (2) more comprehensive and comparably measure the annual costs of pension benefits, and (3) enhance disclosures and Required Supplementary Information for pension plans. The College has not determined the effect of GASB Statements No. 67 and No. 68 on the financial statements.

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

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The requirements of this Statement are effective for the fiscal year ending June 30, 2015. Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The College has not determined the effect of GASB Statement No. 69 on the financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The requirements of this Statement are effective for the fiscal year ending June 30, 2015. The objective of Statement No. 70 is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The College has not determined the effect of GASB Statement No. 70 on the financial statements.

3. Cash and Cash Equivalents and Investments

Deposits

As of June 30, 2014 and 2013, the College's carrying amount of deposits was $13,759,080 and $16,140,804, respectively, and the bank balance was $15,705,290 and $17,668,570, respectively.

GASB Statement No. 40 requires that the College disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the College would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the College.

Of the above amounts, $250,000 of the total deposits was insured by the Federal Deposit Insurance Corporation (the FDIC) as of June 30, 2014 and 2013, respectively, and the remainder was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Government Unit Deposit Protection Act.

Credit Risk and Custodial Credit Risk

The College does not have a policy for either credit risk or custodial credit risk. However, it is the College's policy only to invest with banks that are approved by the Board of Trustees and insured by FDIC and covered by the New Jersey Government Unit Deposit Protection Act (GUDPA).

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

Credit Risk and Custodial Credit Risk (continued)

New Jersey statutes permit the deposit of public funds into the State of New Jersey Cash Management Fund or into institutions located in New Jersey that are insured by the FDIC or by any other agencies of the United States that insure deposits. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

(a) The market value of the collateral must equal 5% of the average daily balance of public funds, or

(b) If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

Credit Risk and Custodial Credit Risk (continued)

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than $25,000,000.

Investments

The College's investment policy is to invest in certificates of deposit with maturities of less than one year as approved by the Board of Trustees. As of June 30, 2014 and 2013, unrestricted certificates of deposit were $34,682,298 and $26,399,389, respectively, with interest rates ranging from 0.35% to 0.75%, and restricted certificates of deposit were $3,949,025 and $3,932,072, respectively, with interest rates ranging from 0.35% to 0.50%. Of the above amounts, $250,000 of the certificates of deposit were insured by the FDIC at June 30, 2014 and 2013, respectively, and the remainder was covered by collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Government Unit Deposit Protection Act.

Interest Rate Risk

The College does not have a policy to limit interest rate risk. Investments consist of certificates of deposit with original maturities of greater than three months and less than one year.

Bergen Community College
(A Component Unit of the County of Bergen)

Notes to Financial Statements
June 30, 2014 and 2013

4. Capital Assets

Capital assets activity for the years ended June 30, 2014 and 2013 is comprised of the following:

	Year Ended June 30, 2014			
	Beginning Balance	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balances
DEPRECIABLE ASSETS				
Land improvements	$ 3,015,601	$ 12,565	$ -	$3,028,166
Buildings	93,335,614	-	-	93,335,614
Building improvements	69,606,927	511,126	-	70,118,053
Furniture & furnishings	224,674	-	-	224,674
Equipment	19,307,258	1,136,446	-	20,443,704
Vehicles	791,819	-	-	791,819
Machinery	36,784	-	-	36,784
Infrastructure	4,427,733	-	-	4,427,733
Capitalized software	2,222,555	-	-	2,222,555
Equipment leasing fund assets	836,816	-	-	836,816
Total Depreciable Assets	193,805,781	1,660,137	-	195,465,918
ACCUMULATED DEPRECIATION				
Land improvements	1,607,888	211,205	-	1,819,093
Buildings	37,932,533	1,249,216	-	39,181,749
Building improvements	18,571,106	2,333,630	-	20,904,736
Furniture & furnishings	131,408	37,609	-	169,017
Equipment	15,373,770	1,493,120	-	16,866,890
Vehicles	598,336	51,425	-	649,761
Machinery	30,427	1,647	-	32,074
Infrastructure	2,766,229	491,796	-	3,258,025
Capitalized software	2,132,765	52,918	-	2,185,683
Equipment leasing fund assets	821,103	4,149	-	825,252
Total Depreciable Assets	79,965,565	5,926,715	-	85,892,280
DEPRECIABLE ASSETS, NET	113,840,216	(4,266,578)	-	109,573,638
NONDEPRECIABLE ASSETS				
Land	3,113,469	-	-	3,113,469
Construction in progress	1,755,657	2,302,474	974,543	3,083,588
Total Nondepreciable Assets	4,869,126	2,302,474	974,543	6,197,057
End of year	$ 118,709,342	$ (1,964,104)	$ 974,543	$ 115,770,695

4. Capital Assets *(Continued)*

	Year Ended June 30, 2013			
	Beginning Balance	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balances
DEPRECIABLE ASSETS				
Land improvements	$ 3,003,036	$ 12,565	$ -	$ 3,015,601
Buildings	93,335,614	-	-	93,335,614
Building improvements	69,238,998	367,929	-	69,606,927
Furniture & furnishings	203,624	21,050	-	224,674
Equipment	18,675,989	631,269	-	19,307,258
Vehicles	692,225	99,594	-	791,819
Machinery	30,789	5,995	-	36,784
Infrastructure	3,198,600	1,229,133	-	4,427,733
Capitalized software	2,222,555	-	-	2,222,555
Equipment leasing fund assets	836,816	-	-	836,816
Total Depreciable Assets	191,438,246	2,367,535	-	193,805,781
ACCUMULATED DEPRECIATION				
Land improvements	1,396,400	211,488	-	1,607,888
Buildings	36,448,016	1,484,517	-	37,932,533
Building improvements	16,258,273	2,312,833	-	18,571,106
Furniture & furnishings	93,114	38,294	-	131,408
Equipment	13,642,360	1,731,410	-	15,373,770
Vehicles	534,872	63,464	-	598,336
Machinery	28,418	2,009	-	30,427
Infrastructure	2,409,109	357,120	-	2,766,229
Capitalized software	2,067,708	65,057	-	2,132,765
Equipment leasing fund assets	816,953	4,150	-	821,103
Total Depreciable Assets	73,695,223	6,270,342	-	79,965,565
DEPRECIABLE ASSETS, NET	117,743,023	(3,902,807)	-	113,840,216
NONDEPRECIABLE ASSETS				
Land	3,113,469	-	-	3,113,469
Construction in progress	782,643	987,619	14,605	1,755,657
Total Nondepreciable Assets	3,896,112	987,619	14,605	4,869,126
End of year	$ 121,639,135	$ (2,915,188)	$ 14,605	$ 118,709,342

Estimated costs to complete the projects classified as construction in progress as of June 30, 2014 and 2013 approximated $23,820,757 and $24,529,739, respectively. The projects are expected to be funded primarily from County Capital, New Jersey Chapter 12, and College funds. Depreciation expense for the years ended June 30, 2014 and 2013 was $5,926,715 and $6,270,342, respectively.

4. Capital Assets *(Continued)*

On March 16, 2010, the Bergen County Improvement Authority (the Authority) issued $20,555,000 of secured lease revenue bond (Series 2010) on behalf of the College. A portion of the proceeds was used to finance the costs of purchasing a building in Lyndhurst, New Jersey for $13,887,540 with the remaining funds used for building improvements.

5. Summary of Changes in Noncurrent Liabilities

The following tables summarize the changes in noncurrent liabilities during the years ended June 30, 2014 and 2013:

Year Ended June 30, 2014	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt	$ 18,671,558	$ -	$ 424,778	$ 18,246,780	$ 425,000
Deposits held in custody for others	641,396	6,494	576,275	71,615	-
Compensated absences	7,322,615	652,102	505,855	7,468,862	4,096,077
	$ 26,635,569	$ 658,596	$ 1,506,908	$ 25,787,257	$ 4,521,077

Year Ended June 30, 2013	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt	$ 19,081,336	$ -	$ 409,778	$ 18,671,558	$ 415,000
Deposits held in custody for others	364,881	276,515	-	641,396	-
Compensated absences	7,173,045	938,612	789,042	7,322,615	3,312,710
	$ 26,619,262	$ 1,215,127	$ 1,198,820	$ 26,635,569	$ 3,727,710

6. Long-Term Debt

On March 16, 2010, the Bergen County Improvement Authority (the Authority) issued $20,555,000 of Bergen County Secured Lease Revenue Bonds, Series 2010 (Bergen Community College Building Project), consisting of $5,335,000 County Secured Lease Revenue Bonds, Series 2010A and $15,220,000 County Secured Lease Revenue Bonds, Series 2010B. Both series are guaranteed by the County of Bergen. Series 2010B are federally taxable and are Build America Bonds. Build America Bonds entitle the Authority to receive a cash subsidy from the United States Treasury equal to 35% of the interest payable. The bonds were issued to provide funds to the Authority for various improvements to the facilities at The Bergen Community College (the College), including the acquisition, reconstruction, alteration and renovation of a 118,000 square foot building in the Township of Lyndhurst, New Jersey to be used as satellite campus for the College and for financing other capital projects of the College and for the payment of certain costs of issuance of the Bonds.

6. Long-Term Debt *(Continued)*

Concurrent with the bond issuance the Authority entered into a Lease Agreement with the College for the lease and purchase of the facilities described above. The lease terminates when all of the 2010A and 2010B bonds are no longer outstanding. Under the terms of the lease, the College is required to make annual rental payments to the Authority sufficient to pay debt service on the 2010 bonds and other expenses of the Authority.

The Bonds are special obligations of the Authority payable solely by certain revenues of the Authority, including the rental payments to be made by the College to the Authority pursuant to a Lease Agreement by and between the Authority and the College, dated March 1, 2010. The obligation of the College to pay Rentals under the Lease is the direct obligation of the College.

The principal on the bonds is payable on June 1 of each year and interest is payable semiannually on June 1 and December 1 in each year commencing June 1, 2010. The bonds were issued with a premium of, which will be amortized over the life of the bonds.

Payments due on long-term debt for the next five years and thereafter are as follows as of June 30, 2014:

	Principal	Interest
2015	$ 425,000	$ 967,633
2016	440,000	954,883
2017	455,000	941,683
2018	465,000	928,033
2019-2023	2,625,000	4,318,753
2024-2028	3,160,000	3,542,620
2029-2033	3,790,000	2,577,674
2034-2038	4,560,000	1,403,889
2039-2040	2,075,000	180,163
	$ 17,995,000	$ 15,815,331

6. Long-Term Debt *(Continued)*

The following represents the components and changes in bonds payable for the year ended June 30, 2014:

	June 30, 2014			
	Beginning of Year	Reductions	End of Year	Amount Due Within One Year
Bonds payable - gross	$ 18,410,000	$ 415,000	$17,995,000	$425,000
Unamortized premium	261,558	9,778	251,780	
Total Bonds Payable - Net	$ 18,671,558	$ 424,778	$18,246,780	

7. Retirement Plans

Plan Descriptions

The College participates in several retirement plans for its employees – the State of New Jersey Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF), and the Alternate Benefit Program (ABP), which presently makes contributions to Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), Metropolitan Life Insurance Company, AXA/Equitable, Hartford, ING, Prudential and VALIC. ABP is administered by a separate board of trustees. Generally, all employees, except certain part-time employees, participate in one or more of these plans.

PERS and TPAF Information

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare, to substantially all full-time employees of the State of New Jersey or public agencies, provided the employee is not a member of another retirement system administered by the State of New Jersey. PERS is a cost-sharing, multiple-employer, defined benefit pension plan administrated by the State of New Jersey.

Certain faculty members of the College participate in TPAF, which is a State of New Jersey cost-sharing, defined benefit pension plan. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage, including post-retirement healthcare, to substantially all full-time public school employees in the State of New Jersey. The State of New Jersey issues publicly available financial reports for PERS and TPAF that include financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

7. Retirement Plans *(Continued)*

Annually, employer contributions to the PERS are actuarially determined and include the College's normal contribution plus any accrued liability, which ensures adequate funding for future pension system liability. The College's contribution, equal to the required contribution for each fiscal year, was as follows:

Fiscal Year	Normal Contribution	Accrued Liability	Total Liability	Funded by State	Paid by College
Public Employees Retirement System					
2014	$ 907,768	$ 1,384,460	$ 2,292,228	$ -	$ 2,292,228
2013	801,573	1,594,729	2,396,302	-	2,396,302
2012	873,272	1,466,284	2,339,556	-	2,339,556

PERS Funding Policy

PERS members are required to contribute 6.78% of their annual covered salaries for both years ending of June 30, 2014 and 2013, respectively, and the College is required to contribute at an actuarially determined rate. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

Alternative Benefit Program Information

ABP provides the choice of six investment carriers, all of which are privately operated, defined contribution retirement plans. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for, or on behalf of, those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility is established by the State of New Jersey Retirement and Social Security Law, as are contributory and noncontributory requirements. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees contribute 5% of their salaries and may contribute a voluntary additional contribution, up to the maximum Federal statutory limit, on a pre-tax basis. Employer contributions are 8% of participating employee eligible salaries. During the years ended June 30, 2014 and 2013, ABP investment carriers received employer and employee contributions that were approximately as follows:

	2014	2013
Employer contributions	$ 2,556,910	$ 2,550,877
Employee contributions	1,598,068	1,594,298
Basis for contributions -		
Participating employee salaries	31,961,369	31,885,955

7. Retirement Plans *(Continued)*

Other Postemployment Benefits

GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* established standards of accounting and financial reporting for other postemployment benefits (OPEB) expense/expenditures and related OPEB liabilities or OPEB assets, note disclosures and required supplementary information (RSI) in the financial reports of state and local government employers. Since the State of New Jersey pays OPEB benefits on behalf of the College and the State is recording the OPEB liability on its financial statements, the College does not record a liability for OPEB.

8. Compensated Absences

The College has recorded a liability for compensated absences of approximately $7,469,000 and $7,323,000 as of June 30, 2014 and 2013, respectively, which is included in accounts payable and accrued expenses and non-current liabilities in the accompanying statements of net position. The liability is calculated based upon employees' accrued vacation, sick leave and compensatory time as of the statement of net position date. Vacation, sick leave and compensatory time provisions are documented in the employees' collective bargaining agreements.

9. Contingencies

The College receives support from Federal and State of New Jersey grant programs, primarily for student financial assistance. Entitlement to the resources requires compliance with terms of the grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. As of June 30, 2014, the College estimates that adjustments, if any, as a result of such audits would not have a material adverse effect on the College's financial statements.

There have been no significant reductions in insurance coverage from the prior year and there have been no settlements in the prior three years that exceeded insurance coverage.

Union contracts for faculty, support and professional staff expired in 2013. Contract negotiations have been ongoing. The effect of finalizing these negotiations may have a financial impact in the upcoming fiscal year. A provision for the salary increases has been included with the financial results of this fiscal year.

10. Components of Net Position

At June 30, 2014 and 2013, the College's components of net position consisted of the following:

	Net Investment in Capital Assets	Restricted	Unrestricted	Total FY 2014	Total FY 2013
NET INVESTMENT IN CAPITAL					
ASSETS RESTRICTED FOR	$ 94,044,743	$ -	$ -	$ 94,044,743	$ 99,803,001
Capital projects	-	43,630,408	-	43,630,408	33,681,375
Unemployment reserve	-	2,413,074	-	2,413,074	2,733,371
Other reserves	-	106,779	-	106,779	101,881
EXPENDABLE FOR					
Renewals and replacements of capital assets	-	3,636,664	-	3,636,664	6,615,538
Unemployment reserve	-	284,190	-	284,190	475,055
Subsequent year's budget	-	2,128,884	-	2,128,884	1,900,000
UNRESTRICTED					
Current funds	-	-	5,985,427	5,985,427	3,475,881
Plant funds	-	3,502,479	-	3,502,479	4,230,777
Total per Statements of Net Position	$ 94,044,743	$ 55,702,478	$ 5,985,427	$ 155,732,648	$ 153,016,879

11. Component Unit – Bergen Community College Foundation

Bergen Community College Foundation (the Foundation) is a legally separate, tax exempt component unit of Bergen Community College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Foundation's board is comprised of community leaders from the public and private sector. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources and income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a private nonprofit organization that conforms with Statement of Financial Accounting Standards Board Accounting Standards Certification (FASB ASC) Topic 958, *"Financial Statements for Non-for-Profit Organizations".* Thus, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity to account for these differences.

11. Component Unit – Bergen Community College Foundation *(Continued)*

Basis of Presentation (Continued)

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Included in temporarily restricted net assets is the unexpended balance of a pledge from the Emil Buehler Perpetual Trust, which was recognized as income in fiscal year 2010. These funds are available for College projects and include the acquisition of state-of-the-art laboratories and equipment for the science, aviation and avionics programs.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values based on quoted market prices in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets or temporarily restricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The FASB Codification (ASC 820) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date;

Level 2 – Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 – Inputs that are unobservable.

11. Component Unit – Bergen Community College Foundation *(Continued)*

Investments (Continued)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment.

Investment securities are carried at fair value based on quoted prices in active markets (all level 1 measurements) and consist of the following at June 30:

	2014		2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Certificates of Deposit	$ 16,330	$ 16,330	$ 16,251	$ 16,251
Bonds	4,539,086	4,701,387	4,533,824	4,655,242
Stocks	3,222,481	4,666,838	3,222,366	3,886,813
	$ 7,777,897	$ 9,384,555	$ 7,772,441	$ 8,558,306

Endowment

The Foundation's endowments consist of donor-restricted endowment funds. As required by GAAP (ASC 958-205), net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of the Foundation is responsible for the long-term investment policies for donor restricted endowment funds. No such distribution shall be made to the extent it would reduce the value below the endowed corpus.

11. Component Unit – Bergen Community College Foundation *(Continued)*

Endowment

The Foundation interprets the UPMIFA of the State of New Jersey as requiring the preservation of the fair 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, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 UPMIFA. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

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

The market value of assets associated with the donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund perpetual duration. Deficiencies of that nature would be reported in unrestricted net assets.

Pledges Receivable

Pledges are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on pledges receivable using the allowance method. The allowance is based on management's knowledge of which individual receivables are likely to not be collected. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Revenue

Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional pledges are recognized when the conditions on which they depend are substantially met. Donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

11. Component Unit – Bergen Community College Foundation *(Continued)*

Distributions to the College

During the years ended June 30, 2014 and 2013, the Foundation distributed approximately $849,099 and $626,739, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the administrative office at 400 Paramus Road, Paramus, New Jersey 07652.

Reclassifications

Certain amounts in the 2013 Foundation financial statements have been reclassified to conform to the 2014 presentation.

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OTHER SUPPLEMENTARY INFORMATION

Bergen Community College
(A Component Unit of the County of Bergen)

Schedule of Expenditures of Federal Awards
June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA/ Grant Number	Federal Expenditures
Student Financial Assistance Cluster		
U.S. Department of Education		
Federal Pell Grant Program	84.063	$ 21,608,328
Federal Pell Grant Program - Prior Year ROF	84.063	(14,441)
Federal Supplemental Educational Opportunity Grants	84.007	346,089
Federal Direct Loans	84.268	10,350,783
Federal Direct Loans - Prior Year	84.268	50,899
Federal Work-Study Program	84.033	383,866
Total Student Financial Assistance Cluster		32,725,524
Other Federal Programs		
Small Business Administration		
Small Business Development Center Grant	59.037	123,015
National Science Foundation -		
Quality Assurance Training Program	47.076	69,153
U.S. Department of Education		
Passed through the State of New Jersey -		
Carl D. Perkins Vocational and Applied Technology Art	84.048	592,501
Title V: Developing Hispanic Serving Institutions	84.031S	550,881
Title V: HSI STEM GPS Grant	84.031C	660,824
Transition Program for Students with Intellectual Disabilities	84.407A	440,748
U.S. Department of Health & Human Services -		
HPOG: Health Professions Opportunity Grant	93.093	6,370,371
Substance Abuse and Mental Health Services	93.243	110,890
Total Other Federal Programs		8,918,383
Total Expenditures of Federal Awards		$ 41,643,907

See independent auditors' report and accompanying notes to schedules of expenditures of Federal and State Awards

Bergen Community College
(A Component Unit of the County of Bergen)

Schedule of Expenditures of State Awards
June 30, 2014

State of New Jersey Grantor/Program	State of New Jersey Account/ Grant Number	FY 2014 Award Amount	Grant Period	State Expenditures
Student Financial Assistance				
New Jersey Department of Treasury				
Tuition Aid Grant	100-074-2405-007			
2013 - 2014	007-KKKK-6150	$ 5,095,264	7/1/13-6/30/14	$ 5,095,264
EOF Article III	2401-100-074-2401			
2013 - 2014	001-KKKK-6140	294,673	7/1/13-6/30/14	294,673
EOF Article III Summer	2401-100-074-2601			
2013 - 2014	001-KKKK-6140	61,357	7/1/13-6/30/14	61,357
EOF Title IV	2401-100-074-2401			
2013 - 2014	002-KKKK-6140	98,095	7/1/13-6/30/14	98,095
New Jersey STARS	100-074-2405-313			
2013 - 2014	STARS	447,422	7/1/13-6/30/14	447,422
New Jersey Class Loans				
2013 - 2014	NJCL	128,638	7/1/13-6/30/14	128,638
Total Student Financial Assistance		6,125,449		6,125,449
Other State of New Jersey Programs				
Integrated English Literature & Civics Education				
2013 - 2014	ABS-FY11002	507,058	7/1/13-6/30/14	507,058
New Jersey of Council of County Colleges				
College Readiness Now		15,736		15,736
New Jersey Small Business Development Center				
2013 - 2014	Not available	12,769	7/1/13-6/30/14	12,769
New Jersey Department of Treasury				
Operational Costs - County Colleges	01-100-082-2155-015	12,331,672	7/1/13-6/30/14	12,331,672
Alternate Benefit Program	01-100-082-2155-017	1,741,229	7/1/13-6/30/14	1,741,229
Total other State of New Jersey programs		14,608,464		14,608,464
Total expenditures of State awards		20,733,913		20,733,913

See independent auditors' report and accompanying notes to schedules of expenditures of Federal and State awards

Bergen Community College
(A Component Unit of the County of Bergen)

Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2014

1. Basis of Presentation

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of Bergen Community College and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States*, *Local Governments*, *and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the basic financial statements. For the purposes of these schedules, Federal Awards and State Awards include any assistance provided by a Federal and State agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, direct appropriations and other non-cash assistance. Because these schedules present only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position, changes in net position and other changes of the College in conformity with generally accepted accounting principles.

The accounting practices followed by the College in preparing the accompanying schedules are as follows:

Expenditures for direct costs are recognized as incurred using the accrual method of accounting contained in the U.S. Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

2. Federal Direct Loan Program

Bergen Community College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. It is not practical to determine the balance of loans outstanding to students of Bergen Community College under this program as of June 30, 2014. During the fiscal year ended June 30, 2014, the College processed $10,350,783 under the Federal Loan Program.

3. Alternate Benefit Program

During the year ended June 30, 2014, the State of New Jersey, Department of Treasury made payments on behalf of Bergen Community College to the Alternate Benefit Program of $ 1,741,229. These benefits are reimbursed by the State of New Jersey for faculty only, all other disbursement for administration, professional and support staff are reflected in the accompanying basic financial statements for the year ended June 30, 2014. The June 30, 2014 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of state awards.

4. Subrecipients

Of the federal expenditures presented in the Schedule of Federal Awards, the College passed through federal awards to subrecipients for the Health Professions Opportunity Grant (Federal CFDA 93.093) of $6,370,371 and for the Transition Programs for Students with Intellectual Disabilities into Higher Education (Federal CFDA 84.407A) of $440,748 for the year ended June 30, 2014.

O'CONNOR DAVIES

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Board of Trustees
Bergen Community College
Paramus, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Bergen Community College (the College), a component unit of the County of Bergen, State of New Jersey, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 27, 2014. Our report includes a reference to other auditors who audited the financial statements of the Bergen County College Foundation (the Foundation), a discretely presented component unit as described in our report on the College's financial statements. The financial statements of the Foundation 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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.

The Board of Trustees
Bergen Community College
Paramus, New Jersey
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

O'Connor Davies, LLP

October 27, 2014

Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey OMB Circular Letter 04-04

Independent Auditors' Report

The Board of Trustees
Bergen Community College
Paramus, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited Bergen Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of Bergen Community College's major federal and state programs for the year ended June 30, 2014. Bergen Community College's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bergen Community College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 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 and state program occurred. An audit includes examining, on a test basis, evidence about Bergen Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, Bergen 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 year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Bergen Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bergen Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 New Jersey OMB Circular Letter 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bergen Community College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and 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 and 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 New Jersey OMB Circular Letter 04-04. Accordingly, this report is not suitable for any other purpose.

O'Connor Davies, LLP

Paramus, New Jersey
October 27, 2014

Bergen Community College
(A Component Unit of the County of Bergen)

Schedule of Findings and Questioned Costs
June 30, 2014

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ Yes x No
• Significant deficiency(cies) identified?	___ Yes x None reported
Noncompliance material to financial statements noted?	___ Yes x No

Federal and State Awards

Internal control over major programs:	
• Material weakness(es) identified?	___ Yes x No
• Significant deficiency(cies) identified?	___ Yes x 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 NJ OMB 04-04?	___ Yes x No

Bergen Community College.
(A Component Unit of the County of Bergen)

Schedule of Findings and Questioned Costs
(continued)
June 30, 2014

Section 1 – Summary of Auditors' Results *(continued)*

CFDA Number/ State Account Number	Name of Federal and State Program or Cluster
Federal:	
84.063/84.007/84.033/84.268	U.S. Department of Education-Student Financial Aid Cluster
State:	
Various	Student Financial Assistance Cluster
01-100-082-2155-015	Operational Costs - County Colleges
01-100-082-2155-017	Alternate Benefit Program

Federal	$300,000
State	$622,017

Auditee qualified as low-risk auditee? ____Yes __X__No

Section 2 – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2014.

Section 3 – Federal and State Awards Findings and Questioned Costs

During our audit, we noted no material instances of non-compliance for the year ended June 30, 2014.

Finding Reference: 2013-01 – Return of Title IV Calculations

Federal Agency:	**U.S. Department of Education**
Federal Program:	**Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.063, 84.268)**
Compliance Requirement:	**Special Test and Provisions (Return of Title IV Funds)**
Type of Finding:	**Material Weakness in Internal Control, Noncompliance**

Condition: It was noted that all R2T4 calculations the College performed for the Spring 2013 term were incorrect and that certain funds to be returned during the academic year were not returned to the appropriate lending agency within 45 days of the school's determination.

Recommendation: It was recommended the College review its policies and procedures surrounding the completion of R2T4 calculations, and additionally recommend the College put in place periodic review procedures to verify that all withdrawals are identified timely and all withdrawn students have had R2T4 calculations properly performed in a timely manner.

Current Year Status: Corrected. The College has implemented policies and procedures in place and testing did not reveal any findings.

Finding Reference: 2013-02 – Student Status Changes

Federal Agency:	**U.S. Department of Education**
Federal Program:	**Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.063, 84.268)**
Compliance Requirement:	**Special Test and Provisions (Student Status Changes)**
Type of Finding:	**Significant Deficiency in Internal Control, Noncompliance**

Condition: It was noted that the College did not accurately and timely report student status changes to the NSLDS in accordance with the prescribed requirements.

Recommendation: It was recommended that management review and revise its current procedures to ensure that the status change for students receiving loan funds is timely and accurately reported to NSLDS.

Current Year Status: Corrected. The College has implemented policies and procedures in place and testing did not reveal any findings.

Finding Reference: 2013-03 – Disbursement Notification

Federal Agency:	**U.S. Department of Education**
Federal Program:	**Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.063, 84.268)**
Compliance Requirement:	**Eligibility**
Type of Finding:	**Significant Deficiency in Internal Control, Noncompliance**

Condition: It was noted that the College did not notify FSA recipients in accordance with the prescribed requirements.

Recommendation: It was recommended the College put in place policies/procedures to ensure that all students are notified of award disbursements prior to funds being credited to their student account.

Current Year Status: Corrected. The College has implemented policies and procedures in place and testing did not reveal any findings.

Finding Reference: 2013-04 – Federal Aid Awarded in Excess of Financial Need

Federal Agency:	**U.S. Department of Education**
Federal Program:	**Student Financial Assistance Cluster (CFDA 84.007, 84.033, 84.063, 84.268)**
Compliance Requirement:	**Eligibility**
Type of Finding:	**Significant Deficiency in Internal Control, Noncompliance**

Condition: It was noted that the College awarded students aid in excess of their calculated financial need or cost of attendance.

Recommendation: It was recommended the College put in place policies/procedures to ensure that aid is only awarded up to the student's calculated financial need.

Current Year Status: Corrected. The College has implemented policies and procedures in place and testing did not reveal any findings.