

MERCER

County Community College



2012 Report of Audit

Fiscal Year Ending June 30, 2012
West Windsor, New Jersey

MERCER COUNTY COMMUNITY COLLEGE
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INTRODUCTORY SECTION

**FOR THE FISCAL YEAR ENDING
JUNE 30, 2012**

MERCER COUNTY COMMUNITY COLLEGE
MEMBERS OF THE BOARD OF TRUSTEES
AS OF JUNE 30, 2012

<u>NAME</u>	<u>TERM EXPIRES</u>
Mark Matzen - Chair	November 2012
Gwendolyn Harris, Ph.D. - Vice Chair	November 2012
Pam Hersh – Treasurer	November 2014
David Applebaum	November 2014
Reverend William E. Coleman, Jr.	January 2016
Robert Di Falco	November 2012
Kevin Drennan	March 2016
Marvin Gardner, Esq.	April 2015
Anthony Inverso	November 2015
Shamil Rodriguez	November 2014
Samuel Stewart, Ed.D. (County Superintendent of Schools)	N/A
Brianna Diosteanu - Alumni Trustee	October 2012

COLLEGE OFFICIALS

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

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

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

Mellissia Zanjani, Ph.D., C.F.R.E., Vice President for College Advancement

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

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

Rocky Peterson, Esq., College Counsel

FINANCIAL SECTION

**FOR THE FISCAL YEAR ENDING
JUNE 30, 2012**

INDEPENDENT AUDITORS' REPORT

The Honorable Chairman and
Members of the Board of Trustees
Mercer County Community College
West Windsor, New Jersey 08550

We have audited the accompanying basic financial statements of the business-type activities of Mercer County Community College, State of New Jersey, a component unit of the County of Mercer, State of New Jersey, as of and for the fiscal years ended June 30, 2012 and 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit (Mercer County Community College Foundation). Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mercer County Community College Foundation, is based on the report of the other auditor.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Department of Treasury, State of New Jersey. The financial statements of the discretely presented component unit (Mercer County Community College Foundation) were audited by another auditor in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Mercer County Community College, State of New Jersey, and the discretely presented component unit, as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2012 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the College. The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and are not a required part of the basic financial statements. The Schedules of Expenditures of Federal Awards and State Financial Assistance Programs are the responsibility of management and were derived from and relate 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 of each of the respective individual funds and account group taken as a whole.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 5, 2012

**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**

The Honorable Chairman and
Members of the Board of Trustees
Mercer County Community College
West Windsor, New Jersey 08550

We have audited the accompanying basic financial statements of the business-type activities of Mercer County Community College, State of New Jersey, a component unit of the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated December 5, 2012. We did not audit the financial statements of the discretely presented component unit (Mercer County Community College Foundation). Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mercer County Community College Foundation, is based on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Department of Treasury, State of New Jersey. The financial statements of the discretely presented component unit (Mercer County Community College Foundation) were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of trustees, management and others within the College, the Department of Treasury, State of New Jersey and federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 5, 2012

REQUIRED SUPPLEMENTARY INFORMATION



Management's Discussion and Analysis For the Fiscal Years Ended June 30, 2012 and 2011 (Unaudited)

The discussion and analysis section of Mercer County Community College's financial statements presents management's analysis of the College's financial performance during the fiscal years ending June 30, 2012, 2011 and 2010. As this discussion and analysis focuses on current activities, resulting changes and current known facts, it must be read in conjunction with the College's basic financial statements and the footnotes.

Using this Annual Report

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

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

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

Financial Highlights

As of June 30, 2012, the College held net assets of \$58.6 million compared to net assets of \$56.7 million on June 30, 2011, an increase of \$1.9 million or 3.3 %. This increase is primarily due to Chapter 12 funding from the county. Total revenue for the fiscal year 2012 and 2011 were \$73.8 million and \$71.6 million respectively, an increase of \$2.2 million due to the increase in Chapter 12 project funding. Operating expenses for fiscal year 2012 were \$71.8 million, an increase of \$499.8 thousand or less than 1% from the prior year.

In June, 2012 Mercer County College Foundation purchased real estate in Trenton from specified donations and in August 2012, transferred this real estate to the College with a carrying value of \$807,641. The value of this real estate was recorded in the records of the College during fiscal year 2012 and is included in the Capital Appropriation Receivables balance.

Enrollment

The College enrollment is comprised of both credit and non-credit full time equated students (FTE's). Only credit classes are considered eligible for fiscal support under the State of New Jersey funding formula. During fiscal year 2012, fundable FTE enrollment was 186,157 credit hours; a decrease of 3.7%.

(Continued)

MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2012 and 2011

Summary of Assets and Liabilities

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current Assets	\$ 19,791,787	\$ 21,624,867	\$ 20,566,620
Non-current Assets			
Capital Assets, net of Depreciation	50,825,264	47,483,004	47,324,377
Total Assets	<u>\$ 70,617,051</u>	<u>\$ 69,107,871</u>	<u>\$ 67,890,997</u>
Current Liabilities	<u>\$ 11,984,877</u>	<u>\$ 12,439,125</u>	<u>\$ 11,517,087</u>

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

Current assets decreased in fiscal year 2011 to 2012 by \$1.8 million and increased in fiscal year 2010 to 2011 by \$ 1.1 million due to the following:

- 2011 to 2012 due to a decrease in student enrollment of over 3%.
- 2010 to 2011 due to an increase in cash and investment because of a 6% increase in per credit hour tuition and fee rates.

Non-current assets increased in both fiscal years 2012 and 2011 by \$3.3 million and \$158 thousand respectively primarily due to the Chapter 12 funded projects as follows: science lab construction and renovations on both the West Windsor and the James Kerney campuses, student commons renovations at the James Kerney campus, replacement of tennis courts and the synthetic turf field on the West Windsor campus, and roofing projects on the West Windsor Campus.

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MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2012 and 2011

Capital Assets

Capital activity for the fiscal year ended June 30, 2012 and 2011 is as follows:

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

	Balance				Balance
	June 30, 2010	Additions	Deletions	Transfers	June 30, 2011
Land	\$ 1,161,669				\$ 1,161,669
Construction in Progress	223,584			\$ (223,584)	
Land Improvements	1,805,216	\$ 66,227			1,871,443
Buildings and Improvements	61,522,860	1,076,379		223,584	62,822,823
Equipment	4,941,481	795,757	\$ 57,640		5,679,598
	69,654,810	1,938,363	57,640	-	71,535,533
Less Accumulated Depreciation	(22,330,434)	(1,779,735)	(57,640)	-	(24,052,529)
Capital Assets, net	<u>\$ 47,324,376</u>	<u>\$ 158,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,483,004</u>

(Continued)

MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2012 and 2011

Summary of Revenues, Expenses, and Changes in Net Assets

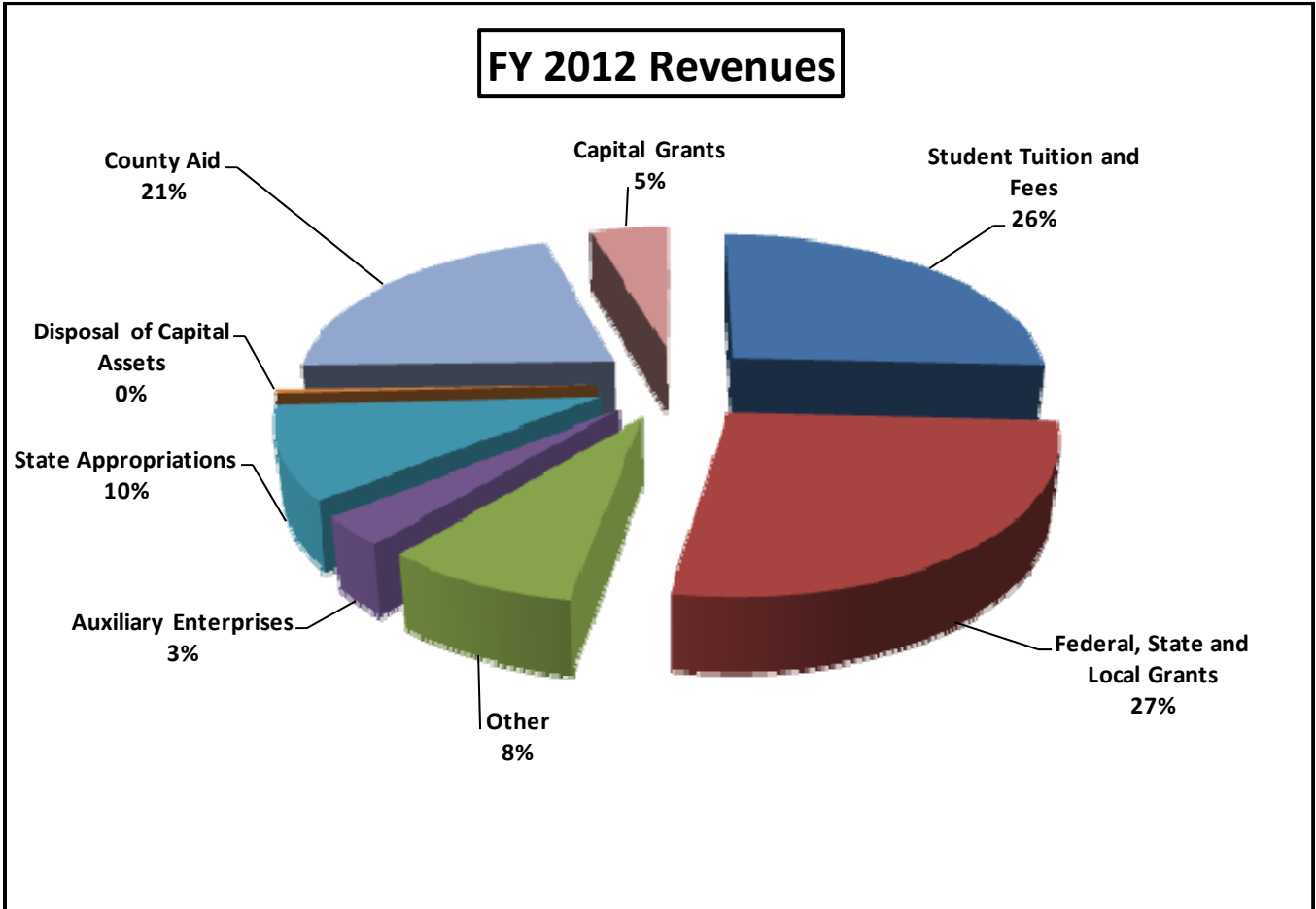
The College received its operating revenue from three primary sources: Tuition and fees, Grants, and Auxiliary.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenues:			
Student Tuition and Fees, net	\$ 19,227,809	\$ 19,496,346	\$ 21,421,961
Federal, State, and Local Grants and Student Aid	20,059,947	20,640,792	19,479,565
Other	6,161,012	5,571,685	4,823,691
Auxiliary Expenses	2,320,966	2,408,091	2,239,870
	<u>47,769,734</u>	<u>48,116,914</u>	<u>47,965,087</u>
Operating Expenses:			
Educational and General:			
Instructional	27,859,960	27,123,767	26,878,484
Public Service	2,741,517	2,518,235	2,465,203
Academic Support	1,583,557	1,506,347	1,644,967
Student Services	4,067,281	3,946,834	3,834,727
Institutional Support	22,024,918	22,418,248	21,216,604
Operations and Maintenance of Plant	3,183,432	3,103,987	3,503,656
Scholarship and Other Student Aid	5,533,781	6,291,311	6,828,311
Depreciation	1,921,371	1,779,735	1,536,520
Auxiliary Enterprises	2,923,229	2,650,761	2,857,866
	<u>71,839,046</u>	<u>71,339,225</u>	<u>70,766,338</u>
Operating Loss	(24,069,312)	(23,222,311)	(22,801,251)
Non-Operating Revenues (Expenses):			
State Appropriations	7,367,873	7,476,176	7,710,217
County Appropriations:			
County Aid	15,540,001	14,828,451	14,827,017
Federal Appropriation			400,092
Disposal of Capital Assets	(330,279)		
Prior Year Accounts Payable Cancelled		746,244	
Investment Income	57,950	75,633	82,686
	<u>22,635,545</u>	<u>23,126,504</u>	<u>23,020,012</u>
Income (Loss) Before Other Revenue	(1,433,767)	(95,807)	218,761
Other Revenues:			
Capital Grants	3,397,195	390,643	3,949,809
Increase in Net Assets	1,963,428	294,836	4,168,570
Net Assets - Beginning of Year	56,668,746	56,373,910	52,205,340
Net Assets - End of Year	<u>\$ 58,632,174</u>	<u>\$ 56,668,746</u>	<u>\$ 56,373,910</u>

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MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2012 and 2011

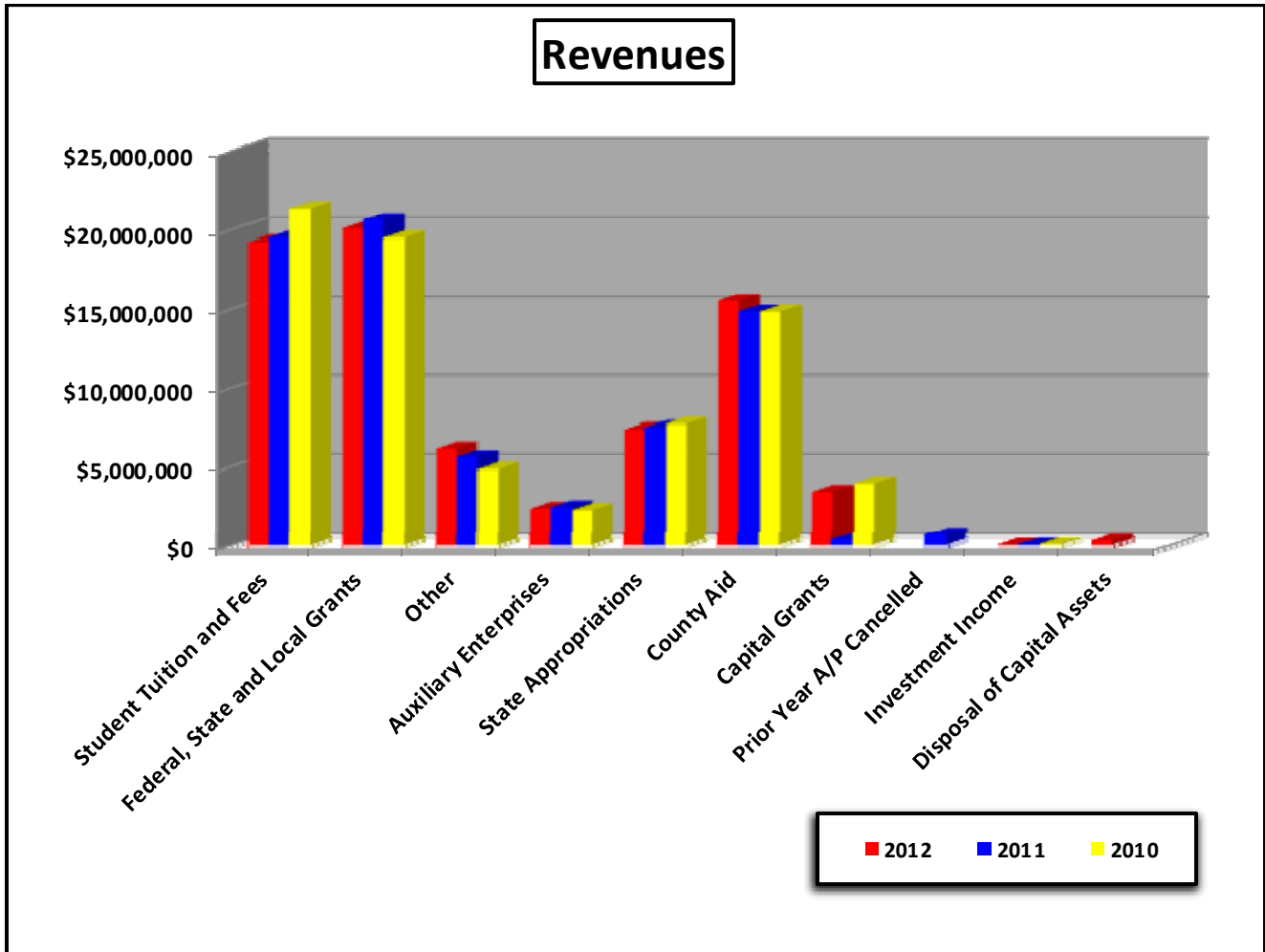
The following graph illustrates the percentage of operating, non-operating, and other revenues by source for fiscal year ending June 30, 2012:



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MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2012 and 2011

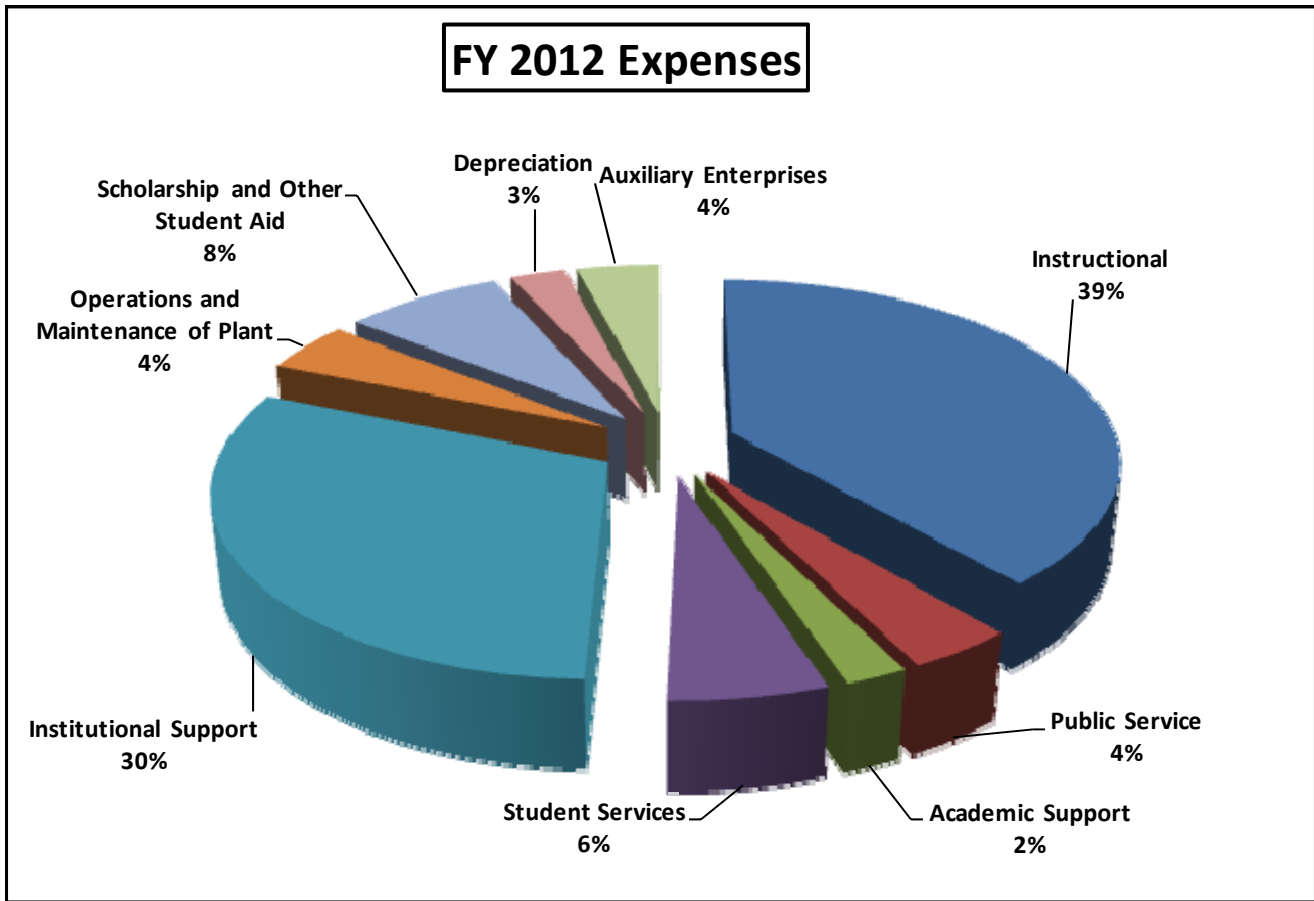
The following graph illustrates operating, non-operating and other revenues by source for fiscal years ending June 30, 2012, 2011, and 2010:



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MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2012 and 2011

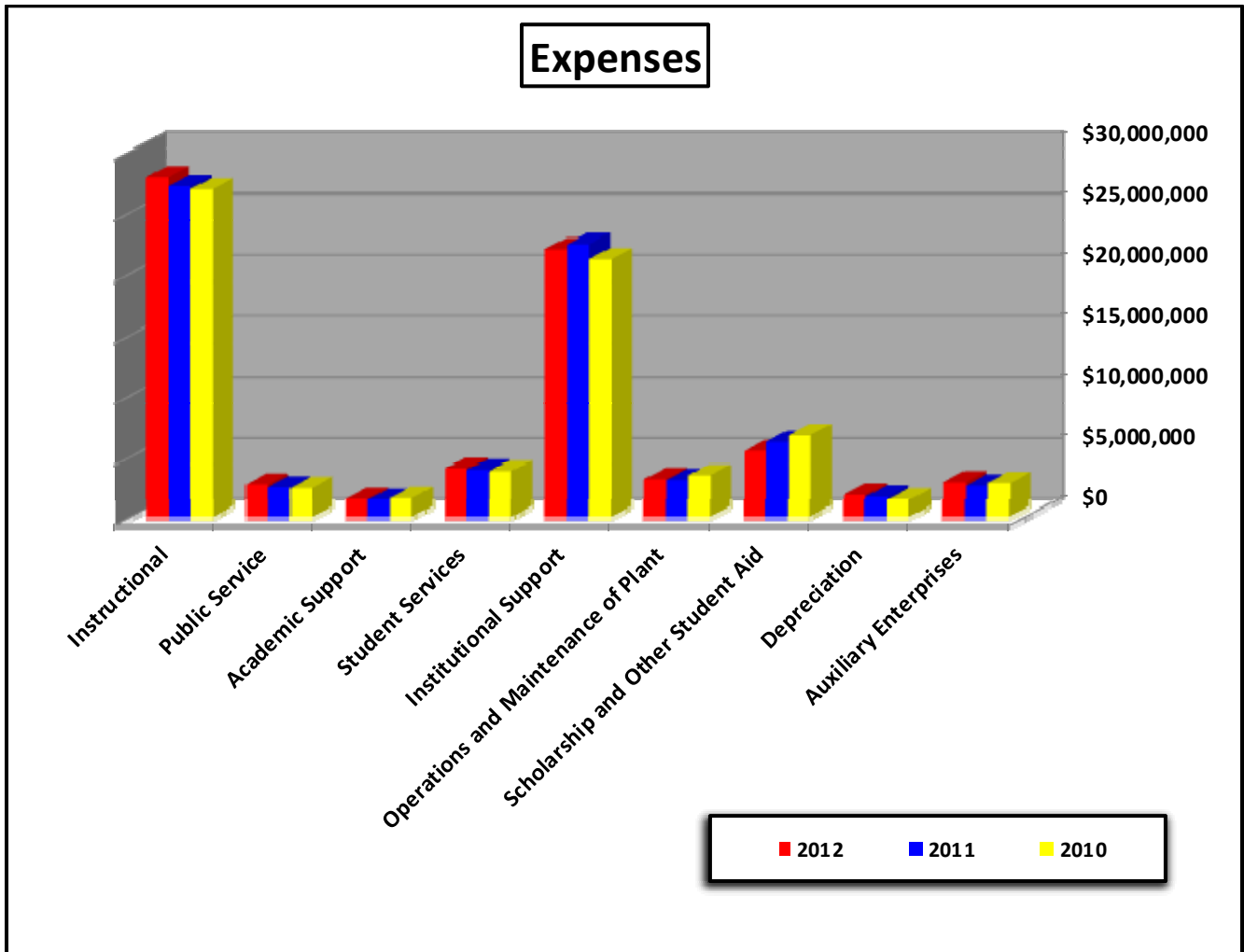
The following graph illustrates the percentage of operating expenses for fiscal year ending June 30, 2012:



(Continued)

MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2012 and 2011

The following graph illustrates operating expenses for fiscal years ending June 30, 2012, 2011, and 2010.



(Continued)

MERCER COUNTY COMMUNITY COLLEGE – MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2012 and 2011

Revenue

Operating Revenue decreased by \$347,180 from FY 2011 to 2012. This decrease is a result of decreases in student credit enrollment and enrollment in our non-credit Contracted Training program. This reflects the continued economic sluggishness and high unemployment in New Jersey.

Non-operating revenue decreased by \$490,959 and increased by \$106,492 in fiscal years 2012 and 2011, respectively due to the following

- In 2012 there was a decrease in state funding and a write off from the disposal of capital assets.
- In 2011, while the state appropriation decreased by \$234,041, the county appropriation increased.
- Although our county appropriation increased in both years, the state appropriation continues to decline.

Chapter 12 Financing Capital Grants received from the county and state as Other Revenue increased in fiscal year 2012 by \$2,805,755 million due to completion of major renovations projects on both the West Windsor and James Kerney Campus. A listing of Chapter 12 projects for 2012 has been provided above with some small projects completed in fiscal year 2011 of \$390,643.

Expenses

Instructional Support increased from fiscal year 2011 to fiscal year 2012 by \$736,193 primarily due to contractual salary increases. Scholarship and Other Student Aid decreased by \$757,530 because of the decrease in student enrollment.

- For the change from fiscal year 2010 to fiscal year 2011 - Increase in health benefit costs by \$316,293 and in Public Employees’ Retirement System (PERS) pension cost of \$366,278
- In fiscal year 2010, the change was due to an increase in health benefits costs of \$521,415 and a change in the methodology for write off of uncollectible accounts increasing the allowance for doubtful accounts to \$500,000 as well as an increase in the bad debt write off.

Note: in fiscal year 2010, Scholarships and Other Student Aid increased by \$2.5 million due to an increase in federal funding and an increase in the number of students eligible to receive federal funding.

Summary of Net Assets

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Invested in Capital Assets, net of related debt	\$ 50,825,264	\$ 47,483,004	\$ 47,324,377
Restricted for:			
Non-Expendable:			
Scholarships	357,849	359,443	373,742
Expendable:			
Scholarships and Grants	1,338,110	1,036,913	803,419
Unrestricted	6,110,951	7,789,386	7,872,372
	<u>\$ 58,632,174</u>	<u>\$ 56,668,746</u>	<u>\$ 56,373,910</u>

(Continued)

Economic and Other Factors That Will Effect the Future

There are seven significant events that will impact the College’s future financial statements.

- Solar Field Installation – annual savings from the solar field is estimated to be \$750,000.
- Mercer County Community College is expected to receive \$9.8 million which includes a 25% match from the Higher Education Bond passed by the voters in November 2012.
- Colleague project - \$1.3 million of unrestricted reserves will be used to complete the college wide ERP system project.
- Health Care – Employee premium contributions will partially offset continued double digit increases in the health care costs of the college.
- State funding – continues to stay flat or decline annually.
- Trenton Expansion –Continued capital investment at our downtown Trenton campus.
- Student Health Insurance Changes – If the proposed amendments are not adopted by the State eliminating the need for students to prove health insurance coverage for attendance at the community colleges, significant increases to the costs of health insurance coverage will be required which will have to be paid by the students. This has the potential to significantly impact the enrollments of all community colleges.

BASIC FINANCIAL STATEMENTS

MERCER COUNTY COMMUNITY COLLEGE
Statements of Net Assets
As of June 30, 2012 and 2011

	<u>2012</u>		<u>2011</u>	
	<u>College</u>	<u>Component Unit MCCC Foundation</u>	<u>College</u>	<u>Component Unit MCCC Foundation</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 7,584,257	\$ 1,627,341	\$ 10,195,085	\$ 1,746,360
Investments	1,641,163	6,073,418	4,156,806	6,678,210
Accounts Receivable, net	5,473,165		6,392,113	
Interest Receivable		31,898		27,004
Pledges Receivable, net of discount		22,949		5,438
Inventories	21,152		22,291	
Prepaid Expenses	803,290		858,572	
Capital Appropriation Receivables	4,268,760			
Real Estate Holding		807,641		
	<u>19,791,787</u>	<u>8,563,247</u>	<u>21,624,867</u>	<u>8,457,012</u>
Non-Current Assets:				
Capital Assets, net	<u>50,825,264</u>		<u>47,483,004</u>	
Total Assets	<u>70,617,051</u>	<u>8,563,247</u>	<u>69,107,871</u>	<u>8,457,012</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	3,188,089	20,283	2,146,125	15,356
Accrued Expenses	2,925,967		2,591,905	
Due to Affiliate:				76,593
Real Estate Holding		807,641		
Other		43,995		
Deferred Revenue:				
Student Tuition and Fees	<u>5,870,821</u>		<u>7,701,095</u>	
Total Liabilities	<u>11,984,877</u>	<u>871,919</u>	<u>12,439,125</u>	<u>91,949</u>
NET ASSETS				
Investment in Capital Assets, net of related debt	50,825,264		47,483,004	
Restricted for:				
Non-Expendable:				
Scholarships	357,849		359,443	
Program		1,160,506		890,063
Expendable:				
Scholarships and Grants	1,338,110	4,485,780	1,036,913	4,820,542
Unrestricted	<u>6,110,951</u>	<u>2,045,042</u>	<u>7,789,386</u>	<u>2,654,458</u>
Total Net Assets	<u>\$ 58,632,174</u>	<u>\$ 7,691,328</u>	<u>\$ 56,668,746</u>	<u>\$ 8,365,063</u>

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

MERCER COUNTY COMMUNITY COLLEGE
 Statements of Revenues, Expenses and Changes in Net Assets
 For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>		<u>2011</u>	
	<u>College</u>	<u>Component Unit MCCC Foundation</u>	<u>College</u>	<u>Component Unit MCCC Foundation</u>
REVENUES				
Operating Revenues:				
Student Tuition and Fees, net	\$ 19,227,809		\$ 19,496,346	
Federal, State and Local Grants	20,059,947		20,640,792	
Gifts and Contributions		\$ 518,073		\$ 328,561
Other	6,161,012	223,459	5,571,685	205,618
Auxiliary Enterprises	2,320,966		2,408,091	
	<u>47,769,734</u>	<u>741,532</u>	<u>48,116,914</u>	<u>534,179</u>
EXPENSES				
Operating Expenses:				
Educational and General:				
Instructional	27,859,960		27,123,767	
Public Service	2,741,517		2,518,235	
Academic Support	1,583,557		1,506,347	
Student Services	4,067,281		3,946,834	
Institutional Support	22,024,918		22,418,248	
Operations and Maintenance of Plant	3,183,432		3,103,987	
Scholarship and Other Student Aid	5,533,781	295,419	6,291,311	293,944
Depreciation	1,921,371		1,779,735	
Other Expenditures		1,101,876		292,504
Auxiliary Enterprises	2,923,229		2,650,761	
	<u>71,839,046</u>	<u>1,397,295</u>	<u>71,339,225</u>	<u>586,448</u>
Operating Loss	<u>(24,069,312)</u>	<u>(655,763)</u>	<u>(23,222,311)</u>	<u>(52,269)</u>
NON-OPERATING REVENUES (EXPENSES)				
State Appropriations	7,367,873		7,476,176	
County Appropriations:				
County Aid	15,540,001		14,828,451	
Prior Year Accounts Payable Cancelled			746,244	
Disposal of Capital Assets	(330,279)			
Investment Income (Loss)	57,950	(17,972)	75,633	685,557
On-Behalf Payments - Alternative Benefit Program:				
Revenues	945,591		891,112	
Expenses	(945,591)		(891,112)	
	<u>22,635,545</u>	<u>(17,972)</u>	<u>23,126,504</u>	<u>685,557</u>
Income (Loss) before Other Revenues	<u>(1,433,767)</u>	<u>(673,735)</u>	<u>(95,807)</u>	<u>633,288</u>
OTHER REVENUES				
Capital Grants	<u>3,397,195</u>		<u>390,643</u>	
Increase (Decrease) in Net Assets	1,963,428	(673,735)	294,836	633,288
Net Assets - Beginning of Year	<u>56,668,746</u>	<u>8,365,063</u>	<u>56,373,910</u>	<u>7,731,775</u>
Net Assets - End of Year	<u>\$ 58,632,174</u>	<u>\$ 7,691,328</u>	<u>\$ 56,668,746</u>	<u>\$ 8,365,063</u>

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

MERCER COUNTY COMMUNITY COLLEGE
 Statements of Cash Flows
 For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
	<u>College</u>	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 18,336,606	\$ 19,571,375
Grants and Contracts	19,751,547	21,359,786
Other Receipts	5,558,749	6,075,259
Payments to Employees and Fringe Benefits	(46,221,496)	(45,500,572)
Payments to Vendors and Suppliers	(13,792,602)	(14,883,611)
Payments for Scholarships and Student Aid	<u>(5,259,624)</u>	<u>(6,697,853)</u>
Net Cash Used in Operating Activities	<u>(21,626,820)</u>	<u>(20,075,616)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	7,367,873	7,476,176
County Appropriations	15,540,001	14,828,451
Noncapital Gifts and Endowments Received	<u>-</u>	<u>8,967</u>
Net Cash Provided by Noncapital Financing Activities	<u>22,907,874</u>	<u>22,313,594</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets, net	(6,465,475)	(1,938,363)
Capital Grants	<u>-</u>	<u>1,534,387</u>
Net Cash Used in Capital and Related Financing Activities	<u>(6,465,475)</u>	<u>(403,976)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	2,590,669	9,903,622
Interest and Dividends on Investments	57,950	75,633
Purchase of Investments	<u>(75,026)</u>	<u>(10,924,348)</u>
Net Cash Provided by (Used in) Investing Activities	<u>2,573,593</u>	<u>(945,093)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,610,828)	888,909
Cash and Cash Equivalents - Beginning of Year	<u>10,195,085</u>	<u>9,306,176</u>
Cash and Cash Equivalents - End of Year	<u>\$ 7,584,257</u>	<u>\$ 10,195,085</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Loss	\$ (24,069,312)	\$ (23,222,311)
Adjustment to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation Expense	1,921,371	1,779,735
Changes in Assets and Liabilities:		
Receivables, net	918,948	17,336
Inventories	1,139	(3,068)
Prepaid Items	55,282	(315,590)
Accounts Payable and Accrued Expenses	1,376,026	1,298,137
Unearned Revenue	<u>(1,830,274)</u>	<u>370,145</u>
Net Cash Used in Operating Activities	<u>\$ (21,626,820)</u>	<u>\$ (20,075,616)</u>

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

MERCER COUNTY COMMUNITY COLLEGE
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2012 and 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Reporting Entity - Mercer County Community College (the "College") is a two year publicly supported community college operating under the provisions of N.J.S.A. 18A:64A1 et.seq. The College was established in 1966 in West Windsor and Trenton, New Jersey and is a component unit of the County of Mercer.

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

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

Mercer County Community College Foundation (the "Foundation") is a New Jersey nonprofit corporation. It is operated exclusively for the purpose of assisting the board of trustees of the College in holding, investing and administering property and making expenditures to or for the benefit of the College, its students and its faculty. The Foundation solicits public and private contributions to carry out its objectives. The Foundation is governed by a board of directors, which includes representation by the college president and several board members. In addition, College employees and facilities are used to support some activities of the Foundation. During the fiscal years ended June 30, 2012 and 2011, the Foundation distributed \$295,419 and \$293,944 respectively, to the College for both restricted and unrestricted purposes. In accordance with GASB Statement No. 39 - *Determining Whether Certain Organizations Are Component Units* the Foundation is discreetly presented in the financial statements of the College.

The individual reports of audit of the Foundation for the fiscal years ended June 30, 2012 and 2011 can be obtained at the Foundation offices at the following address during normal business hours:

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

Basis of Presentation - The College financial statements are presented in accordance with GASB Statement No. 35 - *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows and replaces the fund-group perspective previously required.

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

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

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

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

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

Prepaid Expenses - Prepaid expenses represent payments made to vendors for services that will benefit periods beyond the fiscal year end June 30.

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

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

State Aid - The New Jersey Department of Treasury, Office of Management and Budget (OMB) allocates the annual appropriation for community college operating aid according to credit hour enrollments as prescribed by N.J.S.A. 18A:64A-22.

County Aid - N.J.S.A. 18A:64A-22 states that each county which operates a county college shall continue to provide moneys for the support of college in an amount no less than 25% of the operational expense in the base State Fiscal year.

Deferred Revenue - Deferred revenue represents tuition revenue that has been received or billed before June 30, 2012 for classes that are scheduled in the Summer and Fall 2012. It also includes cash, which has been received for grants, but not yet earned.

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

Reclassifications – Certain 2011 amounts have been reclassified to conform to 2012 presentation.

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

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

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

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

Depreciation expense for the fiscal years ending June 30, 2012 and 2011 was \$1,921,371 and \$1,779,735 respectively.

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

Allowance for Doubtful Accounts - The allowance for doubtful accounts of student accounts receivable is based on average percentages of past years collection rates. It is the College policy to write off uncollectible accounts after two years of delinquency. The allowance for June 30, 2012 and 2011 was \$500,000 for each fiscal year.

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

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

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

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

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

Scholarship Discounts and Allowances - Student tuition and fee revenues are reported net of scholarship discount and allowances in the statement of revenues, expenses and changes in net assets. Scholarship discount and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain government grants, such as Pell grants, as well as other federal grants and state grants, are recorded as either operating or non-operating revenue in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees, the College has recorded a scholarship discount and allowance. The amount of scholarship discount and allowances for the fiscal years ending June 30, 2012 and 2011 was \$11,169,314 and \$10,626,272, respectively.

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

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

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

Non-operating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9 – *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 35, such as state appropriations and investment income.

Net Assets – The College's net assets are classified as follows:

Investment in Capital Assets – This represents the College's total investment in capital assets.

Restricted for Non-Expendable Net Assets – Restricted non-expendable net assets include resources in which the College is prohibited from expending the principal portion of the funds and is legally or contractually obligated to spend the interest earnings in accordance with restrictions imposed by external third parties.

Restricted for Expendable Net Assets – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. Although the College does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the College in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, athletic and student activity funds, or funds that may pass to the College relative to the happening of a future condition. Such funds are shown as uninsured and uncollateralized in the schedule below.

As of June 30, 2012 and 2011 the College's bank balances were exposed to custodial credit risk as follows:

	<u>2012</u>	<u>2011</u>
Insured	\$ 307,253	\$ 312,215
Collateralized under GUDPA	<u>8,270,511</u>	<u>1,874,606</u>
	<u>\$ 8,577,764</u>	<u>\$ 2,186,821</u>

New Jersey Cash Management Fund - During the year, the College participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Fund's participants. Deposits with the New Jersey Cash Management Fund are not subject to categorization as defined above. At June 30, 2012 and 2011, the College had \$343,610 and \$8,656,067 invested in the Fund, respectively.

Note 3: INVESTMENTS

Custodial Credit Risk Related to Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, and are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. All of the College's investments are held in the name of the College.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. does not limit the investment types that County Colleges may purchase and the College has no investment policy that would limit its investment choices.

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

Note 3: INVESTMENTS (CONT'D)

As of June 30, 2012 and 2011, the College had the following investments and maturities:

<u>Investment</u>	<u>Moody's Credit Rating</u>	<u>Fair Value</u>	
		<u>2012</u>	<u>2011</u>
United States Treasury Obligations	AAA	<u>\$ 1,641,163</u>	<u>\$ 1,566,137</u>

The College also had certificates of deposit at June 30, 2011 totaling \$2,590,670, which are not subject to risk classification. The College did not have any certificates of deposits as of June 30, 2012.

Note 4: CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets by source at June 30, 2012 and 2011:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2012</u>
Capital Assets, Non-Depreciable:					
Land	\$ 1,161,669				\$ 1,161,669
Construction in Progress		\$ 3,041,299			3,041,299
	<u>1,161,669</u>	<u>3,041,299</u>	<u>-</u>	<u>-</u>	<u>4,202,968</u>
Capital Assets, Depreciable:					
Land Improvements	1,871,443	561,631			2,433,074
Buildings and Improvements	62,822,823	408,887			63,231,710
Furniture, Machinery and Equipment	5,679,598	1,582,093	\$ (992,605)		6,269,086
	<u>70,373,864</u>	<u>2,552,611</u>	<u>(992,605)</u>	<u>-</u>	<u>71,933,870</u>
Less Accumulated Depreciation for:					
Land Improvements	(675,513)	(105,568)			(781,081)
Buildings and Improvements	(19,837,689)	(1,267,170)			(21,104,859)
Furniture, Machinery and Equipment	(3,539,327)	(548,633)	662,326		(3,425,634)
	<u>(24,052,529)</u>	<u>(1,921,371)</u>	<u>662,326</u>	<u>-</u>	<u>(25,311,574)</u>
Total Capital Assets, Depreciable net	<u>46,321,335</u>	<u>631,240</u>	<u>(330,279)</u>	<u>-</u>	<u>46,622,296</u>
Capital Assets, net	<u>\$ 47,483,004</u>	<u>\$ 3,672,539</u>	<u>\$ (330,279)</u>	<u>\$ -</u>	<u>\$ 50,825,264</u>

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

Note 4: CAPITAL ASSETS (CONT'D)

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets, Non-Depreciable:					
Land	\$ 1,161,669				\$ 1,161,669
Construction in Progress	223,584			\$ (223,584)	
	1,385,253	-	-	(223,584)	1,161,669
Capital Assets, Depreciable:					
Land Improvements	1,805,216	\$ 66,227			1,871,443
Buildings and Improvements	61,522,860	1,076,379		223,584	62,822,823
Furniture, Machinery and Equipment	4,941,481	795,757	\$ 57,640		5,679,598
	68,269,557	1,938,363	57,640	223,584	70,373,864
Less Accumulated Depreciation for:					
Land Improvements	(584,619)	(90,894)			(675,513)
Buildings and Improvements	(18,592,957)	(1,244,732)			(19,837,689)
Furniture, Machinery and Equipment	(3,152,858)	(444,109)	(57,640)		(3,539,327)
	(22,330,434)	(1,779,735)	(57,640)	-	(24,052,529)
Total Capital Assets, Depreciable net	45,939,123	158,628	-	223,584	46,321,335
Capital Assets, net	\$ 47,324,376	\$ 158,628	\$ -	\$ -	\$ 47,483,004

Depreciation expenses for the year ended June 30, 2011 was \$1,779,735.

Note 5: ACCRUED COMPENSATED ABSENCES

Accrued vacation represents the College's liability for the cost of unused employee vacation time payable in the event of employee termination. College employees are granted vacation time in varying amounts under the college personnel policies and labor negotiated contracts. Regular sick leave benefits provide for ordinary sick pay and begin vesting after a predetermined number of years of service, with a maximum payout of \$15,000. As of June 30, 2012 and 2011, the liabilities for accrued expenses consist of the following:

	<u>2012</u>	<u>2011</u>
Sick	\$ 360,347	\$ 304,525
Vacation	1,549,188	1,479,564
	<u>\$1,909,535</u>	<u>\$1,784,089</u>

Note 6: PENSION PLANS

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

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

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

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

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

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by College</u>
Public Employees Retirement System					
2012	\$ 632,153	\$ 1,055,490	\$ 1,687,643	\$ -	\$ 1,687,643
2011	707,398	940,251	1,647,649	-	1,647,649
2010	650,662	630,678	1,281,340	-	1,281,340

Note 6: PENSION PLANS (CONT'D)

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

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

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

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

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

Met Life/Citistreet (Travelers)
Equitable
The Hartford
ING
Prudential Insurance
Teacher's Insurance and Annuity Association (TIAA)
The Variable Annuity Life Insurance Company (VALIC)

The State of New Jersey is responsible for contributing the employer's share towards the annual pension cost of Alternate Benefits for qualified employees. The 2012 Employer's share was 8.0% of annualized wages. The College pays the employer's share and is reimbursed by the State of New Jersey. During fiscal years 2012 and 2011, the State reimbursed \$945,951 and \$891,112 respectively to the College for the employer share of qualified employees. This amount is reflected in the accompanying financial statements as both revenues and expenditures.

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

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by College</u>
Alternative Benefit Program					
2012	\$ 1,369,518	\$ -	\$ 1,369,518	\$ 945,951	\$ 423,567
2011	1,236,075	-	1,236,075	891,112	344,963
2010	1,199,188	-	1,199,188	880,858	318,330

Note 7: RISK MANAGEMENT

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

Property and Liability Insurance - The College maintains commercial insurance coverage for a broad range of insurance coverage with the exception of Worker's Compensation Insurance.

Joint Insurance Pool – Mercer County Community College is a member of the New Jersey Community College Insurance Pool for Worker's Compensation Insurance.

Contributions to the Fund, are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. Contributions to the pool totaled \$267,322 and \$271,649, respectively for fiscal years ended 2012 and 2011.

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The College is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

Note 8: DESIGNATION OF UNRESTRICTED NET ASSETS

The following is a summary of the designations of unrestricted net assets at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Allocated for:		
Unemployment	\$ 500,000	\$ 500,000
Technology	61,126	1,618,667
Educational Broadcast Service	300,000	450,000
Insurance	100,000	100,000
WWFM Radio	500,000	500,000
Operating Reserve	2,455,465	2,164,465
Capital Projects	2,194,360	2,456,253
	<u>\$ 6,110,951</u>	<u>\$ 7,789,385</u>

Note 9: EDUCATION AND GENERAL EXPENSES BY FUNCTION

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

2012	Salaries & <u>Benefits</u>	Supplies & <u>Materials</u>	<u>Services</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Educational and general expenditures							
Instruction	\$ 23,551,690	\$ 4,030,119	\$ 264,031	\$ 14,120			\$ 27,859,960
Public Service	1,780,859	887,198	56,445		\$ 17,015		2,741,517
Academic Support	1,167,702	396,449	19,406				1,583,557
Student Services	3,297,247	768,931	1,103				4,067,281
Institutional Support	15,122,813	3,272,331	846,814		2,782,960		22,024,918
Operation and Maintenance of Plant	1,301,185	1,877,526			4,721		3,183,432
Scholarship and Other Student Aid				5,533,781			5,533,781
Depreciation						\$ 1,921,371	1,921,371
	<u>\$ 46,221,496</u>	<u>\$ 11,232,554</u>	<u>\$ 1,187,799</u>	<u>\$ 5,547,901</u>	<u>\$ 2,804,696</u>	<u>\$ 1,921,371</u>	<u>68,915,817</u>
Auxiliary Expenses							<u>2,923,229</u>
							<u>\$ 71,839,046</u>

2011	Salaries & <u>Benefits</u>	Supplies & <u>Materials</u>	<u>Services</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Educational and general expenditures							
Instruction	\$ 23,201,590	\$ 3,842,211	\$ 79,966				\$ 27,123,767
Public Service	1,675,388	772,199	47,447		\$ 23,201		2,518,235
Academic Support	1,132,254	372,595	1,498				1,506,347
Student Services	3,283,906	662,428	500				3,946,834
Institutional Support	14,919,918	4,113,458	578,176		\$ 2,806,696		22,418,248
Operation and Maintenance of Plant	1,287,516	1,816,471					3,103,987
Scholarship and Other Student Aid				\$ 6,291,311			6,291,311
Depreciation						\$ 1,779,735	1,779,735
	<u>\$ 45,500,572</u>	<u>\$ 11,579,362</u>	<u>\$ 707,587</u>	<u>\$ 6,291,311</u>	<u>\$ 2,829,897</u>	<u>\$ 1,779,735</u>	<u>68,688,464</u>
Auxiliary Expenses							<u>2,650,761</u>
							<u>\$ 71,339,225</u>

Note 10: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for postemployment medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

Note 11: ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Federal, State and Local Grants Receivable	\$ 2,478,011	\$ 2,766,288
Student Accounts Receivable	2,238,546	3,606,044
Alternative Benefit Program - Due from State	748,268	110,952
Other Accounts Receivable	<u>508,340</u>	<u>408,829</u>
	5,973,165	6,892,113
Less Allowance for Doubtful Accounts	<u>(500,000)</u>	<u>(500,000)</u>
Net Accounts Receivables	<u>\$ 5,473,165</u>	<u>\$ 6,392,113</u>

Note 12: DEFERRED COMPENSATION SALARY ACCOUNT

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

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

Note 13: SUBSEQUENT EVENTS

In June, 2012 Mercer County College Foundation purchased real estate in Trenton from specified donations and in August 2012, transferred this real estate to the College with a carrying value of \$807,641. The value of this real estate was recorded in the records of the College during fiscal year 2012 and is included in the Capital Appropriation Receivables balance.

Note 14: LITIGATION

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

SINGLE AUDIT SECTION

**FOR THE FISCAL YEAR ENDING
JUNE 30, 2012**

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

The Honorable President and
Members of the Board of Trustees
Mercer County Community College
West Windsor, New Jersey 08550

Compliance

We have audited Mercer County Community College's (the College) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the New Jersey State Grant Compliance Supplement that could have a direct and material effect on each of the College's major federal and state programs for the fiscal year ended June 30, 2012. The College's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Department of Treasury, State of New Jersey; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and State of New Jersey Circular 04-04-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, OMB Circular A-133, and State of New Jersey Circular 04-04-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

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

Internal Control Over Compliance

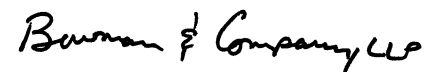
Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the board of trustees, management and others within the College, the Department of Treasury, State of New Jersey and federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
December 5, 2012

MERCER COUNTY COMMUNITY COLLEGE
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Matching Contribution</u>	<u>Grant Period</u>		<u>FY 2012 Expenditures</u>
					<u>From</u>	<u>To</u>	
U.S. Department of Education:							
Student Financial Aid Cluster (Direct Funding):							
Federal Direct Student Loans	84.268	P268K120476	\$ 7,066,914	N/A	07/01/11	06/30/12	\$ 6,950,319
Federal Pell	84.063	P063P110476	14,689,201	N/A	07/01/11	06/30/12	13,889,753
Federal Supplemental Educational Opportunity	84.007	P007A112582	180,343	N/A	07/01/11	06/30/12	169,548
Federal College Work Study	84.033	P033A112582	196,386	N/A	07/01/11	06/30/12	196,386
Total Student Financial Aid Cluster							
							<u>21,206,006</u>
TRIO Cluster (Direct Funding):							
Talent Search	84.044	P044A110142	300,073	N/A	09/01/11	08/31/12	222,513
Talent Search	84.044	P044A060457	300,073	N/A	09/01/10	08/31/11	49,841
Upward Bound	84.047	P047A070208	382,038	N/A	09/01/11	08/31/12	229,477
Upward Bound	84.047	P047A070208	382,038	N/A	09/01/10	08/31/11	121,908
Total Trio Cluster							
							<u>623,739</u>
Passed Through New Jersey Department of Education:							
Adult Basic Skills	84.002	ABS-FY 12010	534,194	N/A	07/01/11	06/30/12	413,758
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	2400-100-074-026	400,000	\$ 174,420	09/26/11	09/25/12	173,429
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	2400-100-074-026	400,000	181,351	09/01/10	08/31/11	198,237
Activity Grant Addtl	84.334	2400-100-074-026	2,576	N/A	09/01/10	08/31/11	2,576
Total Passed Through New Jersey Department of Education							
							<u>374,242</u>
Career and Technical Education Partnership Grant (CTEP)	84.xxx	NJDOEEBE08-22-4020-0	200,000	N/A	09/01/11	08/31/12	177,734
Carl D. Perkins Vocational and Applied Technology Act	84.048	Unknown	309,139	N/A	07/01/11	06/30/12	306,991
WIA ABE Literacy	17.258	Unknown	85,500	N/A	07/01/11	06/30/12	82,475
Total Federal Assistance							
							<u>\$ 23,184,945</u>

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

MERCER COUNTY COMMUNITY COLLEGE

Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2012

State Grantor/Program Title	State G.M.I.S. Number	Program or Award Amount	Program Funds Received	Grant Period		FY 2012 Expenditures	Cumulative Expenditures
				From	To		
Student Financial Aid Cluster:							
N.J. Commission on Higher Education:							
Educational Opportunity Fund - Article III	100-074-2401-001	\$ 186,397	\$ 167,753	07/01/11	06/30/12	\$ 167,753	\$ 167,753
Educational Opportunity Fund - Article III, Summer	100-074-2401-001	114,117	113,729	07/01/11	06/30/12	114,118	114,118
N.J. Higher Education Student Assistance Authority:							
New Jersey Stars	100-074-2405-313	248,999	248,999	07/01/11	06/30/12	248,999	248,999
Tuition Aid Grants	100-074-2405-007	1,734,335	1,734,335	07/01/11	06/30/12	1,734,335	1,734,335
Garden State Scholarship Program	100-074-2405-278	2,325	2,325	07/01/11	06/30/12	1,860	1,860
New Jersey Gear Up	100-074-2400-026	38,153	38,153	07/01/11	06/30/12	38,158	38,158
Total Student Financial Aid Cluster						<u>2,305,223</u>	<u>2,305,223</u>
N.J. Commission on Higher Education:							
Educational Opportunity Fund - Article IV	100-074-2401-002	198,559	198,559	07/01/11	06/30/12	198,259	198,259
College Bound - S.M.I.L.E.	100-074-2400-012	200,000	200,000	07/01/11	06/30/12	200,000	200,000
Total Student Financial Aid Cluster						<u>398,259</u>	<u>398,259</u>
N.J. Department of Education:							
Future Business Leaders of America	100-034-5062-032	32,636	39	07/01/11	08/31/11	687	687
Career and Technical Education Partnership Grant (CTEP)	NJDOEEB08-22-4020-0	140,000	80,998	09/01/11	08/31/12	78,634	78,634
Total Student Financial Aid Cluster						<u>79,321</u>	<u>79,321</u>
N.J. Department of the Treasury - Higher Education Administration:							
P.L. 1971, Chapter 12 Debt Service	100-082-2155-016	1,730,560	-	07/01/11	06/30/12	1,730,560	1,730,560
Operational Costs - County Colleges	100-082-2155-015	7,367,873	7,367,873	07/01/11	06/30/12	7,367,873	7,367,873
Employer Contributions - Alternative Benefit Program	100-082-2155-017	945,591	620,889	07/01/11	06/30/12	945,591	945,591
Employer Contributions - FICA / TPAF	100-082-2155-020	26,018	26,018	07/01/11	06/30/12	26,018	26,018
Total Student Financial Aid Cluster						<u>10,070,042</u>	<u>10,070,042</u>
N.J. Department of Labor:							
Entrepreneurial Training Program for the Unemployed	4545-780-062-4545-002-N729-6140	108,760	108,760	01/01/12	12/31/12	108,760	108,760
Total Student Financial Aid Cluster						<u>1,479</u>	<u>1,479</u>
N.J. Department of Community Affairs							
New Jersey Construction Code	100-022-5015-801	1,627	1,627	07/01/11	06/30/12	1,479	1,479
Total State Financial Assistance						<u>\$ 12,963,083</u>	<u>\$ 12,963,083</u>

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

Mercer County Community College
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2012

Note 1: **GENERAL**

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

Note 2: **BASIS OF ACCOUNTING**

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

Note 3: **RELATIONSHIP TO FINANCIAL STATEMENTS**

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

Note 4: **STUDENT LOAN PROGRAMS**

The College is responsible only for the performance of certain administrative duties with respect to Federal Direct Student Loans; accordingly, these loans balances are not included in the College's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the College under this program as of June 30, 2012.

Note 5: **RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 6: **MAJOR PROGRAMS**

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

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ending June 30, 2012

Section 1- Summary of Auditor's Result:

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes X no

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over compliance:

Material weaknesses identified? yes X no

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

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? yes X no

Identification of major programs:

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

Dollar threshold used to determine Type A programs \$695,548

Auditee qualified as low-risk auditee? X yes no

MERCER COUNTY COMMUNITY COLLEGE
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ending June 30, 2012

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

State Financial Assistance

Internal control over compliance:

Material weaknesses identified? _____ yes X no

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

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a)) or New Jersey Circular 04-04-OMB? _____ yes X no

Identification of major programs:

<u>GMIS Numbers</u>	<u>Name of State Program</u>
100-074-2401-001	Student Financial Aid Cluster: Educational Opportunity Fund (EOF) - Article III
100-074-2401-001	Educational Opportunity Fund (EOF) - Article III Summer
100-074-2405-313	New Jersey Stars Program
100-074-2405-007	Tuition Aid Grant (TAG)
100-074-2405-278	Garden State Scholarship Program
100-074-2400-026	New Jersey Gear Up
100-082-2155-015	Operational Costs - County Colleges
100-082-2155-016	P.L. 1971, Chapter 12 Debt Service
100-082-2155-017	Employer Contributions - Alternative Benefit Program

Dollar threshold used to determine Type A programs \$388,893

Auditee qualified as low-risk auditee? X yes _____ no

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Department of Treasury, State of New Jersey.

No Current Year Findings

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by OMB Circular A-133.

No Current Year Findings

MERCER COUNTY COMMUNITY COLLEGE
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

No Current Year Findings

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

This section identifies the status of prior year findings related to the financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Government Auditing Standards, OMB Circular A-133 and State of New Jersey Circular 04-04-OMB.

FINANCIAL STATEMENT FINDINGS

No Prior Year Findings

FEDERAL AWARDS

No Prior Year Findings

STATE FINANCIAL ASSISTANCE PROGRAMS

No Prior Year Findings

29000

APPRECIATION

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

