

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, 2018 and 2017

(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, 2018 and 2017

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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 years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of United States. 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

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, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10 and the required supplementary information on pages 52 through 55 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.

Other Information

Our audits were 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 56 through 57 as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB Circular Letter 15-08, *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 February 15, 2019 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.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
February 15, 2019

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

Management's Discussion and Analysis
June 30, 2018

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, 2018 and 2017, with selected information pertaining to the year ended June 30, 2016. 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.

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

Management's Discussion and Analysis
June 30, 2018

Statements of Net Position

Net position represents the residual interest in the College's assets after liabilities are deducted. Net position consists 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 includes 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.

The statements of net position present the College's current and non-current assets, deferred outflows of resources and liabilities, deferred inflows of resources 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 \$74.2, \$60.5, and \$57.9 million for fiscal years ended June 30, 2018, 2017 and 2016, respectively, while the net of non-operating revenues less non-operating expenses shows an excess of revenues over expenses of \$65.4, \$52.2, and \$53.8 million for fiscal years ended June 30, 2018, 2017 and 2016, respectively. 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.

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

Management's Discussion and Analysis
June 30, 2018

Financial Highlights
Condensed Schedule of Net Position (in Millions)

The following represents assets, liabilities and net position of the College at June 30, 2018, 2017 and 2016:

	Net Position as of June 30,				
	2016	2017	Change from 2016	2018	Change from 2017
CURRENT ASSETS	\$ 67.6	\$ 71.3	\$ 3.7	\$ 74.9	\$ 3.6
NONCURRENT ASSETS					
Capital assets, net of accumulated depreciation	131.4	131.3	(0.1)	129.1	(2.2)
Other noncurrent assets	12.2	15.8	3.6	17.5	1.7
Total Assets	<u>211.2</u>	<u>218.4</u>	<u>7.2</u>	<u>221.5</u>	<u>3.1</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflow of pension resources	<u>8.4</u>	<u>24.7</u>	<u>16.3</u>	<u>16.8</u>	<u>(7.9)</u>
CURRENT LIABILITIES	13.0	16.1	3.1	15.2	(0.9)
NONCURRENT LIABILITIES					
Deposits held in trust	0.1	0.1	-	0.1	-
Long-term debt	17.2	16.7	(0.5)	16.1	(0.6)
Net pension liability	64.0	87.4	23.4	66.9	(20.5)
Other noncurrent liabilities	<u>4.4</u>	<u>4.8</u>	<u>0.4</u>	<u>5.1</u>	<u>0.3</u>
Total Liabilities	<u>98.7</u>	<u>125.1</u>	<u>26.4</u>	<u>103.4</u>	<u>(21.7)</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow of pension resources	<u>4.1</u>	<u>2.4</u>	<u>(1.7)</u>	<u>16.6</u>	<u>14.2</u>
NET POSITION					
Net investment in capital assets	111.6	112.2	0.6	109.3	(2.9)
Restricted	45.1	43.3	(1.8)	51.1	7.8
Unrestricted	<u>(39.8)</u>	<u>(39.8)</u>	<u>-</u>	<u>(42.1)</u>	<u>(2.3)</u>
Total Net Position	<u>\$ 116.9</u>	<u>\$ 115.7</u>	<u>\$ (1.2)</u>	<u>\$ 118.3</u>	<u>\$ 2.6</u>

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

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

Management's Discussion and Analysis
June 30, 2018

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, 2018, 2017 and 2016 as follows:

	Year Ended June 30				
	2016	2017	Change from 2016	2018	Change from 2017
OPERATING REVENUES					
Tuition and fees and auxiliary enterprises, net of scholarship allowances	\$ 36.0	\$ 38.0	\$ 2.0	\$ 34.5	\$ (3.5)
Federal grants and contracts	26.2	22.8	(3.4)	25.0	2.2
State, county and private grants	6.1	6.1	-	6.2	0.1
Other operating revenues	1.3	1.2	(0.1)	1.0	(0.2)
Total	<u>69.6</u>	<u>68.1</u>	<u>(1.5)</u>	<u>66.7</u>	<u>(1.4)</u>
Less operating expenses	<u>127.5</u>	<u>128.6</u>	<u>1.1</u>	<u>140.9</u>	<u>12.3</u>
Operating Loss	<u>(57.9)</u>	<u>(60.5)</u>	<u>(2.6)</u>	<u>(74.2)</u>	<u>(13.7)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	12.4	12.4	-	12.5	0.1
County appropriations	19.7	20.1	0.4	20.5	0.4
Pell Grants	21.5	19.8	(1.7)	20.8	1.0
Investment income/(expenses), net	0.4	0.4	-	0.7	0.3
Other nonoperating revenues (expenses), net	<u>(0.2)</u>	<u>(0.5)</u>	<u>(0.3)</u>	<u>10.9</u>	<u>11.4</u>
Total	<u>53.8</u>	<u>52.2</u>	<u>(1.6)</u>	<u>65.4</u>	<u>13.2</u>
CAPITAL APPROPRIATIONS	<u>5.9</u>	<u>7.1</u>	<u>1.2</u>	<u>11.4</u>	<u>4.3</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 1.8</u>	<u>\$ (1.2)</u>	<u>\$ (3.0)</u>	<u>\$ 2.6</u>	<u>\$ 3.8</u>

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 decreases in tuition are a result of a decline in enrollment by \$3.5. Federal grants and contracts, state, county, private grants and other operating revenues increased by \$2.1; this is primarily attributable to an increase in the number of grant funding for student activities. Pell Grants have been excluded from Operating Revenues.

Bergen Community College
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Management's Discussion and Analysis
June 30, 2018

Condensed Schedules of Operating Expenses (in Millions)

A summary of the College's operating expenses for the years ended June 30, 2018, 2017 and 2016 follows:

	Year Ended June 30				
	2016	2017	Change from 2016	2018	Change from 2017
OPERATING EXPENSES					
Instruction	\$ 59.9	\$ 59.6	\$ (0.3)	\$ 62.8	\$ 3.2
Public service	0.2	0.1	(0.1)	-	(0.1)
Academic support	8.9	8.9	-	9.2	0.3
Student services	10.9	11.4	0.5	12.4	1.0
Institutional support	25.3	24.4	(0.9)	28.0	3.6
Operation and maintenance of plant	10.9	12.4	1.5	15.7	3.3
Scholarships and fellowships	4.6	4.1	(0.5)	4.8	0.7
Auxiliary enterprises	0.4	0.5	0.1	0.5	-
Depreciation	6.4	7.2	0.8	7.5	0.3
Total	<u>\$ 127.5</u>	<u>\$ 128.6</u>	<u>\$ 1.1</u>	<u>\$ 140.9</u>	<u>\$ 12.3</u>

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 increased from the prior year due to the completion of the Health Professions Building, and the settlement of union contracts where settlement salary costs were paid.

Schedule of Components of Net Position

The following represents the components of net position at June 30, 2018 and 2017:

	Net Position as of June 30,				
	Net Investment in Capital Assets	Restricted	Unrestricted	Total FY 2018	Total FY 2017
NET INVESTMENT IN CAPITAL ASSETS	\$ 109,381,847	\$ -	\$ -	\$109,381,847	\$112,189,819
RESTRICTED FOR:					
Capital projects	-	48,498,837	-	48,498,837	41,072,571
Unemployment reserve	-	2,103,208	-	2,103,208	2,087,134
Other reserves	-	458,925	-	458,925	125,886
BOARD-DESIGNATED FOR:					
Renewals and replacements of capital assets	-	-	19,452,457	19,452,457	16,592,911
Reserve for Workers Comp.	-	-	284,190	284,190	284,190
Subsequent year's budget	-	-	-	-	1,004,818
UNDESIGNATED:					
Current funds	-	-	(61,851,298)	(61,851,298)	(57,684,237)
Total per Statements of Net Position	<u>\$ 109,381,847</u>	<u>\$51,060,970</u>	<u>\$(42,114,651)</u>	<u>\$118,328,166</u>	<u>\$115,673,092</u>

Bergen Community College
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Management's Discussion and Analysis
June 30, 2018

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, 2018	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 3,113,469	\$ -	\$ -	\$ 3,113,469
Land improvements	3,006,781	-	-	3,006,781
Buildings	112,639,761	-	-	112,639,761
Building improvements	72,598,720	527,493	-	73,126,213
Furniture and furnishings	1,459,742	68,101	-	1,527,843
Equipment	24,540,052	3,045,465	442,070	27,143,447
Vehicles	1,007,847	70,374	23,980	1,054,241
Machinery	487,344	-	450,560	36,784
Infrastructure	4,466,382	821,897	-	5,288,279
Capitalized software	2,183,634	656,634	-	2,840,268
Equipment leasing fund assets	2,500,909	-	28,214	2,472,695
Construction in progress	1,749,715	1,397,791	800,048	2,347,458
Total	229,754,356	6,587,755	1,744,872	234,597,239
Accumulated depreciation	98,462,374	7,516,519	463,407	105,515,486
Total per Statements of Net Position	<u>\$ 131,291,982</u>	<u>\$ (928,764)</u>	<u>\$ 1,281,465</u>	<u>\$ 129,081,753</u>

Capital Assets Activity for the Year Ended June 30, 2017	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 3,113,469	\$ -	\$ -	\$ 3,113,469
Land improvements	3,006,781	-	-	3,006,781
Buildings	110,997,328	1,642,433	-	112,639,761
Building improvements	71,690,258	908,462	-	72,598,720
Furniture and furnishings	1,101,839	357,903	-	1,459,742
Equipment	20,764,424	3,939,078	163,450	24,540,052
Vehicles	916,349	91,498	-	1,007,847
Machinery	487,344	-	-	487,344
Infrastructure	4,446,534	19,848	-	4,466,382
Capitalized software	2,076,974	106,660	-	2,183,634
Equipment leasing fund assets	2,512,419	-	11,510	2,500,909
Construction in progress	1,618,807	1,407,873	1,276,965	1,749,715
Total	222,732,526	8,473,755	1,451,925	229,754,356
Accumulated depreciation	91,284,054	7,210,965	32,645	98,462,374
Total per Statements of Net Position	<u>\$ 131,448,472</u>	<u>\$ 1,262,790</u>	<u>\$ 1,419,280</u>	<u>\$ 131,291,982</u>

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 4 to the basic financial statements.

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

Management's Discussion and Analysis
June 30, 2018

Debt Administration

At June 30, 2018, the College had \$88,225,228 of outstanding long-term liabilities, including debt. Of this amount, \$5,081,250 is for compensated absences, \$124,739 is for deposits held in custody for others, \$16,669,811 is for the repayment of bonds issued by the Bergen County Improvement Authority and the remaining \$66,891,923 represents the net pension liability.

For more detailed information, please refer to Notes 5 and 6 to the basic financial statements.

Summary and Outlook

Founded in 1965, Bergen Community College enrolls more than 14,000 students in Associate in Arts, Associate in Science and Associate in Applied Science degree programs and certificate programs. More than 6,300 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,	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 23,467,743	\$ 20,362,004
Restricted investments	4,058,096	4,015,238
Investments	<u>40,796,217</u>	<u>40,744,412</u>
Total Cash and Equivalents and Investments	<u>68,322,056</u>	<u>65,121,654</u>
Receivables - Student, net of allowance of \$9,674,829 and \$14,371,254, respectively	2,754,163	2,770,524
Other receivables	<u>3,676,967</u>	<u>3,270,673</u>
Total Receivables	<u>6,431,130</u>	<u>6,041,197</u>
Inventories	22,232	26,976
Prepaid expenses	<u>97,482</u>	<u>130,724</u>
Total Current Assets	<u>74,872,900</u>	<u>71,320,551</u>
Noncurrent Assets		
County of Bergen receivable	17,575,590	15,812,469
Capital assets, net of accumulated depreciation of \$105,515,486 and \$98,462,374, respectively	<u>129,081,753</u>	<u>131,291,982</u>
Total Noncurrent Assets	<u>146,657,343</u>	<u>147,104,451</u>
Total Assets	<u>221,530,243</u>	<u>218,425,002</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of pension resources	<u>16,787,133</u>	<u>24,697,703</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses		
Vendors	951,032	978,513
Accrued salaries and benefits	926,542	984,472
Compensated absences, current portion	4,267,256	4,599,063
Other accrued expenses	<u>4,653,386</u>	<u>5,117,927</u>
Total Accounts Payable and Accrued Expenses	10,798,216	11,679,975
Unearned student tuition and fees	3,123,328	3,486,012
Unearned grant revenue	747,213	382,513
Long-term debt, current portion	<u>542,495</u>	<u>519,491</u>
Total Current Liabilities	<u>15,211,252</u>	<u>16,067,991</u>
Noncurrent Liabilities		
Long-term debt, net	16,127,316	16,679,589
Deposits held in custody for others	124,739	83,953
Compensated absences	5,081,250	4,832,290
Net pension liability	<u>66,891,923</u>	<u>87,386,112</u>
Total Noncurrent Liabilities	<u>88,225,228</u>	<u>108,981,944</u>
Total Liabilities	<u>103,436,480</u>	<u>125,049,935</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of pension resources	<u>16,552,730</u>	<u>2,399,678</u>
NET POSITION		
Net Investment in Capital Assets	109,381,847	112,189,819
Restricted Expendable for		
Unemployment	2,103,208	2,087,134
Other reserves	458,925	125,886
Capital projects	48,498,837	41,072,571
Unrestricted	<u>(42,114,651)</u>	<u>(39,802,318)</u>
Total Net Position	<u>\$ 118,328,166</u>	<u>\$ 115,673,092</u>

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,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 376,831	\$ 358,598
Investments	9,426,270	9,181,150
Receivables		
Pledges, net of discount	205,028	5,000
Other receivables	17,945	10,326
Prepaid expenses	14,557	84,874
Total Assets	\$ 10,040,631	\$ 9,639,948
LIABILITIES		
Scholarships and awards payable	\$ 180,925	\$ 163,844
Accounts payable	1,949	113
Total Liabilities	182,874	163,957
NET ASSETS		
Unrestricted	1,400,389	1,329,148
Temporarily restricted	2,910,416	2,934,829
Permanently restricted	5,546,952	5,212,014
Total Net Assets	9,857,757	9,475,991
Total Liabilities and Net Assets	\$ 10,040,631	\$ 9,639,948

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,	
	2018	2017
OPERATING REVENUES		
Student revenues		
Tuition and fees	\$ 72,997,801	\$ 74,548,174
Auxiliary enterprises	161,420	165,963
Less scholarship allowance	<u>(38,640,724)</u>	<u>(36,710,773)</u>
Net student revenues	34,518,497	38,003,364
Federal grants and contracts	24,956,234	22,830,372
State, county, and private grants	6,256,659	6,073,085
Other operating revenues	<u>1,025,629</u>	<u>1,203,707</u>
Total Operating Revenues	<u>66,757,019</u>	<u>68,110,528</u>
OPERATING EXPENSES		
Instruction	62,790,927	59,654,776
Public service	-	118,422
Academic support	9,191,324	8,899,680
Student services	12,432,195	11,391,402
Institutional support	27,949,585	24,383,377
Operation and maintenance of plant	15,723,370	12,424,054
Scholarships and fellowships	4,848,644	4,102,350
Auxiliary enterprises	466,109	409,790
Depreciation	<u>7,516,518</u>	<u>7,210,965</u>
Total Operating Expenses	<u>140,918,672</u>	<u>128,594,816</u>
OPERATING LOSS	<u>(74,161,653)</u>	<u>(60,484,288)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	12,470,473	12,420,826
County appropriations	20,512,078	20,109,880
Pell grants	20,807,427	19,777,701
Investment income	667,703	387,588
Interest expense, including bonding costs of \$16,082 and \$18,678	(940,663)	(673,831)
Other nonoperating revenues/expenses, net	<u>11,883,467</u>	<u>198,279</u>
Net Nonoperating Revenues	<u>65,400,485</u>	<u>52,220,443</u>
LOSS BEFORE OTHER REVENUES	(8,761,168)	(8,263,845)
OTHER REVENUES		
Capital appropriations	<u>11,416,242</u>	<u>7,067,296</u>
INCREASE (DECREASE) IN NET POSITION	2,655,074	(1,196,549)
NET POSITION		
Beginning of year	<u>115,673,092</u>	<u>116,869,641</u>
End of year	<u>\$ 118,328,166</u>	<u>\$ 115,673,092</u>

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, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUES				
Contributions and grants	\$ 168	\$ 423,627	\$ 248,702	\$ 672,497
Special events, net of expenses of \$57,320	38,933	-	-	38,933
Contributed services	205,791	-	-	205,791
Interest and dividends	47,655	162,978	-	210,633
Realized and unrealized gain on investments	55,071	188,344	-	243,415
Net assets released from restrictions	746,483	(746,483)	-	-
Reclassifications of net assets released from restrictions	(33,357)	(52,879)	86,236	-
Total Support and Revenues	<u>1,060,744</u>	<u>(24,413)</u>	<u>334,938</u>	<u>1,371,269</u>
EXPENSES				
Program services	652,998	-	-	652,998
Support services-management and general	336,505	-	-	336,505
Total expenses	<u>989,503</u>	<u>-</u>	<u>-</u>	<u>989,503</u>
CHANGE IN NET ASSETS	71,241	(24,413)	334,938	381,766
NET ASSETS				
Beginning of year	<u>1,329,148</u>	<u>2,934,829</u>	<u>5,212,014</u>	<u>9,475,991</u>
End of year	<u>\$ 1,400,389</u>	<u>\$ 2,910,416</u>	<u>\$ 5,546,952</u>	<u>\$ 9,857,757</u>

	Year Ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUES				
Contributions and grants	\$ 21,051	\$ 342,829	\$ 41,394	\$ 405,274
Special events, net of expenses of \$65,113	54,232	6,657	-	60,889
Contributed services	345,594	65,000	-	410,594
Interest and dividends	46,471	141,106	-	187,577
Realized and unrealized gain on investments	102,238	310,433	-	412,671
Net assets released from restrictions	785,255	(785,255)	-	-
Reclassifications of net assets released from restrictions	(39,683)	39,683	-	-
Total Support and Revenues	<u>1,315,158</u>	<u>120,453</u>	<u>41,394</u>	<u>1,477,005</u>
EXPENSES				
Program services	674,640	-	-	674,640
Support services-management and general	465,898	-	-	465,898
Total expenses	<u>1,140,538</u>	<u>-</u>	<u>-</u>	<u>1,140,538</u>
CHANGE IN NET ASSETS	174,620	120,453	41,394	336,467
NET ASSETS				
Beginning of year	<u>1,154,528</u>	<u>2,814,376</u>	<u>5,170,620</u>	<u>9,139,524</u>
End of year	<u>\$ 1,329,148</u>	<u>\$ 2,934,829</u>	<u>\$ 5,212,014</u>	<u>\$ 9,475,991</u>

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,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees (including chargebacks to other counties)	\$ 33,644,993	\$ 39,665,966
Federal grants and contracts	24,956,234	22,830,372
State, county, and private grants	6,256,659	8,758,018
Payments to suppliers	(25,616,169)	(16,127,450)
Payments to utilities	(2,684,780)	(4,106,425)
Payments to employees	(64,263,805)	(65,111,072)
Payments for benefits	(34,689,970)	(26,163,707)
Payments for scholarships and fellowships	(4,848,644)	(4,102,350)
Auxiliary enterprises	161,420	165,963
Deposits held in custody for others	40,786	17,727
Other receipts	1,025,629	1,203,707
Net Cash from Operating Activities	(66,017,647)	(42,969,251)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	12,470,473	12,420,826
County appropriations	20,512,078	20,109,880
Pell grant	20,807,427	19,777,701
Loan program receipts	16,331,902	15,395,268
Loan program disbursements	(16,331,902)	(15,395,268)
Other non-capital financing activities	11,883,467	198,279
Net Cash from Noncapital Financing Activities	65,673,445	52,506,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on capital debt	(529,269)	(516,694)
County capital appropriation	9,653,122	3,419,919
Interest and bonding paid on capital debt	(940,663)	(673,831)
Purchase of capital assets and construction in progress	(5,306,289)	(7,054,475)
Net Cash from Capital and Related Financing Activities	2,876,901	(4,825,081)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	667,703	387,588
Purchases of investments	(94,663)	(2,523,890)
Net Cash from Investing Activities	573,040	(2,136,302)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,105,739	2,576,052
CASH AND CASH EQUIVALENTS		
Beginning of year	20,362,004	17,785,952
End of year	\$ 23,467,743	\$ 20,362,004

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,	
	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (74,161,653)	\$ (60,484,288)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	7,516,518	7,210,965
Changes in operating assets and liabilities		
Student accounts and other receivables, net	(389,933)	1,443,674
Inventories	4,744	2,772
Prepaid expenses and other	33,242	(46,658)
Deferred outflows of pension resources	1,569,433	5,434,742
Accounts payable and accrued expenses	(632,800)	3,644,853
Unearned student tuition and fees	(362,684)	(192,640)
Unearned grant revenue	364,700	(398)
Deposits held in custody for others	40,786	17,727
Net Cash Flows Used in Operating Activities	\$ (66,017,647)	\$ (42,969,251)

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Notes to Financial Statements
June 30, 2018 and 2017

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 College’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:

- *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. There were no nonexpendable restricted net positions at June 30, 2018.

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.

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

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- *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 positions 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.

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.

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

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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, 2018 and 2017 was \$9,674,829 and \$14,371,254, 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 \$300 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

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

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Deferred Outflows and Deferred Inflows of Resources

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources.

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.

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

Notes to Financial Statements
June 30, 2018 and 2017

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, 2015.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

Recently Adopted Accounting Standards

In March 2016, the GASB issued Statement No. 82, Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73. This statement addresses certain implementation issues related to (1) the presentation of payroll-related measures in required supplementary information; (2) selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee contribution requirements. The College adopted Statement No. 82 for its fiscal year 2017 financial statements, the impact of which was disclosure only.

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

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Statement 75 requires governments to report a liability on the face of the financial statements for the other post-employment employee benefits (OPEB) that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability equal to the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The College has adopted Statement No. 75 for its fiscal year 2018 financial statements.

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 February 15, 2019.

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

Notes to Financial Statements
June 30, 2018 and 2017

3. Cash and Cash Equivalents and Investments

Deposits

As of June 30, 2018 and 2017, the College's carrying amount of deposits was \$23,467,743 and \$20,362,004, respectively, and the bank balance was \$24,711,585 and \$21,245,634, 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, 2018 and 2017, 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).

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%.

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.

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

Notes to Financial Statements
June 30, 2018 and 2017

3. Cash and Cash Equivalents and Investments (continued)

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, 2018 and 2017, unrestricted certificates of deposit were \$40,796,217 and \$40,744,412, respectively, with interest rates ranging from 1.35% to 2.55%, and restricted certificates of deposit were \$4,058,096 and \$4,015,238, respectively, with interest rates ranging from 1.35% to 1.65%. Of the above amounts, \$250,000 of the certificates of deposit were insured by the FDIC at June 30, 2018 and 2017, 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.

4. Capital Assets

Capital assets activity for the years ended June 30, 2018 and 2017 is comprised of the following:

	Year Ended June 30, 2018			Ending Balances
	Beginning Balance	Acquisition and Other Increases	Dispositions and Other Decreases	
DEPRECIABLE ASSETS				
Land improvements	\$ 3,006,781	\$ -	\$ -	\$ 3,006,781
Buildings	112,639,761	-	-	112,639,761
Building improvements	72,598,720	527,493	-	73,126,213
Furniture & furnishings	1,459,742	68,101	-	1,527,843
Equipment	24,540,052	3,045,465	442,070	27,143,447
Vehicles	1,007,847	70,374	23,980	1,054,241
Machinery	487,344	-	450,560	36,784
Infrastructure	4,466,382	821,897	-	5,288,279
Capitalized software	2,183,634	656,634	-	2,840,268
Equipment leasing fund assets	2,500,909	-	28,214	2,472,695
Total Depreciable Assets	224,891,172	5,189,964	944,824	229,136,312

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

Notes to Financial Statements
June 30, 2018 and 2017

4. Capital Assets (continued)

	Year Ended June 30, 2018			
	Beginning Balance	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balances
ACCUMULATED DEPRECIATION				
Land improvements	\$ 2,269,660	\$ 103,201	\$ -	\$ 2,372,861
Buildings	43,320,442	1,632,598	-	44,953,040
Building improvements	27,896,284	2,382,859	-	30,279,143
Furniture & furnishings	520,263	171,002	-	691,265
Equipment	14,975,210	2,634,042	411,213	17,198,039
Vehicles	712,829	57,376	23,980	746,225
Machinery	34,642	857	-	35,499
Infrastructure	4,584,897	153,737	-	4,738,634
Capitalized software	2,014,560	126,070	-	2,140,630
Equipment leasing fund assets	2,133,587	254,777	28,214	2,360,150
Total Depreciation	<u>98,462,374</u>	<u>7,516,519</u>	<u>463,407</u>	<u>105,515,486</u>
DEPRECIABLE ASSETS, NET	<u>126,428,798</u>	<u>(2,326,555)</u>	<u>481,417</u>	<u>123,620,826</u>
NONDEPRECIABLE ASSETS				
Land	3,113,469	-	-	3,113,469
Construction in progress	1,749,715	1,397,791	800,048	2,347,458
Total Nondepreciable Assets	<u>4,863,184</u>	<u>1,397,791</u>	<u>800,048</u>	<u>5,460,927</u>
End of year	<u>\$ 131,291,982</u>	<u>\$ (928,764)</u>	<u>\$ 1,281,465</u>	<u>\$ 129,081,753</u>
Year Ended June 30, 2017				
	Beginning Balance	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balances
DEPRECIABLE ASSETS				
Land improvements	\$ 3,006,781	\$ -	\$ -	\$ 3,006,781
Buildings	110,997,328	1,642,433	-	112,639,761
Building improvements	71,690,258	908,462	-	72,598,720
Furniture & furnishings	1,101,839	357,903	-	1,459,742
Equipment	20,764,424	3,939,078	163,450	24,540,052
Vehicles	916,349	91,498	-	1,007,847
Machinery	487,344	-	-	487,344
Infrastructure	4,446,534	19,848	-	4,466,382
Capitalized software	2,076,974	106,660	-	2,183,634
Equipment leasing fund assets	2,512,419	-	11,510	2,500,909
Total Depreciable Assets	<u>218,000,250</u>	<u>7,065,882</u>	<u>174,960</u>	<u>224,891,172</u>

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

Notes to Financial Statements
June 30, 2018 and 2017

4. Capital Assets (continued)

	Year Ended June 30, 2017			
	Beginning Balance	Acquisition and Other Increases	Dispositions and Other Decreases	Ending Balances
ACCUMULATED DEPRECIATION				
Land improvements	\$ 2,161,477	\$ 108,183	\$ -	\$ 2,269,660
Buildings	41,716,838	1,603,604	-	43,320,442
Building improvements	25,540,360	2,355,924	-	27,896,284
Furniture & furnishings	249,805	270,458	-	520,263
Equipment	13,050,544	1,945,801	21,135	14,975,210
Vehicles	666,488	46,341	-	712,829
Machinery	33,786	856	-	34,642
Infrastructure	4,334,742	250,155	-	4,584,897
Capitalized software	1,957,245	57,315	-	2,014,560
Equipment leasing fund assets	1,572,769	572,328	11,510	2,133,587
Total Depreciation	<u>91,284,054</u>	<u>7,210,965</u>	<u>32,645</u>	<u>98,462,374</u>
DEPRECIABLE ASSETS, NET	<u>126,716,196</u>	<u>(145,083)</u>	<u>142,315</u>	<u>126,428,798</u>
NONDEPRECIABLE ASSETS				
Land	3,113,469	-	-	3,113,469
Construction in progress	1,618,807	1,407,873	1,276,965	1,749,715
Total Nondepreciable Assets	<u>4,732,276</u>	<u>1,407,873</u>	<u>1,276,965</u>	<u>4,863,184</u>
End of year	<u>\$ 131,448,472</u>	<u>\$ 1,262,790</u>	<u>\$ 1,419,280</u>	<u>\$ 131,291,982</u>

Estimated costs to complete the projects classified as construction in progress as of June 30, 2018 and 2017 approximated \$1,397,791 and \$1,407,873 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, 2018 and 2017 was \$7,516,518 and \$7,210,965, respectively.

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5. Summary of Changes in Noncurrent Liabilities

The following tables summarize the changes in noncurrent liabilities during the years ended June 30, 2018 and 2017:

Year Ended June 30, 2018	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt	\$ 17,199,080	\$ -	\$ 529,269	\$ 16,669,811	\$ 542,495
Net pension liability	87,386,112	-	20,494,189	66,891,923	-
Deposits held in custody for others	83,953	40,786	-	124,739	-
Compensated absences	9,431,353	2,195,574	2,278,421	9,348,506	4,267,256
	<u>\$ 114,100,498</u>	<u>\$ 2,236,360</u>	<u>\$ 23,301,879</u>	<u>\$ 93,034,979</u>	<u>\$ 4,809,751</u>

Year Ended June 30, 2017	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term debt	\$ 17,715,774	\$ -	\$ 516,694	\$ 17,199,080	\$ 519,491
Net pension liability	63,976,093	23,410,019	-	87,386,112	-
Deposits held in custody for others	66,226	17,727	-	83,953	-
Compensated absences	7,751,408	1,797,393	117,448	9,431,353	4,599,063
	<u>\$ 89,509,501</u>	<u>\$ 25,225,139</u>	<u>\$ 634,142</u>	<u>\$ 114,100,498</u>	<u>\$ 5,118,554</u>

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.

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Notes to Financial Statements
June 30, 2018 and 2017

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 November 1, 2016.

On January 1, 2016, the Board of Trustees of the College and the New Jersey Educational Facilities Authority (the "Authority") have entered into an agreement whereby the College is given funds to pay the costs of acquiring and installing higher education equipment and the College agrees to make lease payments equal to the related debt and interest payments of the underlying revenue bonds issued by the Authority. The College has pledged all net revenues generated.

The principal on the bonds is payable on May 1 of each year and interest is payable semiannually on May 1 and November 1 in each year commencing November 1, 2016.

The following principal payments due the Authority were outstanding at June 30, 2018 and 2017:

	Interest Rate	2018	2017
Bergen County Improvement Authority			
Revenue Bonds:			
Series 2010 A, due serially to 2020	2.00% to 4.00%	\$ 990,000	\$ 1,455,000
Series 2010 B, due serially to 2040	5.66% to 5.76%	15,220,000	15,220,000
NJ Educational Facilities Authority			
Revenue Bonds:			
2014 Higher Education Equipment Leasing			
Fund Program 004-03	1.75% to 3.50%	247,142	301,634
		16,457,142	16,976,634
Plus: Bond premiums		212,669	222,446
		16,669,811	17,199,080
Less: current portion		542,495	519,491
Total long-term debt, non-current portion		\$ 16,127,316	\$ 16,679,589

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Notes to Financial Statements
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6. Long-Term Debt (continued)

Payments due on long-term debt for the next five years and thereafter are as follows as of June 30, 2018:

	Principal	Interest
2019	\$ 542,495	\$ 912,800
2020	565,069	890,526
2021	588,073	841,390
2022	611,505	803,649
2023	565,000	768,368
2024-2028	3,160,000	3,318,941
2029-2033	3,790,000	2,342,977
2034-2038	4,560,000	1,411,415
2039-2040	2,075,000	121,452
	\$ 16,457,142	\$ 11,411,518

7. Retirement Plans

The College participates in two major retirement plans for its employees – the State of New Jersey Public Employees’ Retirement System (PERS) and the Alternate Benefit Program (ABP). PERS is a cost-sharing, multiple-employer plan administered by the State, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division’s Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml. ABP is administered by a separate board of trustees. Generally, all employees, except certain part-time employees, participate in one of these plans.

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.

In addition to the two plans referred to above, certain faculty members of the College participate in TPAF, which is a State of New Jersey cost-sharing, multiple employer defined benefit pension plan with special-funding situation by which the State is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State Division and 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. The plan’s eligibility requirements are similar to PERS’ requirement. PERS replaced this plan for all new employees and members of TPAF were able to transfer to PERS. For additional information about PERS, please refer to Division’s Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

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Notes to Financial Statements
June 30, 2018 and 2017

7. Retirement Plans (continued)

Public Employees' Retirement System

Plan Description

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

PERS members are required to contribute 7.34% and 7.20%, respectively, of their annual covered salaries 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.

**Bergen Community College
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Notes to Financial Statements
June 30, 2018 and 2017

7. Retirement Plans (continued)

Public Employees' Retirement System (continued)

Contributions (continued)

Employer contributions to the PERS 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
2018	\$ 505,555	\$ 2,181,912	\$ 2,687,467	\$ -	\$ 2,687,467
2017	534,613	2,086,592	2,621,205	-	2,621,205

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB 68 are reflective of the perspective plan's published financial statements and actuarial valuations as of June 30, 2016 ("Measurement Date").

The College's respective net pension liability, deferred outflows of resources, deferred inflows of resources, and net pension expense related to PERS at and for the fiscal year ended June 30, 2018 and 2017, are as follows:

	2018	2017
Proportionate share of the net pension liability (\$)		
2017	\$ 66,891,923	\$ -
2016	87,386,112	87,386,112
2015	-	63,976,093
Proportionate share of the net pension liability (%)		
2017	0.287%	-
2016	0.295%	0.295%
2015	-	0.285%
Deferred outflows of resources	16,787,133	24,697,703
Deferred inflows of resources	16,552,730	2,399,678
Pension expense	4,382,243	8,055,796

The College's proportionate share of each respective plan's net pension liability was based on the State contribution to the respective plans from July 1, 2016 to June 30, 2017 relative to the total contributions from all participating employers.

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June 30, 2018 and 2017

7. Retirement Plans (continued)

Public Employees' Retirement System (continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

The components of pension related deferred outflows of resources and deferred inflows of resources as of the Measurement Date for the fiscal year ended June 30, 2018 and 2017, are as follows:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,575,074	\$ -	\$ 1,625,117	\$ -
Changes in assumptions	13,476,417	13,427,010	18,101,735	-
Net differences between projected and actual earnings on pension plan investments	455,489	-	3,332,112	-
Changes in proportion	<u>1,280,153</u>	<u>3,125,720</u>	<u>1,638,739</u>	<u>2,399,678</u>
	<u>\$ 16,787,133</u>	<u>\$ 16,552,730</u>	<u>\$ 24,697,703</u>	<u>\$ 2,399,678</u>

College contributions subsequent to the measurement date reported as deferred outflows of resources related to PERS resulting from accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources as deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Net Deferred Outflow/Inflow
2019	\$ 177,462
2020	267,794
2021	162,269
2022	(215,819)
2023	(157,303)

**Bergen Community College
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Notes to Financial Statements
June 30, 2018 and 2017

7. Retirement Plans (continued)

Public Employees' Retirement System (continued)

Actuarial Assumptions

The College's net pension liability as of June 30, 2017 (based on July 1, 2016 actuarial valuation) and June 30, 2016 (based on July 1, 2015 actuarial valuation) were determined using the following actuarial assumptions:

	2017	2016
Inflation Rate	2.25%	3.08%
Salary increases:		
Through 2026	1.65 - 4.15% based on age	1.65 - 4.15% based on age
Thereafter	2.65 - 5.15% based on age	2.65 - 5.15% based on age
Investment rate of return	7.00%	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 actuarial valuations were based on the results of actuarial experience studies for the periods July 1, 2011 to June 30, 2014 for PERS.

The actuarial assumptions used in the July 1, 2015 actuarial valuations were based on the results of actuarial experience studies for the periods July 1, 2011 to June 30, 2014 for PERS.

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June 30, 2018 and 2017

7. Retirement Plans (continued)

Public Employees' Retirement System (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and New Jersey Division of Pensions and Benefits, the board of trustees and the plan's actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

Asset Class	2017		2016	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%	-	-
Cash equivalents	5.00%	0.87%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Public High Yield	2.50%	6.82%	2.00%	4.56%
Global Diversified Credit	5.00%	7.10%	-	-
Credit Oriented Hedge Funds	1.00%	6.60%	-	-
Debt Related Private Equity	2.00%	10.63%	-	-
Debt Related Real Estate	1.00%	6.61%	-	-
Private Real Asset	2.50%	11.83%	9.00%	12.40%
Equity Related Real Estate	6.25%	9.23%	2.00%	6.91%
U.S. Equity	30.00%	8.19%	26.00%	8.53%
Non-U.S. Developed Market Equity	11.50%	9.00%	13.25%	6.83%
Emerging Market Equities	6.50%	11.64%	6.50%	9.95%
Buyouts/Venture Capital	8.25%	13.08%	-	-
Mortgages	-	-	2.00%	1.67%
Inflation-Indexed Bonds	-	-	1.50%	3.44%
Hedge Funds/Absolute Return	-	-	12.50%	4.68%
Commodities	-	-	0.50%	5.45%
Global Debt ex US	-	-	5.00%	-0.25%
REIT	-	-	5.25%	5.63%

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Notes to Financial Statements
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7. Retirement Plans (continued)

Public Employees' Retirement System (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As of June 30, 2017, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the collective net pension liability of the plans as of June 30, 2018 and 2017 calculated using the discount rate as disclosed above, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2018		
	At 1%	At Current	At 1%
	Decrease	Discount	Increase
	(4.00%)	Rate	(6.00%)
	(4.00%)	(5.00%)	(6.00%)
College's proportionate share of the net pension liability	<u>\$ 82,983,970</u>	<u>\$ 66,891,923</u>	<u>\$ 53,485,253</u>
	2017		
	At 1%	At Current	At 1%
	Decrease	Discount	Increase
	(2.98%)	Rate	(4.98%)
	(2.98%)	(3.98%)	(4.98%)
College's proportionate share of the net pension liability	<u>\$ 107,081,481</u>	<u>\$ 87,386,112</u>	<u>\$ 71,125,878</u>

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Notes to Financial Statements
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7. Retirement Plans (continued)

Teachers' Pension and Annuity Fund

Plan Description

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization on the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

Contributions provided by the State and recognized by the plan from the College totaled \$15,890 and \$11,328 for the years ending June 30, 2018 and 2017.

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Notes to Financial Statements
June 30, 2018 and 2017

7. Retirement Plans (continued)

Teachers' Pension and Annuity Fund (continued)

Net Pension Liability

At June 30, 2018 and 2017, the College's proportionate share of the net pension liability was \$954,091 and \$1,118,903, respectively. The College's proportionate share was \$0.

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	2017	2016
Inflation Rate	2.25%	2.50%
Salary increases:		
2012 - 2021	Varies based on experience	Varies based on experience
Thereafter	Varies based on experience	Varies based on experience
Investment rate of return	7.00%	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

For the July 1, 2016 actuarial valuation mortality rates based on the on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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Notes to Financial Statements
June 30, 2018 and 2017

7. Retirement Plans (continued)

Teachers' Pension and Annuity Fund (continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.25% and 3.22% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate as of June 30, 2017 assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. The projection of cash flows used to determine the discount rate as of June 30, 2016 assumed that contributions from employers will be based on the average of the last five years of employers' contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036 and 2029 respectively. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 and 2029, respectively, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The following presents the College's proportionate share of the net pension liability as of June 30, 2018 and 2017, calculating using the discount rate as disclosed above as well as what the College's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	2018		
	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
Net Pension Liability	\$ 80,394,331,171	\$ 67,670,209,171	\$ 57,188,022,171
Allocation Percentage	0.0014150702%	0.0014150702%	0.0014150702%
College's proportionate share of the net pension liability	\$ 1,137,636	\$ 954,091	\$ 809,251

Bergen Community College
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Notes to Financial Statements
June 30, 2018 and 2017

7. Retirement Plans (continued)

Teachers' Pension and Annuity Fund (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	2017		
	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
Net Pension Liability	\$ 94,378,176,033	\$ 79,028,907,033	\$ 66,494,248,033
Allocation Percentage	0.0014223399%	0.0014223399%	0.0014223399%
College's proportionate share of the net pension liability	<u>\$ 1,342,378</u>	<u>\$ 1,118,903</u>	<u>\$ 945,774</u>

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and New Jersey Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

Asset Class	2017		2016	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%	-	-
Cash	5.50%	1.00%	5.00%	0.39%
U.S. Government Bonds/Treasuries	3.00%	1.87%	1.50%	1.28%
U.S. Credit Bonds	10.00%	3.78%	13.00%	2.76%
U.S. Mortgages	-	-	2.00%	2.38%
U.S. Inflation-Indexed Bonds	-	-	1.50%	1.41%
U.S. High Yield Bonds	2.50%	6.82%	2.00%	4.70%
Global diversified credit	5.00%	7.10%	-	-
U.S. Equity Market	30.00%	8.19%	26.00%	5.14%
Foreign-Developed Equity	11.50%	9.00%	13.25%	5.91%
Emerging Market Equities	6.50%	11.64%	6.50%	8.16%
Private Real Estate Property	2.50%	11.83%	5.25%	3.64%
Timber	-	-	1.00%	3.86%
Farmland	-	-	1.00%	4.39%
Private Equity	2.00%	10.63%	9.00%	8.97%
Commodities	-	-	0.50%	2.87%
Credit oriented hedge funds	1.00%	6.60%	-	-

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

Notes to Financial Statements
June 30, 2018 and 2017

7. Retirement Plans (continued)

Teachers' Pension and Annuity Fund (continued)

Long-Term Expected Rate of Return (continued)

Asset Class	2017		2016	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Hedge Funds - Multi Strategy	-	-	5.00%	3.70%
Hedge Funds - Equity Hedge	-	-	3.75%	4.72%
Hedge Funds - Distressed	-	-	3.75%	3.49%
Equity related real estate	6.25%	9.23%	-	-
Debt related real estate	1.00%	6.61%	-	-
Buyouts/venture capital	8.25%	13.08%	-	-

Components of Net Pension Liability

The components of the net pension liability of the participating employers for TPAF as of June 30, 2017 and 2016 are as follows:

	2017	2016
	State	State
Total pension liability	\$ 90,726,371,000	\$101,746,770,000
Plan fiduciary net position	<u>23,056,161,829</u>	<u>22,717,862,967</u>
Net Pension Liability	<u>\$ 67,670,209,171</u>	<u>\$ 79,028,907,033</u>
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%
	College	College
Net pension liability	\$ 67,670,209,171	\$ 79,028,907,033
Allocation percentage	<u>0.0014150702%</u>	<u>0.0014223399%</u>
College's Proportionate Share of the Net Pension Liability	<u>\$ 954,091</u>	<u>\$ 1,118,903</u>

Bergen Community College
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Notes to Financial Statements
June 30, 2018 and 2017

7. Retirement Plans (continued)

Alternative Benefit Program (ABP) Information

ABP provides the choice of seven investment carriers, all of which are privately operated, defined contribution retirement plans. These carriers are Teachers' Insurance and Annuity Association (TIAA), VOYA, Metropolitan Life Insurance (MetLife), AIG VALIC, Mass Mutual, AXA Equitable and Prudential. 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 as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. Employee contributions immediately vest and employer contributions vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees are required to contribute 5% of salary, up to the maximum Federal statutory limit, on a pre-tax basis. Employer contributions are 8% of participating employee base salary. During the years ended June 30, 2018 and 2017, ABP investment carriers received employer and employee contributions that were approximately as follows:

	2017	2016
Employer contributions	\$ 2,711,668	\$ 2,820,985
Employee contributions	1,694,792	1,763,115
Basis for contributions -		
Participating employee salaries	33,895,844	35,262,297

Employer contributions to ABP are paid by the State of New Jersey and are reflected in the accompanying financial statements as nonoperating revenue as State Appropriations and as expenses in various functional expense categories. The maximum compensation to be considered for employer contributions is \$141,000 per New Jersey state law Chapter 31, P.L. 2010. This law was effective as of July 1, 2010.

Bergen Community College
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Notes to Financial Statements
June 30, 2018 and 2017

8. Post-Retirement Benefits

Plan Description

The College participates in the New Jersey State Health Benefits Program (the "SHBP"), a multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Funding Policy

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

As the employer contributions for local government education employers are legally required to be funded by the State, this constitutes a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity.

The State is also responsible for the cost attributable P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

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

Notes to Financial Statements
June 30, 2018 and 2017

8. Post-Retirement Benefits (continued)

Funding Policy (continued)

The State provides OPEB benefits through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Total OPEB Liability

The nonemployer OPEB liability from New Jersey's plan is \$53,639,841,858.

The following members were covered by the benefit terms:

Local Education	June 30, 2016
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	366,078

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The College's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the College did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the College as of June 30, 2017 was \$123,656,003, or 0.23%. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in.

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

Notes to Financial Statements
June 30, 2018 and 2017

8. Post-Retirement Benefits (continued)

Total Nonemployer OPEB Liability (continued)

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions and Other Inputs

Inflation rate	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55 - 4.55%	2.15 - 4.15%
	based on years of service	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%
	based on years of service	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality improvement table with fully generational mortality projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvements projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the actuarial experience studies for the periods July 1, 2012 – June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

Healthcare Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

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

Notes to Financial Statements
June 30, 2018 and 2017

8. Post-Retirement Benefits (continued)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the Total Nonemployer OPEB Liability

The following represents the change in the State's proportionate share of the OPEB liability associated with the College:

Balance at June 30, 2016		\$ 129,597,639
Increased by:		
Service cost	8,767,929	
Interest cost	3,904,383	
Member contributions	<u>105,465</u>	
		<u>12,777,777</u>
		142,375,416
Decreased by:		
Changes of assumptions	15,855,278	
Gross benefit payments	<u>2,864,135</u>	
		<u>18,719,413</u>
Balance at June 30, 2017		<u>\$ 123,656,003</u>

The State's proportionate share of deferred inflows of resources associated with the College at June 30, 2017 was \$14,624,300.

The following represents sensitivity of the State's proportionate share of the net OPEB liability associated with the College to changes in the discount rate and healthcare cost trend rate.

	1% Decrease (2.58%)	At Current Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB Liability (Allocable to the College and the responsibility of the State)	\$146,788,507	\$ 123,656,003	\$105,306,945

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

Notes to Financial Statements
June 30, 2018 and 2017

8. Post-Retirement Benefits (continued)

Changes in the Total Nonemployer OPEB Liability (continued)

The following presents the State's proportionate share of the net OPEB liability associated with the College calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability (Allocable to the College and the responsibility of the State)	\$101,695,046	\$ 123,656,003	\$152,819,719

OPEB Expense and Deferred Outflows of resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the College recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$11,317,596 for OPEB expenses incurred by the State.

Collective balances of the Education Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$ 99,843,255
Deferred inflows of resources	\$ 6,443,612,287
Collective OPEB expense	\$ 3,348,490,523

9. Compensated Absences

The College has recorded a liability for compensated absences of \$9,348,506 and \$9,431,353 as of June 30, 2018 and 2017, 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.

10. 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.

Bergen Community College
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Notes to Financial Statements
June 30, 2018 and 2017

10. Contingencies (continued)

In August 2018, the College received the results from a program review conducted by the Department of Education (the "DOE") April 28, 2014 through May 1, 2014 whereby the DOE included findings of noncompliance relating to the College's federal Title IV and HEA Programs. The College is unable to determine the effect of this program review on the College's financial statements as the potential findings of noncompliance are still being researched by the College for their validity. The College will be responding to each of the DOE's findings shortly.

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.

11. Components of Net Position

At June 30, 2018 and 2017, the College's components of net position consisted of the following:

	Net Investment in Capital			Total	Total
	Assets	Restricted	Unrestricted	FY 2018	FY 2017
NET INVESTMENT IN CAPITAL					
ASSETS RESTRICTED FOR	\$ 109,381,847	\$ -	\$ -	\$ 109,381,847	\$ 112,189,819
Capital projects	-	48,498,837	-	48,498,837	41,072,571
Unemployment reserve	-	2,103,208	-	2,103,208	2,087,134
Other reserves	-	458,925	-	458,925	125,886
BOARD-DESIGNATED FOR:					
Renewals and replacements of capital assets	-	-	19,452,457	19,452,457	16,592,911
Unemployment reserve	-	-	284,190	284,190	284,190
Subsequent year's budget	-	-	-	-	1,004,818
UNDESIGNATED					
Current funds	-	-	(61,851,298)	(61,851,298)	(57,684,237)
Total per Statements of Net Position	<u>\$ 109,381,847</u>	<u>\$ 51,060,970</u>	<u>\$ (42,114,651)</u>	<u>\$ 118,328,166</u>	<u>\$ 115,673,092</u>

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

Notes to Financial Statements
June 30, 2018 and 2017

12. 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.

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.

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

Notes to Financial Statements
June 30, 2018 and 2017

12. Component Unit – Bergen Community College Foundation (continued)

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.

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:

	2018		2017	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Bonds	\$ 4,858,074	\$ 4,856,410	\$ 4,856,368	\$ 4,977,612
Stocks	<u>2,749,455</u>	<u>4,569,860</u>	<u>2,752,446</u>	<u>4,203,538</u>
	<u>\$ 7,607,529</u>	<u>\$ 9,426,270</u>	<u>\$ 7,608,814</u>	<u>\$ 9,181,150</u>

Bergen Community College
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Notes to Financial Statements
June 30, 2018 and 2017

12. Component Unit – Bergen Community College Foundation (*continued*)

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.

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.

Bergen Community College
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Notes to Financial Statements
June 30, 2018 and 2017

12. Component Unit – Bergen Community College Foundation (*continued*)

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.

Distributions to the College

During the years ended June 30, 2018 and 2017, the Foundation distributed \$652,998 and \$674,640, 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 2017 Foundation financial statements have been reclassified to conform to the 2018 presentation.

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REQUIRED SUPPLEMENTARY INFORMATION

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

**Schedule of the College's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years ***

	2018	2017	2016	2015
<u>Public Employee's Retirement System</u>				
College's proportion of the net pension liability	0.2873561677%	0.2950525824%	0.2849969012%	0.3039268359%
College's proportionate share of the net pension liability	\$ 66,891,923	\$ 87,386,112	\$ 63,976,093	\$ 56,903,416
College's covered-employee payroll (as of the measurement date)	\$ 19,916,489	\$ 20,221,358	\$ 20,235,765	\$ 20,417,421
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	335.86%	432.15%	316.15%	278.70%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%	52.08%
<u>Teachers' Pension and Annuity Fund</u>				
State's proportion of the net pension liability associated with the College	0.0014150702%	0.0014223399%	0.0027595246%	0.0027769103%
State's proportionate share of the net pension liability associated with the College	\$ 954,091	\$ 1,118,903	\$ 1,744,137	\$ 1,484,168
College's covered-employee payroll (as of the measurement date)	\$ -	\$ -	\$ -	\$ -
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%

* Ten year data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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

Schedule of the College's Contributions
Public Employee's Retirement System
Last 10 Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,687,467	\$ 2,621,205	\$ 2,450,209	\$ 2,505,529
Contributions in relation to the contractually required contribution	<u>2,687,467</u>	<u>2,621,205</u>	<u>2,450,209</u>	<u>2,505,529</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (as of fiscal year end)	\$ 19,916,489	\$ 20,221,358	\$ 20,235,765	\$ 20,417,421
Contributions as a percentage of covered-employee payroll	13.49%	12.96%	12.11%	12.27%

* Ten year data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Bergen Community College

Schedule of the States Proportionate Share of the OPEB Liability Associated With the College State Health Benefit Local Education Retired Employees Plan

	<u>Year Ended June 30, 2018</u>
State's proportion of the OPEB Liability associated with the College -	0.23%
College's proportionate share of the OPEB liability	\$ -
State's proportionate share of the OPEB liability associated with the College	<u>\$ 123,656,003</u>
Total proportionate share of the OPEB liability associated with the College	<u>\$ 123,656,003</u>
Balance at June 30, 2016	\$ 129,597,639
Increased by:	
Service cost	\$ 8,767,929
Interest cost	3,904,383
Member contributions	<u>105,465</u>
	<u>12,777,777</u>
	142,375,416
Decreased by:	
Changes of assumptions	\$ 15,855,278
Gross benefit payments	<u>2,864,135</u>
	<u>18,719,413</u>
Balance at June 30, 2017	<u>\$ 123,656,003</u>
Covered by employee payroll	\$ 19,916,489
Total OPEB liability as a percentage of covered employee payroll.	469.15%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Bergen Community College

Notes to Required Supplementary Information
Year Ended June 30, 2018

1. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017

2. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017.

3. NONEMPLOYER OPEB LIABILITY FOR THE STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

OTHER SUPPLEMENTARY INFORMATION

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

Schedule of Expenditures of Federal Awards
June 30, 2018

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Federal Expenditures
Student Financial Assistance Cluster				
U.S. Department of Education				
Federal Pell Grant Program	84.063		\$ -	\$ 20,777,763
Federal Pell Grant Program - Prior Year	84.063		-	29,664
Federal Supplemental Educational Opportunity Grants	84.007		-	494,760
Federal Direct Loans	84.268		-	16,331,902
Federal Work-Study Program	84.033		-	419,535
Total Student Financial Assistance Cluster			<u>-</u>	<u>38,053,624</u>
Other Federal Programs				
National Science Foundation				
Northern NJ Bridges to the Baccalaureate Degree	47.076		-	41,626
Robert Noyce Scholar Program	47.076		-	3,366
Total National Science Foundation			<u>-</u>	<u>44,992</u>
U.S. Department of Justice				
Office on Violence Against Women Grant	16.525		-	37,616
U.S. Department of Education				
Passed through the State of New Jersey				
Career and Technical Education - Basic Grants to States				
Carl D. Perkins Vocational and Applied Technology Art	84.048	unavailable	-	448,154
Higher Education Institutional Aid				
Title V: HSI STEM GPS Grant	84.031C		-	847,302
STEMatics Grant	84.031C		-	408,347
Title V: 1.2.3 CONNECT Pathway Scholars Program	84.031S		-	384,116
Total Higher Education Institutional Aid			<u>-</u>	<u>1,639,765</u>
Transition Programs for Students with Intellectual Disabilities into Higher Education				
Phase 2	84.407A		<u>563,129</u>	<u>563,129</u>
Total U.S. Department of Education			<u>563,129</u>	<u>2,651,048</u>
National Endowment for the Humanities				
No-Man's Land: Dialogues on the Experience of War	45.163		-	920
U.S. Department of Labor, Employment and Training Administration				
Trade Adjustment Assistance Community College & Career				
Training Grants Program Passed through Bergen Community				
College - NJ PREP (TAACCCT)	17.282		<u>3,605,111</u>	<u>4,975,527</u>
Total Other Federal Programs			<u>4,168,240</u>	<u>7,710,103</u>
Total Expenditures of Federal Awards			<u>\$ 4,168,240</u>	<u>\$ 45,763,727</u>

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

Schedule of Expenditures of State Awards
June 30, 2018

State of New Jersey Grantor/Program	Grant/Account or Other I.D. Number	Grant Period	Fiscal Year Grant Expenditures	Total Grant Expenditures To Date
Student Financial Assistance Cluster:				
New Jersey Department of Treasury:				
Tuition Aid Grant	2405-100-074-2405 007-KKKK-6150	7/1/17-6/30/18	\$ 4,619,974	\$ 4,619,974
Tuition Aid Grant - Prior Year	2405-100-074-2405 007-KKKK-6150	7/1/17-6/30/18	(219)	(219)
EOF Article III	2401-100-074-2401 001-KKKK-6140	7/1/17-6/30/18	299,724	299,724
EOF Article III Summer	2401-100-074-2601 001-KKKK-6140	7/1/17-6/30/18	82,017	82,017
New Jersey STARS	STARS	7/1/17-6/30/18	328,095	328,095
New Jersey Class Loans	NJCL	7/1/17-6/30/18	121,718	121,718
Total Student Financial Assistance Cluster			<u>5,451,309</u>	<u>5,451,309</u>
Other State of New Jersey Programs:				
New Jersey Commission on Higher Education				
EOF Title IV	2401-100-074-2401 002-KKKK-6140	7/1/17-6/30/18	111,608	111,608
New Jersey Department of Education				
Integrated English Literature & Civics Education	ABS-FY16002	7/1/17-6/30/18	309,270	309,270
New Jersey Department of Community Affairs				
Uniform Construction Code	8015-100-022-8015 036-F311-6130	7/1/17-6/30/18	49,948	49,948
New Jersey Council of County Colleges				
College Readiness Now	17-100-074-2400-055	7/1/17-6/30/18	18,724	18,724
College Credit Now Grant	NJCCC-OSHE CRNIII MOU	7/1/17-6/30/18	96,972	96,972
New Jersey Council for the Humanities				
NJCH Main Ingredient	<i>unavailable</i>	7/1/17-6/30/18	5,000	5,000
New Jersey Department of Treasury				
Operational Costs - County Colleges	01-100-082-2155-015	7/1/17-6/30/18	12,470,473	12,470,473
Alternate Benefit Program	01-100-082-2155-017	7/1/17-6/30/18	1,545,990	1,545,990
State of New Jersey				
Secretary of Higher Education				
Building Our Future Bond Act	004-01	7/1/17-6/30/18	1,242,855	10,899,675
New Jersey Educational Facilities Authority				
Higher Education Equipment Leasing Fund Program	004-03	7/1/17-6/30/18	-	1,977,915
Higher Education Technology Infrastructure Fund Program	004-04	7/1/17-6/30/18	55,236	908,241
Total Other State of New Jersey Programs			<u>15,906,076</u>	<u>28,393,816</u>
Total Expenditures of State Awards			<u>\$ 21,357,385</u>	<u>\$ 33,845,125</u>

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

Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2018

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey Office of Management and Budget Circular 15-08, *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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. 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, 2018. During the fiscal year ended June 30, 2018, the College processed \$16,331,902 under the Federal Direct Loan Program.

3. Indirect Cost Rate

The College has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Alternate Benefit Program

During the year ended June 30, 2018, the State of New Jersey, Department of Treasury made payments on behalf of Bergen Community College to the Alternate Benefit Program of \$1,545,990. 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, 2018. The June 30, 2018 benefit reimbursement for faculty is included in the accompanying schedule of expenditures of 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, 2018
(Continued)

5. Subrecipients

Of the federal expenditures presented in the Schedule of Federal Awards, the College passed through federal awards to subrecipients for the Trade Adjustment Assistance Community College and Career Training Grants Program (Federal CFDA 17.282) of \$3,605,111 and for the Transition Program for Students with Intellectual Disabilities (Federal CFDA 84.407A) of \$563,129 for the year ended June 30, 2018.

**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, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 15, 2019. 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.

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 College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
February 15, 2019

**Report on Compliance for Each Major Program and Report on Internal Control Over
Compliance Required by The Uniform Guidance and New Jersey OMB Circular Letter 15-08**

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 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, 2018. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey OMB Circular Letter 15-08 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, 2018.

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 Uniform Guidance and New Jersey OMB Circular Letter 15-08, 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. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Woodcliff Lake, New Jersey
February 15, 2019

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

Schedule of Findings and Questioned Costs
June 30, 2018

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes No
 Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal and State Awards

Internal control over major federal and state programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes No
 Yes None reported

Type of auditors' report issued on compliance for major federal and state programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or NJ OMB Circular Letter 15-08?

Yes No

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

Schedule of Findings and Questioned Costs
June 30, 2018
(Continued)

Section 1 – Summary of Auditors’ Results (continued)

Identification of major federal and state programs:

<u>CFDA Number/ State Account Number</u>	<u>Name of Federal and State Program or Cluster</u>
Federal:	
84.063/84.007/84.033/84.268	U.S. Department of Education-Student Financial Aid Cluster Higher Education Institutional Aid
84.031C	Title V: HIS STEM GPS Grant
84.031C	STEMatics Grant
84.031S	Title V: 1.2.3 CONNECT Pathway Scholars Program
State:	
01-100-082-2155-015	New Jersey Department of Treasury Operational Costs - County Colleges
01-100-082-2155-017	Alternate Benefit Program Secretary of Higher Education
004-01	Building Our Future Bond Act

Dollar threshold used to distinguish

between Type A and Type B programs:	Federal	<u>\$750,000</u>
	State	<u>\$750,000</u>

Auditee qualified as low-risk auditee? Yes No

Section 2 – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2018.

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, 2018.

Section 4 – Prior Year Findings

There were no findings in the prior year.