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# THE COLLEGE OF NEW JERSEY

(A Component Unit of the State of New Jersey)

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

June 30, 2006

(With Independent Auditors' Reports Thereon)

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)

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## Overview of Financial Statements and Financial Analysis

This section of The College of New Jersey (the College) Audited Financial Report presents our discussion and analysis of the financial position and performance of the College during the fiscal year ended June 30, 2006 with the comparative information as of June 30, 2005 and 2004. This discussion and analysis has been prepared by management along with the accompanying financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. The accompanying financial statements, footnotes and this discussion are the responsibility of the College management.

The financial statements encompass the College and its discretely presented component unit (The College of New Jersey Foundation, Inc.); however, the MD&A focuses only on the College. Information relating to the component unit can be found in its separately issued financial statements.

## College Overview

The College of New Jersey, located in suburban Ewing, New Jersey, is an institution of post-secondary education. Chartered in 1855 as the New Jersey Normal School, The College of New Jersey is the oldest of the state's public colleges and has upheld a tradition of adherence to the highest standards of academic excellence for generations. Approximately 95% of the student population originates from New Jersey. First to second year retention rate for the fall 2005 cohort is 95%.

Baccalaureate and selected master's degrees are offered through the academic programs of the College's seven schools. These schools include the School of Art, Media and Music; the School of Business; the School of Education; the School of Nursing; the School of Culture and Society; the School of Science, and the School of Engineering. Academic programs are designed to provide students with a well-rounded education with more than fifty liberal arts and professional programs offered through the seven schools.

As of fall 2005, the College enrolled 5,758 full time equivalent undergraduate students and 452 full time equivalent graduate students.

The State of New Jersey recognizes the College as a public institution of higher education. The New Jersey Legislature appropriates funds annually to support the College. However, the College operates autonomously from the State.

The College has been recognized nationally for its excellence by *Barron's Profiles of American Colleges, U.S. News and World Report, The Fiske Guide to Colleges and Peterson's Competitive Colleges*.

The College has been named one of the nation's "Most Competitive" schools, according to rankings published in the 2007 edition of *Barron's Profiles on American Colleges.* This is the second-consecutive time the College has earned such prestigious status, having previously been dubbed "Most Competitive" in the 2005 edition of the *Barron's* publication.

The College once again is the top public college in *U.S. News and World Report's* list of Best Universities-Master's category for the northern region of the country. For the 2007 edition, the College is ranked 5th in the standings among both public and private institutions in the Best Universities-Master's category for the north.

### *Governance*

A 15 member board of trustees governs the College. The board of trustees is established pursuant to Chapter 64 of Title 18A of the New Jersey Statutes.

The College has a central governance structure intended to support the President by providing an organized forum through which faculty, students, staff and administrators may receive information regarding College processes. The governance structure does not limit the power of the board of trustees to develop and approve policy if and when it may deem necessary.

### *Academic Profile*

#### *Faculty*

In fall 2005, the College's overall full-time equivalent (FTE) faculty count was 499. Approximately 73% of the total faculty FTE was full-time (362) and the remaining 27% (137) included permanent part-time faculty, adjunct, and teaching professional staff. During this same period, the total student FTE was 6,210 and the student-to-faculty ratio was 12:1. Seventy percent of the full-time faculty is tenured and 86% have a doctorate or other terminal degree. The College does not employ graduate teaching assistants and that increases faculty involvement in the curriculum and enriches student learning.

#### *Student*

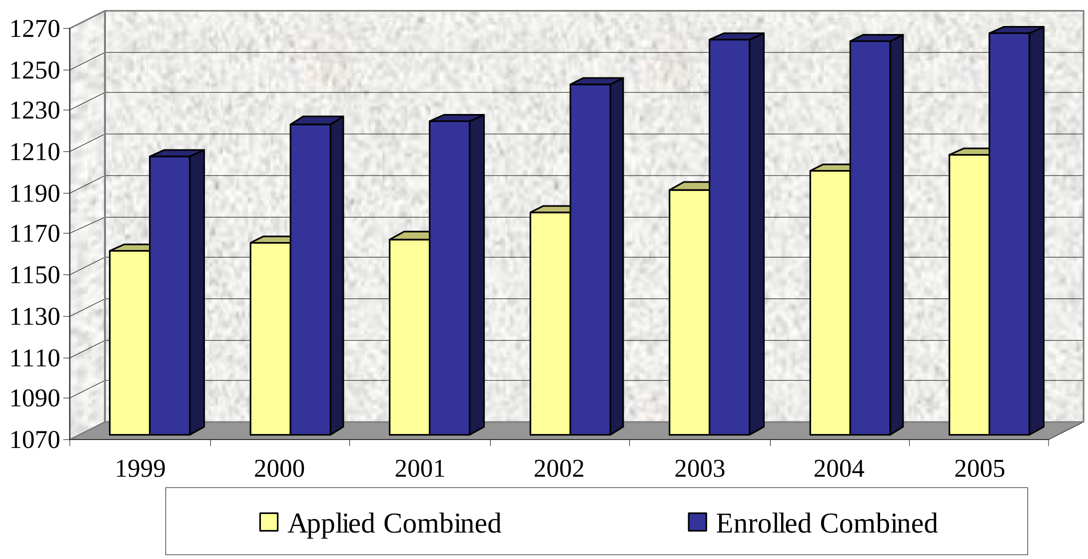
In fall 2005, the full-time freshman class enrolled 1,236 students and had a 37.5% matriculation ratio based upon a 45% acceptance ratio for 7,300 applicants. The mean Scholastic Aptitude Test (SAT) for this group was a combined 1,265. Currently, 96% of the freshman class and 65% of all undergraduate students live on campus. Fall 2005 also brought 259 new transfer students into the College. The transfer matriculation rate was 55% and this was based on a 45% transfer acceptance ratio of 1,035 applicants.


(Continued)

The 2005-2006 academic year concluded with the awarding of 1,329 bachelor's degrees, 318 master's degrees, and 83 pre-/post-master's certifications.

**Applied and Enrolled by Year, Mean Scholastic Achievement Test**
**All Entering Freshmen: Fall 1999 to 2005**

**Combined Scholastic Achievement Test**




## Using the Financial Statements

The College's financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) principles.

One of the most important questions asked about the College finances is whether the College as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. Over time, increases or decreases in net assets is one indicator of the improvement or erosion of an institution's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

Significant aspects of the financial statements are as follows:

- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the College revenues, including state appropriations and investment income, are considered nonoperating, as defined by GASB Statement No. 35. The net nonoperating revenue totaled $42.9 and $52.3 million for the years ended June 30, 2006 and 2005, respectively.
- Scholarships applied to student accounts are shown as a reduction of student tuition and residence fee revenue. Tuition waivers are reported as a scholarship expense. For the years ended June 30, 2006 and 2005, scholarship allowance totaled $22.7 and $20.8 million, respectively.
- The College is required to report depreciation on its capital assets. Depreciation expense totaled $10.6 and $10.2 million for the years ended June 30, 2006 and 2005, respectively.
- Unrestricted net assets comprise various subcategories of designated and committed funds; however, GASB Statement No. 35 prohibits a breakdown of these designations on the face of the statement of net assets. A significant portion of these funds have been designated for capital projects and for debt service requirements in fiscal year 2006.

**Statement of Net Assets**

The statement of net assets is a point of time financial statement which presents the College's financial position at the end of fiscal years 2006 and 2005. Assets excluding capital assets, are generally carried at estimated fair market value. Capital assets are carried at cost and are depreciated over their respective useful life. Assets are categorized as current and noncurrent. Current assets are those considered to be convertible to cash within one year. Current assets of the College consist primarily of cash, short term investments, deposits held with bond trustees and student and other accounts receivable.

Liabilities are categorized as current and noncurrent. Current liabilities are those due and anticipated to be paid within the upcoming fiscal year. Current liabilities of the College consist primarily of trade accounts payable, deferred revenues and the current portion of long term debt.

Net assets are the residual interest in the College's assets after the liabilities are deducted. Net assets are classified into three major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in property, plant and equipment. The second net asset category is expendable restricted net assets. These net assets are available to the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on their usage. Finally, unrestricted net assets include amounts institutionally designated or committed to support specific academic and research programs and capital construction projects.


(Continued)

A summary of the College assets, liabilities and net assets at June 30, 2006, 2005, and 2004 are as follows:

| | | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | | (Amounts in thousands) | | |
| Assets: | | | | |
| Current assets | $ | 98,666 | 37,847 | 73,793 |
| Noncurrent assets | | 554,621 | 614,318 | 567,629 |
| Total assets | | 653,287 | 652,165 | 641,422 |
| Liabilities: | | | | |
| Current liabilities | | 28,809 | 29,416 | 28,787 |
| Noncurrent liabilities | | 341,859 | 346,502 | 349,466 |
| Total liabilities | | 370,668 | 375,918 | 378,253 |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | | 236,826 | 228,620 | 212,782 |
| Restricted for: | | | | |
| Student loans | | 726 | 600 | 600 |
| Debt service | | 1,096 | 1,096 | 1,096 |
| Renewal and replacement | | 2,362 | 2,362 | 2,362 |
| Capitalized interest | | — | — | 1,866 |
| Capital grants | | — | — | 13,861 |
| Unrestricted | | 41,609 | 43,569 | 30,602 |
| Total net assets | $ | 282,619 | 276,247 | 263,169 |

## Statement of Net Assets Financial Highlights

### *Assets*

During fiscal years 2006 and 2005, the College's total assets increased by $1.1 million or 0.2% and $10.7 million or 1.7%, respectively. In fiscal year 2006 cash and cash equivalents increased significantly by $3.9 million or 75.0 % primarily due to the collection of $2.0 million in capital grants receivable for the Clean Energy Program, plus cash reimbursements from deposits held by bond trustees for capital expenses paid in the previous year.

In fiscal year 2005 cash and cash equivalents decreased significantly by $42.2 million or 89.1% due to the transfer of cash to various investment vehicles. In fiscal year 2005, the board of trustees approved an investment policy and guidelines that gave management the flexibility to diversify the College's investments.

Deposits held with bond trustees had a net increase of $1.4 million or 1.4% in fiscal year 2006, due to the receipt of an $18.5 million settlement for the on-campus apartment complex plus investment appreciation. This increase was offset by reimbursements from bond construction funds for capital expenditures.

In fiscal year 2005, deposits held with bond trustees had a net decrease of $26.4 million or 20.2% due to reimbursements from bond construction funds for capital expenses and withdrawals from the capitalized interest account to fund interest payments on the 2002D bond issue.

Capital assets had a net decrease in fiscal year 2006 of $5.1 million primarily due to depreciation expense coupled with the write down of the on-campus apartment complex carrying value and its capitalized interest allocation. The decrease was offset by additions to construction in progress projects that are funded by various bond issues.

Capital assets had a net increase in fiscal year 2005 of $40.8 million due to construction in progress projects that are funded by various bond issues. The construction of a new-state-of-the-art library facility accounted for majority of the increase in fiscal year 2005.

***Liabilities***

In fiscal years 2006 and 2005, the College's current liabilities remained relatively stable. Noncurrent liabilities decreased by $4.6 million or 1.3% and $3.0 million or 0.9% in fiscal years 2006 and 2005, respectively. For both years the change was due to the repayment of outstanding principal on bonds.

***Net Assets***

The change in net assets is one indicator of whether the overall financial condition has improved or worsened during the year. The improvement in the College's overall financial position is reflected in the continuing increase to total net assets.

During fiscal years 2006 and 2005, total net assets increased by $6.4 million or 2.3% and $13.1 million or 5.0%, respectively. In both fiscal years the increase was directly related to the College's continued investment in capital assets coupled with positive operating surpluses.

***Current Ratio***

The College's current ratio measures the institution's ability to satisfy its current obligations as they come due. In fiscal years 2006 and 2005 the College's current assets were sufficient to the cover current liabilities, as the current ratios were 3.4:1 and 1.3:1 respectively. The increase in the current ratio was due to additional investment in short term U.S. Treasury securities.

**Statement of Revenues, Expenses, and Changes in Net Assets**

The statement of revenues, expenses and changes in net assets presents the revenues earned and the expenses incurred during the year, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating. Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the College, including a provision for estimated depreciation on capital assets. Certain revenue sources that the College relies on for operations, including state appropriations and investment income, are required by GASB to be classified as nonoperating revenues. Nonoperating expenses include interest expense and certain costs related to capital assets.

The statement of revenues, expenses and changes in net assets reflects a positive year with an increase in net assets at the end of the year. A summary of the College's revenues, expenses and changes in net assets for the years ended June 30, 2006, 2005, and 2004 are as follows:

| | | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | | | (Amounts in thousands) | |
| Net student revenues | $ | 74,281 | 69,657 | 65,451 |
| Government grants and contracts | | 18,600 | 18,243 | 16,420 |
| Auxiliary activities | | 4,646 | 3,873 | 3,674 |
| Other | | 1,838 | 2,193 | 2,121 |
| Operating revenues | | 99,365 | 93,966 | 87,666 |
| Instruction and research | | 48,521 | 46,478 | 44,740 |
| Auxiliary activities | | 22,683 | 21,480 | 19,344 |
| Institutional support | | 11,228 | 12,105 | 11,911 |
| Operation and maintenance of plant | | 15,931 | 16,043 | 14,374 |
| Student services | | 11,171 | 10,909 | 10,691 |
| Academic support | | 10,967 | 11,487 | 10,251 |
| Depreciation | | 10,566 | 10,241 | 9,851 |
| Other | | 4,779 | 4,487 | 3,007 |
| Operating expenses | | 135,846 | 133,230 | 124,169 |
| Operating loss | | (36,481) | (39,264) | (36,503) |
| NJ State and government appropriations | | 56,109 | 53,474 | 51,849 |
| Capital grants | | — | — | 2,210 |
| Other expenses, net | | (13,256) | (1,132) | (998) |
| Net nonoperating revenues | | 42,853 | 52,342 | 53,061 |
| Increase in net assets | | 6,372 | 13,078 | 16,558 |
| Net assets, beginning of year | | 276,247 | 263,169 | 246,611 |
| Net assets, end of year | $ | 282,619 | 276,247 | 263,169 |

## Statement of Revenues, Expenses, and Changes in Net Assets Financial Highlights

### ***Operating Revenues***

*Net student revenues*

Net student revenues, which included tuition, housing and fees revenues (less scholarship allowance) are the most significant source of operating revenue for the College, amounting to 74.8% and 74.1% of total operating revenue in fiscal years 2006 and 2005, respectively.

Tuition and fees increased $4.9 million or 7.9% and $4.9 million or 8.5% in fiscal years 2006 and 2005, respectively. These increases were attributed to a general tuition increase of 6.5% and 8.0% in fiscal years 2006 and 2005, respectively coupled with a modest increase in student enrollment.

Student housing and fees increased approximately $1.6 million or 5.7% and $1.4 million or 5.3% in fiscal years 2006 and 2005, respectively. These increases were attributed to the room and board increase of 4.5% in both fiscal years.

In fiscal year 2006, scholarship allowance increased $1.9 million, or 9.2%, which was mainly due to an increase in College and State funded scholarships programs. The College-funded scholarships accounted for $1.6 million of the overall increase. The State funded Tuition Aid Grant (TAG) and the Outstanding Scholars Recruitment Program (OSRP) had modest increases in fiscal year 2006.

In fiscal year 2005, scholarship allowance increased $2.1 million, or 11.2%, which was mainly due to an increase in College and State funded scholarships programs. The College-funded scholarships accounted for $1.4 million of the overall increase. The State funded Tuition Aid Grant (TAG) and the Outstanding Scholars Recruitment Program (OSRP) had a modest increase of $334 thousand and $268 thousand, respectively, in fiscal year 2005.

| | | **2006** | **2005** | **2004** |
|---|---|---|---|---|
| | | | (Amounts in thousands) | |
| State scholarships | $ | 9,939 | 9,563 | 8,823 |
| Federal scholarships | | 2,541 | 2,652 | 2,716 |
| College scholarships | | 10,207 | 8,569 | 7,148 |
| Total scholarships | $ | 22,687 | 20,784 | 18,687 |

*Auxiliary activities*

Auxiliary activities, which are self-funding activities, accounted for approximately 4.7% and 4.1% of the total operating revenues in fiscal years 2006 and 2005, respectively. Included in auxiliary activities are revenues derived from commissions, conference and meeting services and summer camps activities.

*Government grants and contracts*

The College recognizes revenues associated with the direct costs of grants and contracts as the related expenditures are incurred. In fiscal year 2006, Government grants and contracts revenue increased by $357 thousand, or 2.0%. State grants and contracts increased with additional revenues of $892 thousand while the federal decreased by $535 thousand. The increase in the state grant revenues were generated primarily by the New Jersey Smart Choice grant plus increased State funding for the Tuition Aid Grant and Outstanding Scholars Recruitment Program. The decrease in the federal grant revenue was primarily due to various federally funded grants coming to a close during fiscal year 2006, offset by a new Teacher Quality Enhancement Grant and increased revenue generated by the Bonner Center federal earmarks.

For fiscal year 2005, Government grants and contracts increase by $1.8 million or 11.1%. State grants and contracts increased significantly with additional revenues of $1.5 million. This was primarily due to an increase in the revenues generated by the Municipal Land Use Center grant plus increased State funding for the Tuition Aid Grant and Outstanding Scholars Recruitment Program.

***Operating Expenses***

In fiscal years 2006 and 2005, total operating expenses were $135.8 and $133.2 million, respectively.

The combination of instruction and research represents the College's largest operating expense category. In fiscal year 2006, instructional expenses increased significantly by over $2.1 million or 5.2%, while research expenditures remained stable. The increase in instruction in fiscal year 2006, was mainly due to the filling of some vacant faculty positions coupled with contractual salary increases.

For fiscal year 2005, instructional expenses remained stable, while additional funds were made available for College funded research activities. Research expenditures increased significantly because all eligible faculty were given research alternate assignment under the new academic transformation curriculum.

The decrease in academic support in fiscal year 2006 was due to the reduction in grant funded expenditures. The increase in academic support for fiscal year 2005, was mainly due to the filling of some vacant positions, library acquisitions, additional grant funded expenditures plus reinvestment in computer hardware and software.

The decrease in institutional support in fiscal year 2006 was due to the continued cost-saving measures being employed in the administrative areas while in fiscal year 2005 institutional support remained relatively stable. Student services showed modest increases during both fiscal years.

Public service expense remained stable in fiscal year 2006 but increased significantly in fiscal year 2005, by $1.4 million, or 74.8% primarily due to the receipt of new public service-oriented grants and increased expenditures on existing grants.

Auxiliary expenses increased by $1.2 and $2.1 million, or 5.6% and 11.0%, in fiscal years 2006 and 2005, respectively. The increases were due to higher meal plan rates and increased student participation. In both fiscal years, a major expense driver was the cost of fuel and utilities for the student residence halls.

Operation and maintenance of plant remained relatively stable during fiscal year 2006, but had an increase of $1.7 million or 11.6%, in fiscal year 2005. In fiscal year 2005, the increase was the result of higher cost for fuel and utilities.

***Operating Margin***

According to GASB Statement No. 35 significant resources of the College are categorized as nonoperating revenues. The fiscal year 2006 and 2005 operating loss was $36.5 million and $39.3 million, respectively. The operating loss represents the difference between the operating revenues and operating expenses. A measure of operating performance is the College's operating margin, which considers government appropriations and investment income as operating revenues and interest expense as an operating expense. Over the years, budgetary practices have led to positive operating margins. The College had an annual operating margin of 6.6% and 8.6% in fiscal years 2006 and 2005, respectively.

***Net Nonoperating Revenues (Expenses)***

*New Jersey State appropriations*

New Jersey state appropriations represented 34.6% and 35.3% of the total College revenues in fiscal years 2006 and 2005, respectively. The level of state support is therefore a key factor influencing the College's overall financial condition. The state appropriations include amounts appropriated by the state legislature and employees' fringe benefits paid by the state.

The College reimburses the state for the fringe benefit cost of the employees whose salaries are funded by sources other than general operating funds. Even though state appropriations are considered nonoperating revenue, the total amount supports operating expenses. In fiscal years 2006 and 2005, the gross state support to the College increased by $2.6 million or 4.9% and $1.7 million or 3.4%, respectively. These increases were due to the partial funding of the state negotiated salary program plus increases in fringe benefits.

The breakdown of the state appropriations at June 30, 2006, 2005, and 2004 are as follows:

| | | **2006** | **2005** | **2004** |
|---|---|---|---|---|
| | | | (Amounts in thousands) | |
| Net state appropriations | $ | 37,977 | 36,807 | 35,619 |
| Fringe benefits | | 17,969 | 16,504 | 15,957 |
| Gross state support | $ | 55,946 | 53,311 | 51,576 |

*Investment Income*

Investment income had significant increases during fiscal years 2006 and 2005 of $2.6 million and $1.0 million respectively. These increases were a direct result of the rise in short term interest rates.

*Interest Expense*

Interest expense is traditionally offset by the amount of interest capitalized during the construction phase of major projects. During fiscal year 2006 interest expense had a significant increase primarily due to the termination of a major capital construction project which resulted in less interest expense being capitalized. During fiscal year 2005 interest expense remained relatively stable because the amount of capitalized interest was consistent with fiscal year 2004.

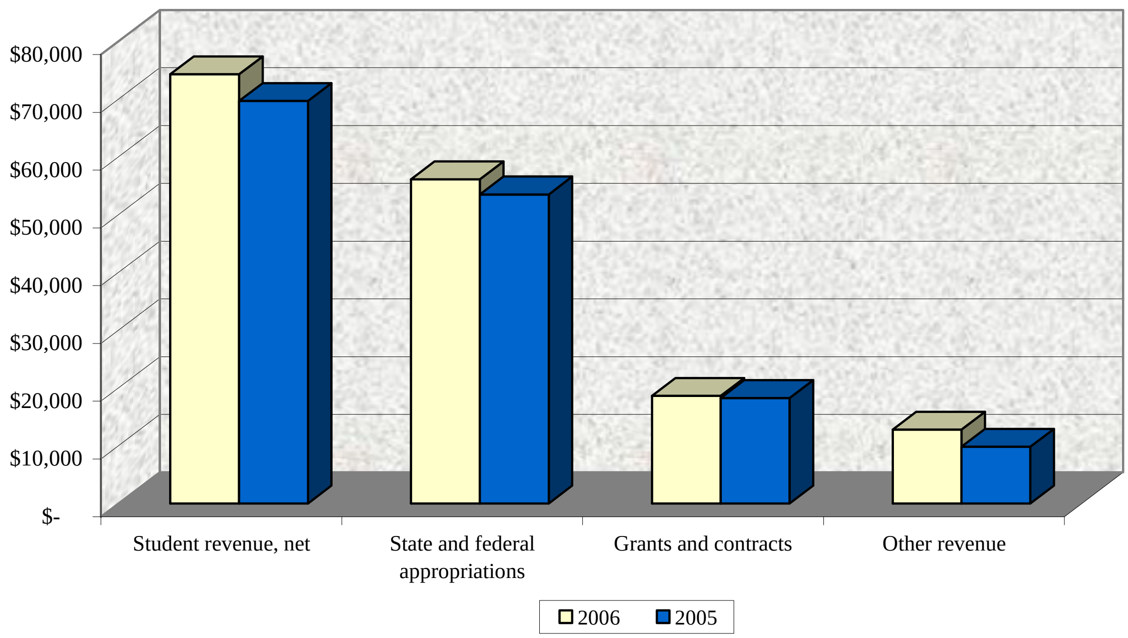
*Other expenses, net*

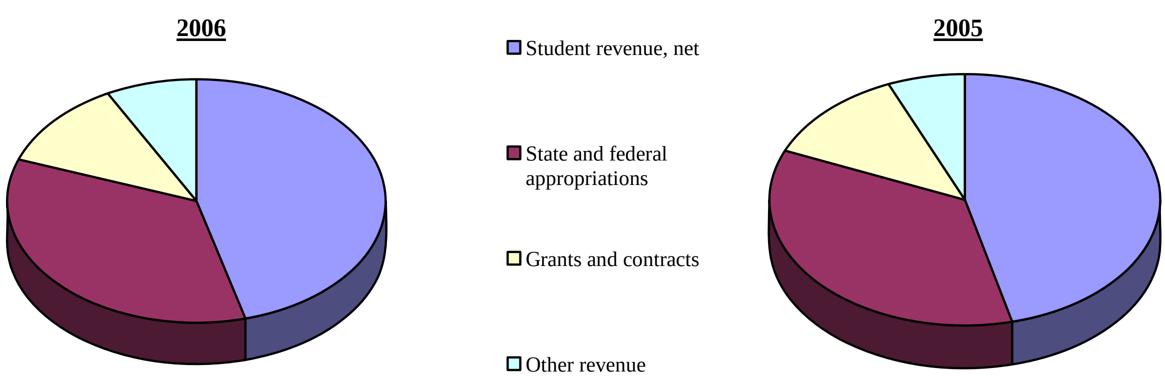
During fiscal year 2006 the College adjusted the carrying value of an impaired capital asset and the associated capitalized interest on that project. This was a major component of the increase in other nonoperating expenses.


(Continued)

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)
Management's Discussion and Analysis
June 30, 2006 and 2005

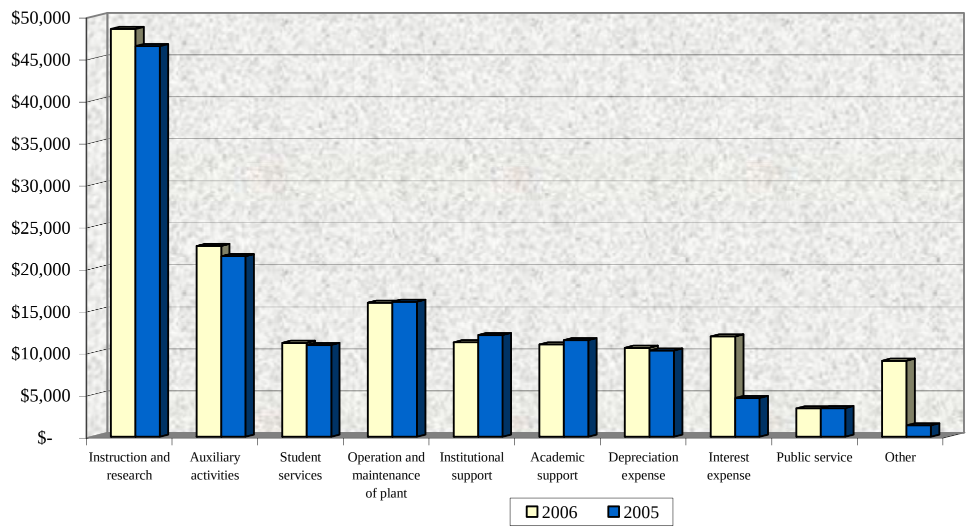
The following is an illustration of revenues by source (both operating and nonoperating), which were used to fund the College's activities for the years ended June 30, 2006 and 2005 (amounts in thousands):

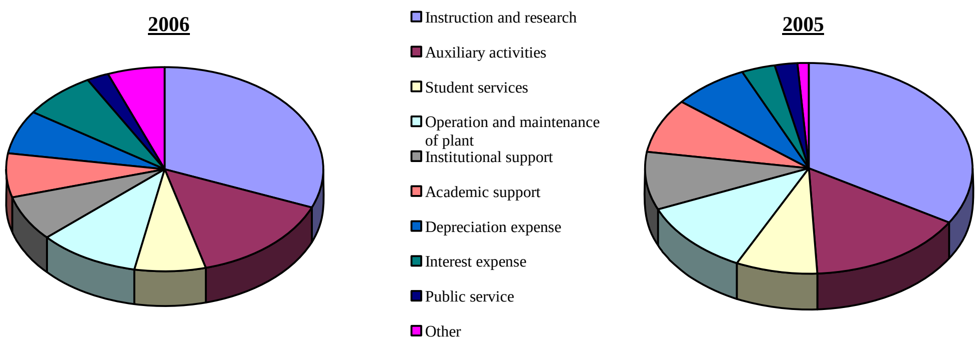



| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| | (Amounts in thousands) | | | |
| Student revenue, net | $ 74,281 | 45.9% | $ 69,657 | 46.1% |
| State and federal appropriations | 56,109 | 34.7% | 53,474 | 35.4% |
| Grants and contracts | 18,600 | 11.5% | 18,243 | 12.1% |
| Other revenue | 12,785 | 7.9% | 9,801 | 6.4% |
| | $ 161,775 | 100.0% | $ 151,175 | 100.0% |

The following is an illustration of expenses by function (both operating and nonoperating) for the fiscal years ended June 30, 2006 and 2005 (amounts in thousands):




| | 2006 Amount | 2006 Percent | 2005 Amount | 2005 Percent |
|---|---|---|---|---|
| | (Amounts in thousands) | | | |
| Instruction and research | $ 48,521 | 31.2% | $ 46,478 | 33.6% |
| Auxiliary activities | 22,683 | 14.5% | 21,480 | 15.6% |
| Student services | 11,171 | 7.2% | 10,909 | 7.9% |
| Operation and maintenance of plant | 15,931 | 10.3% | 16,043 | 11.6% |
| Institutional support | 11,228 | 7.2% | 12,105 | 8.8% |
| Academic support | 10,967 | 7.1% | 11,487 | 8.3% |
| Depreciation expense | 10,566 | 6.8% | 10,241 | 7.4% |
| Interest expense | 11,939 | 7.7% | 4,608 | 3.3% |
| Public service | 3,365 | 2.2% | 3,402 | 2.5% |
| Other | 9,032 | 5.8% | 1,344 | 1.0% |
| | $ 155,403 | 100.0% | $ 138,097 | 100.0% |

## Capital Assets

At June 30, 2006, the College had $466.6 million invested in capital assets, net of accumulated depreciation of $102.2 million. Depreciation charges totaled $10.6 million for the current fiscal year. Capital additions are comprised of new construction of facilities. These additions were funded primarily with the proceeds from bonds. The major capital expenditures during fiscal year 2006 included a new state-of-the-art library and the athletic playfields. The following is a breakdown of the net additions/(transfers) for fiscal years ended June 30, 2006, 2005, and 2004:

| | | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| | | | (Amounts in thousands) | |
| Additions (transfers): | | | | |
| Land | $ | — | — | 147 |
| Buildings and building improvements | | 1,362 | 3,486 | 905 |
| Infrastructure | | 508 | 9,356 | 262 |
| Equipment and other assets | | 4,424 | 4,586 | 3,916 |
| Construction in progress | | (816) | 33,620 | 58,680 |
| Net total additions/transfers | $ | 5,478 | 51,048 | 63,910 |

## Long-Term Debt

At June 30, 2006, the College had $341.8 million in outstanding bonds, compared to $344.8 million at June 30, 2005. Additional information about the College's existing long-term liabilities is presented in footnote number nine to financial statements. No new debt was issued during fiscal year 2006 or 2005.

## Economic Factors that will Affect the Future

For the fiscal years ending June 30, 2006 and 2005, the College finished with a $6.4 and $13.1 million or 2.3% and 5.0% increase in net assets respectively. The increase in net assets is one indicator of the improvement of College's financial health.

A crucial element to maintaining the College's current financial condition will continue to be our relationship with the State of New Jersey, as we work to manage tuition and make it competitive while providing an outstanding college education for our students. There is a direct relationship between the growth of State support and the College's ability to control tuition growth, as declines in state appropriations generally result in increased tuition levels. The level of State support, the impact of wage increases collectively bargained at the State level and the ability of student fee supported activities to meet inflationary pressures determine the limits of program expansion, new initiatives and strategic investments.

There are other issues of College-wide importance that will directly impact the College's future financial condition. These issues include the increasing demand for institutional scholarships, increasing the investment in academic program excellence, expanding fundraising activities, investing in capital assets, diversifying revenue and reviewing the organizational structure to effect financial efficiencies and preserve organizational effectiveness.

Through the process of continuing strategic planning and assessment, management believes that the College is well positioned to continue providing excellence in educational programs to our students and service to the State.

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## Independent Auditors' Report on Basic Financial Statements and Schedules of Expenditures of Federal and State of New Jersey Awards

The Board of Trustees
The College of New Jersey:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey (the College), a component unit of the State of New Jersey, as of and for the years ended June 30, 2006 and 2005, 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 opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of The College of New Jersey Foundation, Inc., a component unit of The College of New Jersey, were not audited in accordance with *Government Auditing Standards*. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of The College of New Jersey as of June 30, 2006 and 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2006 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* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 1 through 14 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The College has presented certain information in management's discussion and analysis that is not required by U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedules of expenditures of Federal and State of New Jersey awards 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 New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,* and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2006 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the 2006 basic financial statements taken as a whole.

KPMG LLP

November 27, 2006

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)
Statement of Net Assets
June 30, 2006
(Amounts in thousands)

| Assets | Business-Type Activities The College of New Jersey | Component Unit The College of New Jersey Foundation, Inc. | Total |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ 9,028 | 571 | 9,599 |
| Receivables: | | | |
| Student accounts (less allowance of $453) | 858 | — | 858 |
| Student loans | 780 | — | 780 |
| Grants | 407 | — | 407 |
| Due from State of New Jersey (note 5) | 1,636 | — | 1,636 |
| Other | 2,387 | — | 2,387 |
| Total receivables | 6,068 | — | 6,068 |
| Investments (note 4) | 53,071 | 1,081 | 54,152 |
| Deposits held with bond trustees (note 7) | 28,480 | — | 28,480 |
| Prepaid expenses | 2,019 | — | 2,019 |
| Total current assets | 98,666 | 1,652 | 100,318 |
| Noncurrent assets: | | | |
| Student loans receivable (less allowance of $222) | 3,525 | — | 3,525 |
| Deposits held with bond trustees (note 7) | 76,992 | — | 76,992 |
| Other assets | — | 95 | 95 |
| Investments (note 4) | 640 | 6,530 | 7,170 |
| Deferred financing costs and deferred loss, net of accumulated amortization of $2,193 | 6,871 | — | 6,871 |
| Capital assets, net (note 6) | 466,593 | — | 466,593 |
| Total noncurrent assets | 554,621 | 6,625 | 561,246 |
| Total assets | 653,287 | 8,277 | 661,564 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses (note 8) | 18,311 | 11 | 18,322 |
| Compensated absences – current portion (note 12) | 2,013 | — | 2,013 |
| Due to TCNJ Foundation (due from College) | 22 | (22) | — |
| Due to TSC Corporation (note 3) | 4 | — | 4 |
| Deferred revenue and student deposits | 3,877 | — | 3,877 |
| Bonds payable – current portion (note 9) | 3,922 | — | 3,922 |
| Other long term obligations – current portion (note 9) | 660 | — | 660 |
| Total current liabilities | 28,809 | (11) | 28,798 |
| Noncurrent liabilities (note 9): | | | |
| Compensated absences – noncurrent (note 12) | 245 | — | 245 |
| U.S. and Government grants refundable | 4,414 | — | 4,414 |
| Bonds payable – noncurrent (note 9) | 327,099 | — | 327,099 |
| Other long term obligations (note 9) | 10,101 | 70 | 10,171 |
| Total noncurrent liabilities | 341,859 | 70 | 341,929 |
| Total liabilities | 370,668 | 59 | 370,727 |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | 236,826 | — | 236,826 |
| Restricted: | | | |
| Nonexpendable: | | | |
| Scholarships | — | 2,661 | 2,661 |
| Expendable: | | | |
| Scholarships | — | 3,468 | 3,468 |
| Research | — | 299 | 299 |
| Other | — | 776 | 776 |
| Student loans | 726 | — | 726 |
| Debt service reserve collateral requirement | 1,096 | — | 1,096 |
| Renewal and replacement and maintenance reserves | 2,362 | — | 2,362 |
| Unrestricted (note 13) | 41,609 | 1,014 | 42,623 |
| Total net assets | $ 282,619 | 8,218 | 290,837 |

See accompanying notes to financial statements.

**THE COLLEGE OF NEW JERSEY**

(A Component Unit of the State of New Jersey)

Statement of Net Assets

June 30, 2005

(Amounts in thousands)

| **Assets** | | **Business-Type Activities The College of New Jersey** | **Component Unit The College of New Jersey Foundation, Inc.** | **Total** |
|---|---|---|---|---|
| Current assets: | | | | |
| Cash and cash equivalents | $ | 5,159 | 322 | 5,481 |
| Receivables: | | | | |
| Student accounts (less allowance of $82) | | 1,099 | — | 1,099 |
| Student loans | | 826 | — | 826 |
| Grants | | 2,788 | — | 2,788 |
| Due from State of New Jersey (note 5) | | 882 | — | 882 |
| TSC Corporation (note 3) | | 78 | — | 78 |
| Other | | 1,227 | 1 | 1,228 |
| Total receivables | | 6,900 | 1 | 6,901 |
| Investments (note 4) | | 15,544 | 1,134 | 16,678 |
| Deposits held with bond trustees (note 7) | | 7,641 | — | 7,641 |
| Prepaid expenses | | 2,603 | — | 2,603 |
| Total current assets | | 37,847 | 1,457 | 39,304 |
| Noncurrent assets: | | | | |
| Student loans receivable (less allowance of $287) | | 3,493 | — | 3,493 |
| Deposits held with bond trustees (note 7) | | 96,388 | — | 96,388 |
| Refundable deposits | | — | 75 | 75 |
| Investments (note 4) | | 35,470 | 5,768 | 41,238 |
| Deferred financing costs and deferred loss, net of accumulated amortization of $1,778 | | 7,286 | — | 7,286 |
| Capital assets, net (note 6) | | 471,681 | — | 471,681 |
| Total noncurrent assets | | 614,318 | 5,843 | 620,161 |
| Total assets | | 652,165 | 7,300 | 659,465 |
| **Liabilities** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses (note 8) | | 20,513 | — | 20,513 |
| Compensated absences – current portion (note 12) | | 2,158 | — | 2,158 |
| Deferred revenue and student deposits | | 3,728 | — | 3,728 |
| Bonds payable – current portion (note 9) | | 2,617 | — | 2,617 |
| Other long term obligations – current portion (note 9) | | 400 | — | 400 |
| Total current liabilities | | 29,416 | — | 29,416 |
| Noncurrent liabilities (note 9): | | | | |
| Compensated absences – noncurrent (note 12) | | 319 | — | 319 |
| U.S. and Government grants refundable | | 4,401 | — | 4,401 |
| Bonds payable – noncurrent (note 9) | | 331,021 | — | 331,021 |
| Other long term obligations (note 9) | | 10,761 | — | 10,761 |
| Total noncurrent liabilities | | 346,502 | — | 346,502 |
| Total liabilities | | 375,918 | — | 375,918 |
| **Net Assets** | | | | |
| Invested in capital assets, net of related debt | | 228,620 | — | 228,620 |
| Restricted: | | | | |
| Nonexpendable: | | | | |
| Scholarships | | — | 2,262 | 2,262 |
| Expendable: | | | | |
| Scholarships | | — | 3,223 | 3,223 |
| Research | | — | 157 | 157 |
| Gift annuities | | — | 230 | 230 |
| Other | | — | 404 | 404 |
| Student loans | | 600 | — | 600 |
| Debt service reserve collateral requirement | | 1,096 | — | 1,096 |
| Renewal and replacement and maintenance reserves | | 2,362 | — | 2,362 |
| Unrestricted (note 13) | | 43,569 | 1,024 | 44,593 |
| Total net assets | $ | 276,247 | 7,300 | 283,547 |

See accompanying notes to financial statements.

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2006

(Amounts in thousands)

| | Business-Type Activities The College of New Jersey | Component Unit The College of New Jersey Foundation, Inc. | Total |
|---|---|---|---|
| Operating revenues: | | | |
| Student revenues: | | | |
| Student tuition and fees | $ 67,108 | — | 67,108 |
| Less tuition scholarship allowances | (17,866) | — | (17,866) |
| Net student tuition and fees | 49,242 | — | 49,242 |
| Student housing and fees | 29,860 | — | 29,860 |
| Less housing scholarship allowances | (4,821) | — | (4,821) |
| Net student housing and fees | 25,039 | — | 25,039 |
| Federal grants and contracts | 4,519 | — | 4,519 |
| State of New Jersey grants and contracts | 14,081 | — | 14,081 |
| Auxiliary activities | 4,646 | — | 4,646 |
| Contributions | — | 2,421 | 2,421 |
| Interest on student loans receivable | 76 | — | 76 |
| Other operating revenues | 1,762 | — | 1,762 |
| Total operating revenues | 99,365 | 2,421 | 101,786 |
| Operating expenses: | | | |
| Instruction | 42,343 | — | 42,343 |
| Research | 6,178 | — | 6,178 |
| Academic support | 10,967 | — | 10,967 |
| Public service | 3,365 | — | 3,365 |
| Student services | 11,171 | — | 11,171 |
| Operation and maintenance of plant | 15,931 | — | 15,931 |
| Institutional support | 11,228 | — | 11,228 |
| Scholarships and fellowships | 1,414 | 282 | 1,696 |
| Auxiliary activities | 22,683 | — | 22,683 |
| Fundraising | — | 224 | 224 |
| Depreciation | 10,566 | — | 10,566 |
| Total operating expenses | 135,846 | 506 | 136,352 |
| Operating (loss) income | (36,481) | 1,915 | (34,566) |
| Nonoperating revenues (expenses): | | | |
| State of New Jersey appropriations | 37,977 | — | 37,977 |
| State of New Jersey fringe benefits | 17,969 | — | 17,969 |
| Government appropriations | 163 | — | 163 |
| Investment income | 6,056 | 533 | 6,589 |
| Interest expense | (11,939) | — | (11,939) |
| Transactions with affiliates (note 3) | 245 | (1,244) | (999) |
| Other expenses, net | (7,618) | (286) | (7,904) |
| Net nonoperating revenues | 42,853 | (997) | 41,856 |
| Increase in net assets | 6,372 | 918 | 7,290 |
| Net assets as of beginning of year | 276,247 | 7,300 | 283,547 |
| Net assets as of end of year | $ 282,619 | 8,218 | 290,837 |

See accompanying notes to financial statements.

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)

Statement of Revenues, Expenses, and Changes in Net Assets

Year ended June 30, 2005

(Amounts in thousands)

| | Business-Type Activities The College of New Jersey | Component Unit The College of New Jersey Foundation, Inc. | Total |
|---|---|---|---|
| Operating revenues: | | | |
| Student revenues: | | | |
| Student tuition and fees | $ 62,203 | — | 62,203 |
| Less tuition scholarship allowances | (16,149) | — | (16,149) |
| Net student tuition and fees | 46,054 | — | 46,054 |
| Student housing and fees | 28,238 | — | 28,238 |
| Less housing scholarship allowances | (4,635) | — | (4,635) |
| Net student housing and fees | 23,603 | — | 23,603 |
| Federal grants and contracts | 5,054 | — | 5,054 |
| State of New Jersey grants and contracts | 13,189 | — | 13,189 |
| Auxiliary activities | 3,873 | — | 3,873 |
| Contributions | — | 1,558 | 1,558 |
| Interest on student loans receivable | 80 | — | 80 |
| Other operating revenues | 2,113 | — | 2,113 |
| Total operating revenues | 93,966 | 1,558 | 95,524 |
| Operating expenses: | | | |
| Instruction | 40,254 | — | 40,254 |
| Research | 6,224 | — | 6,224 |
| Academic support | 11,487 | — | 11,487 |
| Public service | 3,402 | — | 3,402 |
| Student services | 10,909 | — | 10,909 |
| Operation and maintenance of plant | 16,043 | — | 16,043 |
| Institutional support | 12,105 | — | 12,105 |
| Scholarships and fellowships | 1,085 | 325 | 1,410 |
| Auxiliary activities | 21,480 | — | 21,480 |
| Fundraising | — | 384 | 384 |
| Depreciation | 10,241 | — | 10,241 |
| Total operating expenses | 133,230 | 709 | 133,939 |
| Operating (loss) income | (39,264) | 849 | (38,415) |
| Nonoperating revenues (expenses): | | | |
| State of New Jersey appropriations | 36,807 | — | 36,807 |
| State of New Jersey fringe benefits | 16,504 | — | 16,504 |
| Government appropriations | 163 | — | 163 |
| Investment income | 3,418 | 257 | 3,675 |
| Interest expense | (4,608) | — | (4,608) |
| Transactions with affiliates (note 3) | 317 | (1,048) | (731) |
| Other (expenses) revenues, net | (259) | 248 | (11) |
| Net nonoperating revenues | 52,342 | (543) | 51,799 |
| Increase in net assets | 13,078 | 306 | 13,384 |
| Net assets as of beginning of year | 263,169 | 6,994 | 270,163 |
| Net assets as of end of year | $ 276,247 | 7,300 | 283,547 |

See accompanying notes to financial statements.

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)
Statements of Cash Flows
(Business-Type Activities – College only)
Years ended June 30, 2006 and 2005
(Amounts in thousands)

| | | 2006 | 2005 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Tuition and fees | $ | 49,646 | 41,339 |
| Federal, state, and local grants and contracts | | 20,981 | 17,519 |
| Payments to suppliers | | (20,136) | (18,902) |
| Payments to employees | | (70,277) | (72,477) |
| Payments for benefits | | (748) | (2,138) |
| Student housing and auxiliary activities | | 12,283 | 14,440 |
| Other receipts, net | | 1,838 | 2,193 |
| Net cash used by operating activities | | (6,413) | (18,026) |
| Cash flows from noncapital financing activities: | | | |
| New Jersey State appropriations | | 37,648 | 36,728 |
| Federal loan program receipts | | 19,216 | 18,283 |
| Federal loan program disbursements | | (19,216) | (18,283) |
| New Jersey Class loan receipts | | 4,909 | 3,764 |
| New Jersey Class loan disbursements | | (4,909) | (3,764) |
| Other receipts, net | | (901) | 1,463 |
| Net cash provided by noncapital financing activities | | 36,747 | 38,191 |
| Cash flows from capital and related financing activities: | | | |
| Purchase of capital assets | | (26,951) | (33,118) |
| Withdrawals from deposits held with bond trustees | | 20,134 | 25,912 |
| Principal payments on bonds and other obligations | | (3,060) | (2,849) |
| Interest payments on bonds and other obligations | | (15,637) | (15,078) |
| Other disbursements, net | | — | (259) |
| Net cash used by capital and related financing activities | | (25,514) | (25,392) |
| Cash flows from investing activities: | | | |
| Interest on investments | | 541 | 3,418 |
| Purchases of investments | | (120,220) | (96,095) |
| Maturities of investments | | 118,728 | 55,670 |
| Net cash used by investing activities | | (951) | (37,007) |
| Net increase (decrease) in cash and cash equivalents | | 3,869 | (42,234) |
| Cash and cash equivalents as of beginning of year | | 5,159 | 47,393 |
| Cash and cash equivalents as of end of year | $ | 9,028 | 5,159 |
| Reconciliation of operating loss to net cash used by operating activities: | | | |
| Operating loss | $ | (36,481) | (39,264) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | | |
| Depreciation | | 10,566 | 10,241 |
| State of New Jersey fringe benefits | | 17,969 | 16,504 |
| Changes in assets and liabilities: | | | |
| Receivables, net | | 2,977 | (1,951) |
| Prepaid expenses | | 584 | (547) |
| Accounts payable and accrued expenses | | (4,447) | 848 |
| Accrued salaries | | 2,245 | (1,116) |
| Compensated absences | | — | 217 |
| Other accrued expenses | | 25 | (2,539) |
| Deferred revenue and student deposits | | 149 | (419) |
| Net cash used by operating activities | $ | (6,413) | (18,026) |

See accompanying notes to financial statements.

## (1) Organization

The College of New Jersey (the College) is a mid-sized, comprehensive public college which concentrates primarily on the undergraduate experience. Baccalaureate and master's degrees are offered through the academic programs of the College's seven schools (Art, Media and Music, Science, Culture and Society, Business, Education, Nursing and Engineering). In the fall of 2005, the College enrolled 5,758 full-time equated undergraduate students and 452 full-time equated graduate students. The College has residential facilities that house more than half of the students on campus and another third of the student population in housing nearby.

The College is recognized as a public institution of higher education by the State of New Jersey (the State) and, accordingly, the State Legislature appropriates funds annually to support the College. Under the law, the College is an instrumentality of the State with a high degree of autonomy. However, pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, the College is considered to be a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the College are included in the State's Comprehensive Annual Financial Report.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Presentation*

The accounting policies of the College conform to all U.S. generally accepted accounting principles as applicable to public colleges and universities. The College's financial statements are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Boards (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

GASB Statement No. 35 establishes 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 assets categories.

- ***Invested in capital assets, net of related debt:*** 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 assets subject to externally imposed stipulations that must be maintained permanently by the College.

*Expendable:* Net assets whose use by the College a subject to externally imposed stipulations that can be fulfilled by actions of College pursuant to the stipulations or that expire by the passage of time.

- ***Unrestricted:*** Net assets that are not subject to externally imposed stipulations and may be designated for specific purposes by action of management to the board of trustees or may otherwise be limited by contractual agreements with outside parties.

***(b) Measurement Focus and Basis of Accounting***

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

***(c) Cash and Cash Equivalents***

Cash and cash equivalents consist primarily of investments with the New Jersey State Cash Management Fund that are combined into a large-scale investment program with amounts contributed by other state entities. These investments consist primarily of U.S. Treasury issues. All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

***(d) Deposits Held with Bond Trustees***

Deposits held with bond trustees are reflected at fair value, which is based on quoted market prices. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on an accrual basis. Changes in fair value (including both realized and unrealized gains and losses) are reported in investment income. The College's financial statements for fiscal years 2006 and 2005 reflect net increase in fair value of investments of $224 and $13, respectively.

***(e) Investments***

Investments are reflected at fair value, which is based on quoted market prices. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on an accrual basis. Realized and unrealized gains and losses are reported in investment income.

***(f) Capital Assets***

Capital assets include buildings, equipment, and infrastructure assets, such as roads and sidewalks. 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 assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.


(Continued)

(Dollar amounts in thousands)

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

| Capital asset | Useful lives |
|---|---|
| Buildings | 30 to 50 |
| Infrastructure | 35 |
| Land and building improvements | 25 |
| Equipment and other assets | 5 to 10 |

Estimated obligations to complete construction in progress as of June 30, 2006 and 2005 are approximately $13,161 and $32,588, respectively. Such construction is principally financed by proceeds from long-term debt.

***(g) Deferred Revenue***

Deferred revenue represents tuition and fees collected in advance of the fiscal year.

***(h) Student Activity Fees***

It is the policy of the College to collect the student activity fees for the Student Finance Board. Revenues and related remittance of these fees to the Student Finance Board of $752 and $694 in fiscal years 2006 and 2005, respectively, have not been included in the accompanying financial statements.

***(i) Tuition and Fees***

Student tuition and fees are presented net of scholarships applied to student accounts, while tuition waivers are presented as scholarship expense.

***(j) Operating Activities***

The College's policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net assets are those that serve the College's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include: student tuition and fees, net of scholarship allowances, and most Federal, State and private grants and contracts. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, as defined by GASB Statement No. 34, including state appropriations, gifts, and investment income.

### *(k) Student Housing and Fees*

Student housing and fees are comprised mainly of revenues received from student housing and student center fees.

### *(l) Income Taxes*

The College is a political subdivision and as such, is exempt from New Jersey State and Federal income taxes under Internal Revenue Service code Section 115.

### *(m) 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 the 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 reported period. Actual results could differ from those estimates.

## (3) Transactions with Affiliates

### *(a) The College of New Jersey Foundation*

The College of New Jersey Foundation (the Foundation) has approved payments to the College for support of scholarships and restricted funds of $1,244 and $1,048 during fiscal years 2006 and 2005, respectively. As of June 30, 2006 net payables of $22 were due to the Foundation (see note 16). No amount was due at June 30, 2005.

### *(b) Trenton State College Corporation*

Trenton State College Corporation (TSC Corporation or the Corporation) assists in the development and growth of the College through property acquisitions and facilities management. The accompanying financial statements do not include the activities of the TSC Corporation. The New Jersey Board of Higher Education approved the Corporation on April 15, 1988, in accordance with the Public College Auxiliary Organizations Act, P.L. 1982.

During 2006 and 2005 the College incurred $215 and $234, respectively in rent and related expenses paid to the Corporation for usage of space in homes owned by the Corporation. In addition, the College reimbursed the Corporation for expenses associated with the maintenance of College owned properties. As of June 30, 2006 and 2005, there were outstanding payables relating to these expenses of $20 and $31, respectively.

Additionally, the Corporation pays the College for the portion of salaries and benefits of College employees who perform functions for the Corporation and any expenses applicable to the Corporation. This amounted to $293 for 2006 and $321 for 2005 of which $16 and $25 were outstanding as of June 30, 2006 and 2005, respectively.

(Dollar amounts in thousands)

The Corporation purchased the Country Club Apartments and Transfer Housing facilities in order to provide additional housing for the College's students. The Corporation pays for the maintenance of these facilities, and the College in return remits all room revenues earned by these facilities to the Corporation. During fiscal 2006 and 2005, the net revenues remitted from the College to the Corporation were $836 and $806, respectively. During fiscal year 2005 the College incurred expenses related to a Transfer Housing utility project. The Corporation is obligated to reimburse the College for these expenses since the Corporation receives all related revenues.

## (4) Cash, Cash Equivalents, and Investments

Cash and cash equivalents were $9,028 and $5,159 as of June 30, 2006 and 2005, respectively, which included $5,451 and $1,491, respectively, held in the State of New Jersey Cash Management fund and $3,577 and $3,668, respectively, held in various accounts at Wachovia Bank. Of the amounts held at Wachovia Bank, $100 was insured by the Federal Deposit Insurance Corporation and the remaining balance was collateralized in accordance with Chapter 64 Title 18A of New Jersey Statutes.

The College has an investment policy which establishes guidelines for permissible investments. The College may invest in obligations of the United States Government, the State of New Jersey Cash Management Fund; collateralized certificates of deposit; Commonfund Investments and other securities which shall be authorized by the Board of Trustees of the College. The Commonfund is a nonprofit provider of short and intermediate term fixed income investment products for nonprofit institutional clients.

The College's investments as of June 30, 2006 and 2005 are as follows:

| | | 2006 | 2005 |
|---|---|---|---|
| U.S. Treasury securities | $ | 45,956 | 14,916 |
| Commonfund-Short-term fund | | 7,115 | 628 |
| Commonfund-Intermediate term fund | | 640 | 35,470 |
| Total | $ | 53,711 | 51,014 |

The College's investments are subject to various risks. Among these risks are credit risk, concentration of credit risk and interest rate risk. Each one of these risks are discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). At June 30, 2006, the College's investments in U.S. Agency bonds were rated AAA. Of the total investment pool, 85.6% was invested in US Treasury securities. At June 30, 2005, of the total investment pool, 70.8% was invested with Commonfund.

(Dollar amounts in thousands)

The Commonfund is a mutual fund. As of June 30, 2006 the credit quality of the investments which comprise the Commonfund intermediate and short-term funds are as follows:

| | Intermediate | Short Term |
|---|---|---|
| AAA | 73% | 64% |
| AA | 11 | 6 |
| A | 14 | — |
| A1+/P1 or A1/P1 | — | 30 |
| Other | 2 | — |

As of June 30, 2005 the credit quality of the investments which comprise the Commonfund intermediate and short-term funds are as follows:

| | Intermediate | Short Term |
|---|---|---|
| AAA | 68% | 71% |
| AA | 12 | 10 |
| A | 17 | — |
| A1+/P1 or A1/P1 | — | 19 |
| Other | 3 | — |

Interest rate risks is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy provides limitations in the maturities of various types of investments as a means of managing its exposure to fair value losses arising from interest rate fluctuations. As of June 30, 2006 and 2005, the College's debt securities are due to mature in less than one year.

## (5) Due from State of New Jersey

Due from the State of New Jersey consists of the following as of June 30, 2006 and 2005:

| | 2006 | 2005 |
|---|---|---|
| FICA benefit reimbursement | $ 584 | 341 |
| Net appropriation | 330 | — |
| Asbestos Abatement Project | 6 | 6 |
| Alternative Benefit Programs (ABP) | 716 | 535 |
| Total | $ 1,636 | 882 |

(Dollar amounts in thousands)

**(6) Capital Assets**

Capital asset activity for the years ended June 30, 2006 and 2005 was as follows:

| 2006 | | Beginning balance | Additions | Transfers/ retirements | Ending balance |
|---|---|---|---|---|---|
| Nondepreciable assets: | | | | | |
| Land | $ | 21,157 | — | — | 21,157 |
| Construction in progress | | 172,867 | 23,215 | (24,031) | 172,051 |
| Total nondepreciable assets | | 194,024 | 23,215 | (24,031) | 193,208 |
| Depreciable assets: | | | | | |
| Land improvements | | 230 | — | — | 230 |
| Buildings | | 285,615 | — | — | 285,615 |
| Building improvements | | 29,173 | 1,362 | — | 30,535 |
| Infrastructure | | 17,166 | 508 | — | 17,674 |
| Equipment and other assets | | 37,119 | 4,424 | — | 41,543 |
| Total depreciable assets | | 369,303 | 6,294 | — | 375,597 |
| Total capital assets | | 563,327 | 29,509 | (24,031) | 568,805 |
| Accumulated depreciation: | | | | | |
| Land improvements | | (92) | (9) | — | (101) |
| Buildings | | (60,833) | (5,747) | — | (66,580) |
| Building improvements | | (7,025) | (1,167) | — | (8,192) |
| Infrastructure | | (1,388) | (490) | — | (1,878) |
| Equipment and other assets | | (22,308) | (3,153) | — | (25,461) |
| Total accumulated depreciation | | (91,646) | (10,566) | — | (102,212) |
| Capital assets, net | $ | 471,681 | 18,943 | (24,031) | 466,593 |

(Dollar amounts in thousands)

| 2005 | Beginning balance | Additions | Retirements | Ending balance |
|---|---|---|---|---|
| Nondepreciable assets: | | | | |
| Land | $ 21,157 | — | — | 21,157 |
| Construction in progress | 139,247 | 33,620 | — | 172,867 |
| Total nondepreciable assets | 160,404 | 33,620 | — | 194,024 |
| Depreciable assets: | | | | |
| Land improvements | 230 | — | — | 230 |
| Buildings | 285,615 | — | — | 285,615 |
| Building improvements | 25,687 | 3,486 | — | 29,173 |
| Infrastructure | 7,810 | 9,356 | — | 17,166 |
| Equipment and other assets | 32,533 | 4,586 | — | 37,119 |
| Total depreciable assets | 351,875 | 17,428 | — | 369,303 |
| Total capital assets | 512,279 | 51,048 | — | 563,327 |
| Accumulated depreciation: | | | | |
| Land improvements | (83) | (9) | — | (92) |
| Buildings | (55,073) | (5,760) | — | (60,833) |
| Building improvements | (5,998) | (1,027) | — | (7,025) |
| Infrastructure | (1,165) | (223) | — | (1,388) |
| Equipment and other assets | (19,086) | (3,222) | — | (22,308) |
| Total accumulated depreciation | (81,405) | (10,241) | — | (91,646) |
| Capital assets, net | $ 430,874 | 40,807 | — | 471,681 |

As of June 30, 2006 and 2005 the College's bond obligations were collateralized by buildings and equipment with book values of $363,930 and $371,941, respectively. During fiscal year 2006 and 2005, net interest costs of $3,485 and $11,405, respectively, were capitalized and included in construction in progress.

In 2005 management terminated the contractor for an on-campus apartment complex (the Project) budgeted at $27.5 million as a result of water damage in the buildings. During fiscal year 2006 the College accepted a monetary settlement from the insurance company in the amount of $18.5 million. Management has adjusted the carrying value of construction in progress and recorded the settlement as deposits held with bond trustees in the accompanying statement of net assets as of June 30, 2006.

(Dollar amounts in thousands)

## (7) Deposits Held with Bond Trustees

Deposits held with bond trustees represent restricted funds held by Wachovia Bank and The Bank of New York, "the trustees", under the terms of various lease agreements and bond indentures. Pursuant to these agreements, the trustees must maintain in aggregate approximately $1,096 in reserves for debt service. Deposits with bond trustees are carried in the financial statements at fair value and consist of short-term investments and government securities. As of June 30, 2006 and 2005 deposits with bond trustees include the following:

| | | 2006 | 2005 |
|---|---|---|---|
| Construction funds | $ | 97,842 | 97,556 |
| Renewal and replacement funds | | 1,021 | 1,012 |
| Debt service reserve funds | | 1,112 | 1,111 |
| Rental pledge | | 5,497 | 4,350 |
| Total | $ | 105,472 | 104,029 |

Under the terms of various bond resolutions, the College is required to establish and maintain reserves for renewal and replacement costs of certain projects, capitalized interest to pay interest expense on certain bonds and debt service reserves for payment of principal and interest.

As of June 30, 2006 and 2005 deposits held with bond trustees included $21,117 and $7,641 respectively in U.S. Treasury notes rated AAA maturing within the next fiscal year.

## (8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2006 and 2005:

| | | 2006 | 2005 |
|---|---|---|---|
| Bond principal and interest | $ | 4,945 | 4,788 |
| Vendors | | 4,500 | 7,260 |
| Accrued salaries and benefits | | 4,555 | 4,266 |
| Accrued expense – construction | | 4,311 | 4,199 |
| Total | $ | 18,311 | 20,513 |

(Dollar amounts in thousands)

## (9) Noncurrent Liabilities

The College is obligated under lease agreements associated with various revenue bonds issued by the New Jersey Educational Facilities Authority (the Authority) to finance the construction and acquisition of dormitories, parking garages, equipment, academic facilities, a co-generation plant and student recreational facilities.

The following is a breakout of all bonds payable, and other long term obligations, as of June 30, 2006 and 2005:

| | | 2006 | 2005 |
|---|---|---|---|
| Bonds payable: | | | |
| New Jersey Educational Facilities Authority: | | | |
| 1972 Series A (interest 6.00%, maturing on July 1, 2007) | $ | 615 | 1,195 |
| 1976 Series D (interest 6.75%, maturing on July 1, 2008) | | 805 | 1,165 |
| 1999 Series A (interest 4.60%, maturing on July 1, 2029) | | 144,855 | 144,855 |
| 2002 Series C (interest 4.00% to 5.38%, maturing on July 1, 2019) | | 47,100 | 48,820 |
| 2002 Series D (interest 3.67% to 4.42%, maturing on July 1, 2035) | | 138,550 | 138,550 |
| Subtotal bonds payable | | 331,925 | 334,585 |
| Less bond discount / premium | | (904) | (947) |
| Total bonds payable | $ | 331,021 | 333,638 |
| Other long term obligations: | | | |
| Dormitory Safety Trust Fund (interest 5%, maturing on January 15, 2018) | $ | 1,239 | 1,357 |
| PSE&G Capital Lease (interest 5.15%, maturing on June 1, 2008) | | 417 | 610 |
| Equipment Leasing Series 2003A (interest 2.00% to 5.00%, maturing on August 1, 2011) | | 600 | 689 |
| Higher Education Capital Improvement Fund (interest 4.52% to 5.25% maturing on August 15, 2022) | | 8,505 | 8,505 |
| Total other long term obligations | $ | 10,761 | 11,161 |

(Dollar amounts in thousands)

Aggregate principal and interest repayments required during the next five fiscal years and thereafter are as follows as of June 30, 2006:

| | | Bond principal | Other long term obligations principal | Bond interest | Other long term obligations interest |
|---|---|---|---|---|---|
| Year ending June 30: | | | | | |
| 2007 | $ | 3,965 | 660 | 14,966 | 466 |
| 2008 | | 3,180 | 683 | 14,777 | 440 |
| 2009 | | 3,410 | 488 | 14,637 | 416 |
| 2010 | | 2,845 | 506 | 14,501 | 398 |
| 2011 | | 3,050 | 525 | 14,387 | 379 |
| 2012-2016 | | 18,620 | 2,443 | 69,753 | 1,635 |
| 2017-2021 | | 56,680 | 2,310 | 63,034 | 1,122 |
| 2022-2026 | | 87,375 | 3,146 | 44,085 | 164 |
| 2027-2031 | | 90,000 | — | 23,961 | — |
| 2032-2035 | | 62,800 | — | 6,570 | — |
| | $ | 331,925 | 10,761 | 280,671 | 5,020 |

The College has defeased certain indebtedness during fiscal years 1999 and 2002 by depositing funds into escrow accounts sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. These bonds are not considered outstanding obligations of the College and therefore, neither the assets of the escrow accounts nor the defeased indebtedness are included in the accompanying statements of net assets. The principal outstanding on the defeased bonds as of June 30, 2006 and 2005 were as follows:

| | | Principal amount | |
|---|---|---|---|
| | | 2006 | 2005 |
| Bond Series: | | | |
| 1996A | | 75,185 | 75,185 |
| | $ | 75,185 | 75,185 |

(Dollar amounts in thousands)

Noncurrent liabilities activity for the years ended June 30, 2006 and 2005 is as follows:

| 2006 | Beginning balance | Additions | Deductions | Ending balance | Current portion |
|---|---|---|---|---|---|
| Noncurrent liabilities: | | | | | |
| Compensated absences | $ 2,477 | — | (219) | 2,258 | 2,013 |
| U.S. and Government grants refundable | 4,401 | 13 | — | 4,414 | — |
| Bonds payable | 333,638 | — | (2,617) | 331,021 | 3,922 |
| Other long term obligations | 11,161 | — | (400) | 10,761 | 660 |
| Total noncurrent liabilities | $ 351,677 | 13 | (3,236) | 348,454 | 6,595 |

| 2005 | Beginning balance | Additions | Deductions | Ending balance | Current portion |
|---|---|---|---|---|---|
| Noncurrent liabilities: | | | | | |
| Compensated absences | $ 2,694 | — | (217) | 2,477 | 2,158 |
| U.S. and Government grants refundable | 4,401 | — | — | 4,401 | — |
| Bonds payable | 336,049 | 44 | (2,455) | 333,638 | 2,617 |
| Other long term obligations | 11,555 | — | (394) | 11,161 | 400 |
| Total noncurrent liabilities | $ 354,699 | 44 | (3,066) | 351,677 | 5,175 |

The agreements with the Authority require the College to pledge all the fees, charges and rentals collected from the operations of the facilities. The terms of the agreements require annual rental payments equal to at least one hundred fifteen percent (115%) for 1976 Series D; one hundred ten percent (110%) for 1972 Series A and one hundred five percent (105%) for the 2002 Series C of the principal and interest due in any bond year. In addition, the terms provide for the funding of a project renewal and replacement fund and certain other costs incurred in the administration of the agreement.

The New Jersey Educational Facilities Authority, on behalf of the College, issued debt in a variable rate mode that has been synthetically fixed through interest rate swaps. The par amounts were $146,455 and $138,550 for Series 1999A and Series 2002D, respectively.

The swap's notional amount of Series 1999A is $146,455. Based on the swap agreement, the College owes interest calculated at a fixed rate of 4.6% to the counterparty of the swap. In return, the counterparty owes the College variable rate interest based on 96% of BMA (The Bond Market Association Municipal Swap Index). Only the net difference in interest payments is actually exchanged with the counterparty. The $146,455 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

(Dollar amounts in thousands)

Because interest rates have declined since execution of the swap, the swap had a negative fair value of $7,123 as of June 30, 2006. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate bonds, creating a lower synthetic rate. Because the coupons on the College's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was provided by an independent investment management group.

As of June 30, 2006, the College was not exposed to credit risk, because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the College would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty had ratings of AAA by Standard & Poor's and Aaa by Moody's at June 30, 2006 and 2005.

Under certain scenarios, the swap could be terminated prior to its scheduled termination date of July 1, 2029. The full listing of termination events is in the Master Agreement and the Schedule to the Master Agreement. In addition to standard events of default or illegalities, an early termination could be triggered by a credit event or a failure of the counterparty to make certain payments under the terms of the swap agreement.

If at the time of termination the swap has a negative fair value, the College would be liable to the counterparty for a payment equal to the market value of the swap, including accrued interest.

Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

| | Terms | Rates |
|---|---|---|
| 1999A: | | |
| Interest rate swap: | | |
| Fixed payment to counterparty | Fixed | 4.60% |
| Variable payment from counterparty | 96% of BMA | (3.81) |
| Net interest rate swap payments | | 0.79 |
| Variable rate bond coupon payments | | 3.94 |
| Synthetic interest rate on bonds | | 4.73% |

(Dollar amounts in thousands)

| Fiscal year ending June 30 | | Variable-rate bonds Principal | Variable-rate bonds Interest | Interest rate swaps, net | Total |
|---|---|---|---|---|---|
| 2007 | $ | 1,000 | 5,707 | 1,143 | 7,850 |
| 2008 | | — | 5,668 | 1,135 | 6,803 |
| 2009 | | — | 5,668 | 1,135 | 6,803 |
| 2010 | | — | 5,668 | 1,135 | 6,803 |
| 2011 | | — | 5,668 | 1,135 | 6,803 |
| 2012-2016 | | — | 28,340 | 5,675 | 34,015 |
| 2017-2021 | | 42,230 | 26,994 | 5,405 | 74,629 |
| 2022-2026 | | 76,100 | 12,758 | 2,554 | 91,412 |
| 2027-2029 | | 25,525 | 2,393 | 477 | 28,395 |
| Total | $ | 144,855 | 98,864 | 19,794 | 263,513 |

The swap notional amount of the Series 2002D is $138,550. Based on the swap agreement, the College owes interest calculated at a fixed rate of 4.1% to the counterparty of the swap. In return, the counterparty owes the College floating rate interest based on 67% of 1-month LIBOR. Only the net difference in interest payments is actually exchanged with the counterparty. The $138,550 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

Because interest rates have declined since execution of the swap, the swap had a negative fair value of $4,729 as of June 30, 2006. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate bonds, creating a lower synthetic rate. Because the coupons on the College's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was provided by an independent investment management group.

As of June 30, 2006, the College was not exposed to credit risk, because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the College would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty had ratings of A+ by Standard & Poor's and Aa3 by Moody's as of June 30, 2006 and 2005.

The swap exposes the College to basis risk. The variable bond rate that the College pays on its R-FLOAT bonds is based on a tax-exempt rate, while the variable rate that it receives from its swap, 67% of 1-month LIBOR, is based on a percentage of a short-term taxable rate. These cash flows will tend to offset each other. However, to the extent that 67% of LIBOR is less than the bond rate, the College's cost of funds will increase and vice versa. Theoretically, the college is compensated for this risk because it pays a substantially lower fixed rate on a 67% of LIBOR swap than it would have paid had it executed a BMA swap or sold traditional fixed rate bonds. As of June 30, 2006, 1-month LIBOR was 5.33% and the College's variable bond rate was 3.42%.

(Dollar amounts in thousands)

Under certain scenarios, the swap could be terminated prior to its scheduled termination date of July 1, 2035. The full listing of termination events is in the Master Agreement and the Schedule to the Master Agreement. In addition to standard events of default or illegalities, an early termination could be triggered by a credit event or a failure to post collateral.

Upon the occurrence of a standard ISDA event of default or termination event, neither the counterparty nor the College shall designate an early termination unless the insurer has failed to pay under the terms of the insurance policy or the insurer otherwise so consents. Additional termination events are limited to the insurer failure to meets its obligations under the insurance policy, or if the unenhanced, unsecured senior debt rating of either party falls below BBB– as rated by Standard & Poor's or below Baa3 as rated by Moody's. If at the time of termination the swap has a negative fair value, the College would be liable to the counterparty for a payment equal to the market value of the swap, including accrued interest.

Using rates as of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

| | Terms | Rates |
|---|---|---|
| 2002D: | | |
| Interest rate swap: | | |
| Fixed payment to counterparty | Fixed | 4.10% |
| Variable payment from counterparty | 67% of LIBOR | (3.57) |
| Net interest rate swap payments | | 0.53 |
| Variable rate bond coupon payments | | 3.42 |
| Synthetic interest rate on bonds | | 3.95% |

| Fiscal year ending June 30 | Variable-rate bonds Principal | Variable-rate bonds Interest | Interest rate swaps, net | Total |
|---|---|---|---|---|
| 2007 | $ — | 4,738 | 733 | 5,471 |
| 2008 | — | 4,738 | 733 | 5,471 |
| 2009 | — | 4,738 | 733 | 5,471 |
| 2010 | — | 4,738 | 733 | 5,471 |
| 2011 | — | 4,738 | 733 | 5,471 |
| 2012-2016 | — | 23,690 | 3,665 | 27,355 |
| 2017-2021 | — | 23,690 | 3,665 | 27,355 |
| 2022-2026 | 11,275 | 23,690 | 3,665 | 38,630 |
| 2027-2031 | 64,475 | 17,548 | 2,714 | 84,737 |
| 2032-2036 | 62,800 | 5,494 | 845 | 69,139 |
| Total | $ 138,550 | 117,802 | 18,219 | 274,571 |

## (10) Benefits Paid by the State of New Jersey

The State, through separate appropriations, principally pension costs and FICA taxes, pays certain fringe benefits on behalf of College employees. The costs of these benefits, $17,969 and $16,504 in 2006 and 2005, respectively, were paid directly by the State on behalf of the College and are included in the accompanying financial statements as part of nonoperating revenues under New Jersey State Appropriations revenues and as operating expenses in various functional expense categories.

## (11) Retirement Plans

### *(a) Plan Descriptions*

The College participates in several retirement plans covering its employees – the Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF), the Police and Firemen's Retirement System (PFRS) and the Alternative Benefit Program (ABP). 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 health care, to substantially all full-time employees of the State or public agency provided the employee is not a member of another state-administered retirement system. PERS is a cost-saving, multiple-employer defined benefit pension plan administered by the State.

All police officers and firefighters appointed after June, 1944, in municipalities where local police and fire pension funds existed, or where this system was adopted by referendum or resolution, are required to become members of the PFRS. PFRS is a cost-saving, multiple-employer defined benefit pension plan administered by the State.

ABP presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), Aetna Investment Services, Lincoln National, Metropolitan Life, Copeland Companies and VALIC. A separate board of trustees administers ABP alternatives.

Certain faculty members of the College participate in the TPAF, which is a State cost-sharing, single-employer defined benefit pension plan. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage to substantially all full-time public school teachers of the State.

The State issues publicly available financial reports that include financial statements and required supplementary information for PERS and TPAF. These reports may be obtained by writing to The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.



(Continued)

(Dollar amounts in thousands)

### (b) *Funding Policies*

PERS, TPAF, and PFRS covered employees are required by State statute to contribute a certain percentage of their salaries to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the required contributions are made on the College's behalf by the State of New Jersey annually at an actuarially determined rate. The contribution requirements of plan members and the College are established and may be amended by the board of trustees of the respective plan. The College's contributions to the plans (plus amounts made by the State) for the years ended June 30, 2006 and 2005 was $957 and $926, respectively, for PERS, TPAF and PFRS, which is equal to the required contributions.

### (c) *Alternate Benefit Program (ABP) Information*

ABP provides the choice of six investment carriers. 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. The State and Social Security Law establish participation eligibility as well as contributory and noncontributory requirements.

Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pre-tax basis. Employer contributions are 8%. During the years ended June 30, 2006 and 2005, ABP investment carriers received employer and employee contributions as follows:

| | | 2006 | 2005 |
|---|---|---|---|
| Employer contributions | $ | 3,307 | 3,020 |
| Employee contributions | | 4,713 | 4,299 |
| Participating employee salaries | | 41,338 | 37,756 |

Employer contributions to the ABP are paid by the State and are reflected in the accompanying financial statements as nonoperating revenue under New Jersey State appropriations and as operating expenses in various functional expense categories.

(Dollar amounts in thousands)

## (12) Compensated Absences

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the sick leave accumulation at the pay rate in effect at the time of retirement up to a maximum of $15 per employee. Employees separating from college service prior to retirement are not entitled to payments for accumulated sick leave balances. Accordingly, the College recorded a liability for accumulated sick leave balances in the amount of $245 and $319 as of June 30, 2006 and 2005, respectively, which is reflected in the compensated absences.

The College is required to pay nonfaculty employees for their accumulated vacation time upon their separation or retirement. These liabilities were $2,013 and $2,081 as of June 30, 2006 and 2005, respectively, and is reflected in compensated absences in the accompanying financial statements.

## (13) Unrestricted Net Assets

As discussed in note 2 to the financial statements, net assets are required to be classified for accounting and reporting purposes into one of four net asset categories according to externally imposed restrictions. Unrestricted net assets, as defined by GASB Statement No. 35, are not subject to externally imposed stipulations, however, they may be subject to internal designations. For example, unrestricted net assets may be designated for specific purposes by action of management or the board of trustees. Substantially all unrestricted net assets of the College as of June 30, 2006 and 2005 are designated to academic and student services, and capital program initiatives. Below is the detail of unrestricted net assets as of June 30, 2006 and 2005:

| | | 2006 | 2005 |
|---|---|---|---|
| Designated: | | | |
| Capital – academic and administrative buildings | $ | 6,360 | 7,308 |
| Capital – auxiliary buildings | | 13,661 | 16,010 |
| Operating reserve | | 3,669 | 4,099 |
| Debt service reserve | | 17,919 | 16,152 |
| Total unrestricted net assets | $ | 41,609 | 43,569 |

## (14) Contingencies

The College is a party to various pending legal actions and other claims in the normal course of business. Management of the College is of the opinion that the outcome thereof will not have a material effect on its financial position.

### (15) Government Relations and Legal Fees

The New Jersey Higher Education Restructuring Act of 1994 requires the College to make available the costs incurred associated with government and public relations and legal costs. During the years ended June 30, 2006 and 2005 the College expended $361 and $364, respectively, for government and public relations, and $472 and $628, respectively, for legal fees.

### (16) Component Unit

The College of New Jersey Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the organization with a fiscal year end of June 30. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund-raising entity to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the Foundation's assets are used exclusively for the benefit, support and promotion of the College and its educational activities. Because these resources held by the Foundation can only be used by, or are 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 for the Foundation can be obtained from the College at 2000 Pennington Road, Ewing, NJ 08628.

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

| Federal grantor/pass-through grantor/ program or cluster title | Federal CFDA number | | Current year expenditures |
|---|---|---|---|
| Student Financial Assistance Cluster: | | | |
| U.S. Department of Health and Human Services: | | | |
| Nursing Student Loan Program | 93.364 | $ | 36,500 |
| U.S. Department of Education: | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | 204,765 |
| Federal Family Education Loans Program | 84.032 | | 19,208,282 |
| Federal Work-Study Program | 84.033 | | 201,571 |
| Federal Perkins Loan Program (including administrative cost allowance of $43,665) | 84.038 | | 873,242 |
| Federal Pell Grant Program | 84.063 | | 2,112,957 |
| Total Student Financial Assistance Cluster | | | 22,637,317 |
| Research and Development Cluster: | | | |
| U.S. Department of Agriculture: | | | |
| Escape from Disease | 10.206 | | 54,413 |
| National Science Foundation: | | | |
| Studies of Menthyl Farnesoate | 47.074 | | 15,798 |
| Social, Behavioral, and Economic Sciences | 47.075 | | 23,123 |
| MRI/RUI Acquisition of Computational Modeling Facilities | 47.070 | | 2,875 |
| Acq/Inst Sys for Education | 47.041 | | 18,593 |
| U.S. Department of Justice: | | | |
| Grants To Reduce Violent Crimes Against Women on Campus | 16.522 | | 87,346 |
| U.S. Department of State: | | | |
| Sub-Saharan Grant | 19.408 | | 25,000 |
| Total Research and Development Cluster | | | 227,148 |
| Other Programs: | | | |
| U.S. Department of Housing and Urban Development: | | | |
| Fair Housing Assistance Program | 14.401 | | 163,374 |
| U.S. Department of Health and Human Services: | | | |
| Passed through Thomas Jefferson University/Division of Nursing: | | | |
| Perinatal Neonatal Ed | 93.247 | | 18,033 |
| Passed through New Jersey Department of Human Services: | | | |
| Passed through Rowan University: | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | | 12,288 |
| National Science Foundation: | | | |
| Education and Human Resources: | | | |
| Intro to Software Tools | 47.076 | | 4,738 |
| Passed through Rutgers University: | | | |
| Education and Human Resources: | | | |
| Adapting ATLAST | 47.076 | | 47,716 |
| U.S. Department of Education: | | | |
| Fund for the Improvement of Postsecondary Education - Inquiry and Design | 84.116 | | 26,907 |
| Forensic Science Program | 84.116 | | 15,020 |
| TRIO Student Support Services | 84.042 | | 13,799 |
| Bonner Center for Civic and Community Engagement | 84.116 | | 89,788 |
| Demonstration Projects to Ensure Students with Disabilities Receive Higher Education | 84.333 | | 192,024 |
| Undergraduate International Studies and Foreign Language Programs | 84.016 | | 14,806 |
| Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 84.326 | | 335,670 |
| Passed through New Jersey Department of Education, Office of Special Education Programs: | | | |
| Deaf / Blind MOU Program | 84.326 | | 33,469 |
| Passed through New Jersey Department of Education: | | | |
| Teacher Quality Enhancement Recruitment | 84.336 | | 321,548 |
| U.S. Department of Transportation: | | | |
| Passed through N.J. Division of Highway Traffic Safety | | | |
| New Jersey Peer Institute | 20.605 | | 83,121 |
| Small Business Administration: | | | |
| Passed through Rutgers University: | | | |
| Small Business Development | 59.037 | | 114,351 |
| Corporation for National and Community Service: | | | |
| Bonner Leaders CNS | 94.007 | | 120,740 |
| Total expenditures of Federal awards | | $ | 24,471,857 |

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2006

| State of New Jersey grantor/pass-through grantor/ program or cluster title | Grant/account number | Grant amount | Grant period | Current year expenditures |
|---|---|---|---|---|
| New Jersey Department of Education: | | | | |
| Student Financial Assistance Cluster: | | | | |
| Distinguished Scholarship Program | 100-074-DS10-278-KKKK-6150 | $ 1,192,000 | 07/01/05 - 06/30/06 | $ 1,192,000 |
| Educational Opportunity Fund Scholarship | 100-074-2401-001-KKKK-6140 | 443,750 | 07/01/05 - 06/30/06 | 443,750 |
| Educational Opportunity Fund Scholarship - Summer School | 100-074-2401-001-KKKK-6140 | 149,222 | 07/01/05 - 06/30/06 | 149,222 |
| New Jersey CLASS Loans | — | 4,909,276 | 07/01/05 - 06/30/06 | 4,909,276 |
| Outstanding Scholarship Recruiting Program | 100-074-2405-293-KKKK-6150 | 4,257,504 | 07/01/05 - 06/30/06 | 4,257,504 |
| Tuition Aid Grant | 100-074-2405-007-KKKK-6150 | 3,739,343 | 07/01/05 - 06/30/06 | 3,739,343 |
| Urban Scholarship Program | 100-074-US11-278-KKKK-6150 | 156,500 | 07/01/05 - 06/30/06 | 156,500 |
| Total Student Financial Assistance Cluster | | | | 14,847,595 |
| Other Assistance: | | | | |
| Adaptive Technology Program | 05YR1-801180-0052 | 300,000 | 07/01/03 - 06/30/06 | 155,918 |
| Collegebound Program | 100-074-2400-012-KKKK-6140 | 912,240 | 07/01/03 - 06/30/06 | 295,726 |
| Collegebound Knowledge Bowl | NO6YR1-800930-0049 | 15,905 | 07/01/05 - 06/30/06 | 14,123 |
| Educational Opportunity Fund Program | 100-074-2601-002-KKKK-6140 | 855,813 | 070/1/03 - 06/30/06 | 405,991 |
| Governor's School | 100-037-5063-226-H300-6030 | 648,000 | 07/01/04 - 06/30/06 | 533,482 |
| Governor's School for the Arts | 100-034-563-226-H300-6031 | 973,076 | 07/01/03 - 06/30/06 | 340,673 |
| Improving Teacher Quality Partnership Grant/TALL | 05-ER03-G03 | 549,964 | 09/01/03 - 08/31/06 | 229,691 |
| MAC Incentive Hiring | 2400-100-074-2400-025-KKKK-6140 | 59,947 | 04/01/02 - 06/30/06 | 20,000 |
| Restructuring Teacher Prep | 04-100-034-5060-053-H070-D004-2004 | 175,000 | 08/01/04 - 08/31/05 | 56,197 |
| Teacher Quality Enhancement Grant | 5063-100-034-5063-294-H300-3891 | 260,000 | 12/01/03 - 09/30/06 | 155,140 |
| Teacher Quality Enhancement Grant - IHE Stipend Yr 2 | 04-100-034-5060-085-H300-6130-D004 | 52,250 | 09/01/04 - 08/31/05 | 26,837 |
| Technical Assistance | 05-100-034-5063-294-H300-3610-2005 | 131,218 | 01/01/05 -12/31/05 | 106,748 |
| Vocational Student Organization | 04-AG45-G06 | 235,124 | 07/01/04 - 6/30/06 | 124,727 |
| Online Mentoring-A Pilot Progr | 100-034-5063-294-H300-3890 | 85,000 | 09/01/05 - 12/31/06 | 61,592 |
| Early Learning Imp Coordinator | MOU | 152,759 | 09/01/05 - 06/30/06 | 118,893 |
| Training Pilot Program/SSP | 20-607-200-300-000-00-33-05 | 18,279 | 06/01/05 - 10/31/06 | 12,801 |
| Assessment of Formal Instruction | MOU | 374,563 | 09/01/05 - 07/31/07 | 45,043 |
| Passed through Trenton Public School System: | | | | |
| Institute for Educational Leadership | — | 10,000 | 12/17/03 - 11/30/05 | 1,982 |
| Daylight Twilight | GAAP#15-190-100-320-0000-00-35 | 39,500 | 06/30/05 - 01/01/06 | 36,574 |
| Passed through Newark Public School System: | | | | |
| Newark Lead | 3827H | 65,000 | 07/01/98 - 07/31/05 | 1,952 |
| Passed through Rowan University: | | | | |
| Rebel Rocs | — | 4,500 | 07/15/04 - 6/30/06 | 3,497 |
| New Jersey Council on the Arts: | | | | |
| Passed through Mercer County Cultural Heritage Commission: | | | | |
| Gallery Grant | — | 2,000 | 01/01/06 - 12/31/06 | 2,000 |
| New Jersey Council for the Humanities: | | | | |
| Walt Whitman's Leaves of Grass | Award # 2004-45 | 10,000 | 09/22/05 - 09/24/05 | 10,000 |



(Continued)

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)

Schedule of Expenditures of State of New Jersey Awards

Year ended June 30, 2006

| State of New Jersey grantor/pass-through grantor/ program or cluster title | Grant/account number | Grant amount | Grant period | Current year expenditures |
|---|---|---|---|---|
| New Jersey Department of Community Affairs: | | | | |
| Smart Future / Sypek Center | 04-0219-00 | $ 50,000 | 06/01/04 -12/31/05 | $ 693 |
| New Jersey Commission on Higher Education: | | | | |
| Program for the Education of Language Minority Students | 100-074-2400-015-KKKK-6140 | 198,475 | 07/01/03 - 08/31/05 | 22,542 |
| New Jersey Department of Law and Public Safety: | | | | |
| Lollanobooza | 100-066-1400-014-YABC-6020 | 10,000 | 06/01/04 - 05/31/06 | 9,998 |
| New Jersey Division of State Police: | | | | |
| New Jersey State Police Interns | — | 95,000 | 05/15/04 - 06/30/06 | 53,600 |
| New Jersey Department of Transportation: | | | | |
| Municipal Land Use Center | 01TCNJ | 1,982,615 | 10/01/03 - 11/30/06 | 494,915 |
| NJ Smart Choices Initiative | TCNJ2004-2204097 | 474,954 | 10/01/03 - 08/30/06 | 266,140 |
| MLUC NJTP Exit 8A | Contract # 01TCNJ | 99,974 | 07/01/05 - 06/30/06 | 60,237 |
| New Jersey Department of Treasury: | | | | |
| Passed through Rutgers University: | | | | |
| NJSSI Continuation Fund | HE-05-04-00 | 205,000 | 07/01/03 - 12/31/05 | 76,521 |
| Small Business Development Center | 4-20324 | 83,738 | 07/01/04 - 06/30/06 | 76,050 |
| Hydrogen Learning Center | — | 8,000 | 02/01-05 - 08/31/06 | 7,964 |
| Efficacy Studies Preschool | — | 186,975 | 04/01/06 - 06/30/07 | 3,898 |
| New Jersey Board of Public Utilities: | | | | |
| Solar Electric Equipment | 20145858358 | 46,120 | 07/28/04 - 12/31/06 | 38,900 |
| New Jersey Commission for the Blind and Visually Impaired: | | | | |
| Curriculum Development Project | — | 10,260 | 03/15/06 - 07/31/06 | 10,260 |
| Career and Community Summer-Planning | — | 28,336 | 02/02/06 - 07/09/06 | 484 |
| Deafblind Project-Spring | — | 28,933 | 02/02/06 - 06/30/06 | 9,301 |
| Teacher of the Blind & Visually Impaired Prep Program | — | 206,927 | 05/10/06 - 06/30/07 | 202 |
| New Jersey Department of State: | | | | |
| State of New Jersey Appropriation | — | 37,977,000 | 07/01/05 - 06/30/06 | 37,977,000 |
| Bonner Foundation/Americorps | 06-100-074-2505-074-6130 | 406,101 | 09/01/03 - 12/31/06 | 157,427 |
| New Jersey Educational Facilities Authority: | | | | |
| Education Leasing Fund | — | 3,108,000 | start 11/22/02 | 263,890 |
| Higher Education Capital Improvement Fund | — | 25,515,000 | start 11/21/02 | 4,245,139 |
| Interdepartmental Accounts: | | | | |
| State Fringe Benefits Other Than FICA | — | 13,209,881 | 07/01/05 - 06/30/06 | 13,209,881 |
| FICA - State Colleges and Universities Reimbursement Program | — | 4,759,256 | 07/01/05 - 06/30/06 | 4,759,256 |
| Total expenditures of State of New Jersey awards | | | | $ 79,351,480 |

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

**THE COLLEGE OF NEW JERSEY**
(A Component Unit of the State of New Jersey)

Notes to Schedules of Expenditures of Federal and
State of New Jersey Awards

Year ended June 30, 2006

**(1) Basis of Presentation**

The accompanying schedules of expenditures of Federal and State of New Jersey awards include the Federal and State of New Jersey grant activity of The College of New Jersey (the College) and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the 2006 basic financial statements.

**(2) Federal Perkins Loan and Nursing Student Loan Programs**

The College administers and accounts for certain aspects of the Federal Perkins Loan and Nursing Student Loan Programs. The balance of loans outstanding under these programs as of June 30, 2006 was \$4,381,353 and \$145,245, respectively.

**(3) Other Loan Programs**

The College is responsible only for the performance of certain administrative duties with respect to the Federal Family Education Loans program and the New Jersey College Loans to Assist State Students (CLASS) program and, accordingly, these loans 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 these programs as of June 30, 2006.

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# Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
The College of New Jersey:

We have audited the financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey (the College), a component unit of the State of New Jersey, as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 27, 2006. 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 the United States. The financial statements of The College of New Jersey Foundation, Inc., a component unit of The College of New Jersey, were not audited in accordance with *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

KPMG LLP

November 27, 2006

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# Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Federal OMB Circular A-133 and New Jersey OMB Circular 04-04

The Board of Trustees
The College of New Jersey:

## Compliance

We have audited the compliance of The College of New Jersey (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (Federal OMB) *Circular A-133 Compliance Supplement* and the New Jersey Office of Management and Budget (New Jersey OMB) *State Grant Compliance Supplement* (the Compliance Supplements) that are applicable to each of its major Federal and State of New Jersey programs for the year ended June 30, 2006, except those requirements discussed in the third following paragraph. The College's major Federal and State of New Jersey programs are identified in the summary of auditors' 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 of New Jersey 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; Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Federal OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal or State of New Jersey 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 consider 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, The College of New Jersey complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal and State of New Jersey programs for the year ended June 30, 2006, other than those requirements discussed in the following paragraph. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with Federal OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-1 through 06-11.

We did not audit the College's compliance with requirements governing student loan repayments of the Federal Perkins Loan Program. Those requirements govern functions that are performed by Educational Computer Systems, Inc. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

Educational Computer Systems, Inc.'s compliance with the requirements governing the functions that it performs for the College was examined by other accountants whose report has been furnished to us. The report of the other accountants indicates that compliance with those requirements was examined in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Based on our review of the service organization accountants' report, we have determined that all of the compliance requirements included in the Compliance Supplements that are applicable to the major Federal and State of New Jersey programs in which the College participates are addressed in either our report or the report of the service organization accountants. Further, based on our review of the service organization accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on the College's major Federal or State of New Jersey programs.

**Internal Control Over Compliance**

The 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 of New Jersey programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major Federal or State of New Jersey program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Federal OMB Circular A-133 and New Jersey OMB Circular 04-04.

Requirements governing student loan repayments of the Federal Perkins Loan Program are performed by Educational Computer Systems, Inc. Internal control over compliance relating to such functions was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. A copy of the service organization accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at Educational Computer Systems, Inc.

We noted a certain matter involving internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the College's ability to administer a major Federal or State of New Jersey program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-8.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal or State of New Jersey program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

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

KPMG LLP

February 28, 2007

## (1) Summary of Auditors' Results

(a) Unqualified opinions were issued on the financial statements of the business-type activities and the discretely presented component unit of The College of New Jersey (the College), a component unit of the State of New Jersey, as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements.

(b) The audit disclosed no material weaknesses and no reportable conditions were reported in connection with the financial statements of the College as of and for the year ended June 30, 2006.

(c) The audit disclosed no instances of noncompliance which are material to the financial statements of the College as of and for the year ended June 30, 2006.

(d) The audit disclosed no material weaknesses in connection with major Federal or State of New Jersey programs of the College for the year ended June 30, 2006. One reportable condition (06-8) was reported in connection with major Federal programs and no reportable conditions were reported in connection with major State of New Jersey programs of the College for the year ended June 30, 2006.

(e) An unqualified opinion was issued on the College's compliance with its major Federal and State of New Jersey programs for the year ended June 30, 2006.

(f) There were eleven audit findings (06-1 through 06-11) which are required to be reported under Section 510(a) of Federal OMB Circular A-133 and no audit findings which are required to be reported under New Jersey OMB Circular 04-04 for the year ended June 30, 2006.

(g) The major Federal and State of New Jersey programs of the College for the year ended June 30, 2006 were as follows:

**Federal**

- Student Financial Assistance Cluster (CFDA #93.364, 84.007, 84.032, 84.033, 84.038 and 84.063)
- Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities and Deaf/Blind MOU Program (CFDA #84.326)
- Teacher Quality Enhancement Recruitment (CFDA #84.336)

**State of New Jersey**

- Student Financial Assistance Cluster
- State of New Jersey Appropriation

(h) The dollar threshold used to distinguish between type A and type B programs was $300,000 for Federal awards and $1,093,956 for State of New Jersey awards for the year ended June 30, 2006.

(i) The College qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2006.

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

No findings which are required to be reported.

**(3) Findings and Questioned Costs Relating to Federal or State of New Jersey Awards**

**Federal Awards**

**06-1 – Activities Allowed or Unallowed – Calculation of Benefits**
Student Financial Assistance Cluster:
U.S. Department of Education:
Federal Pell Grant Program (CFDA #84.063)

**Criteria**

The determination of Student Financial Assistance award amounts is based on financial need. Each year, based on the maximum Pell grant established by Congress, the U.S. Department of Education provides to institutions Payment and Disbursement Schedules (the Schedule) for determining Pell awards. The Schedule provides the maximum annual amount a student would receive for a full academic year for a given enrollment status, expected family contribution (EFC) and cost of attendance. The Schedule is used to determine the annual award for a full-time student. There are separate disbursement schedules for three-quarter time, half-time, and less-than-half-time students.

**Condition and Effect**

Two out of a sample of thirty students selected for testwork were awarded and received disbursements of Pell grants based on an incorrect EFC. As a result, these students received amounts in excess of the maximum amount each student was eligible. One student received $3,800, while eligible to receive $2,700. The second student received $2,800, while eligible to receive $2,700.

A similar finding was noted in the 2005 single audit report as finding number 05-1.

**Questioned Costs**

Known questioned costs are calculated to be $1,200 and represents the difference between what the students received and the amount they were eligible for.

**Cause**

Management disbursed the Pell grants based on the information provided in the Institutional Student Information Record (ISIR). However, these two students were selected for the verification process and in both cases documented that they paid more U.S. income tax than indicated on the ISIR. This changed their EFC and therefore, the amount of Pell grant that they were eligible for. However, management did not revise the Pell grant award based on this new information.

**Recommendation**

We recommend that the College ensure that all information obtained through the verification process be reviewed and compared against existing information to determine if student financial assistance awards require adjustment.

**View of Responsible Official**

The Office of Student Financial Assistance has corrected the two student records. The Pell Grant amounts were adjusted and both students were notified. Please note that according to federal regulations schools are given until September $30^{th}$ of any given year to submit corrections to the Federal Processor for any federal aid program. This discrepancy was caught by the deadline as a result of our second-read process and final reconciliation of our Pell Grant Program.

**06-2 Pell Payment Data**

Student Financial Assistance Cluster:
U.S. Department of Education:
Federal Pell Grant Program (CFDA #84.063)

**Criteria**

All schools submit Pell payment data to the Department through the Common Origination and Disbursement (COD) System. Schools participate in one of two ways: full participation or phase-in participation. Full participants in COD submit the Common Record in the XML format.

A phase-in participant will submit records using the flat file legacy format. Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. A school follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid (7 days in the case of a school using the just-in-time method). The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, and Accepted. In testing the Pell Payment origination and disbursement data, the auditor should be most concerned with the data ED has categorized as accepted or accepted with corrections. Institutions must report student payment data within 30 calendar days after the school makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 30 calendar days, biweekly, weekly or may set up their own system to ensure that changes are reported in a timely manner.

Key items to test on origination records are: Social Security Number, award amount, enrollment date, verification status code, transaction number, expected family contribution, cost of attendance, academic calendar and payment methodology, weeks, and clock/credit hours. Key items to test on disbursement records are disbursement date and amount.

 (Continued)

**Condition and Effect**

There were four out of a sample of thirty students selected for testwork, for whom the Pell disbursement data was not submitted within the required timeframe to COD. The disbursement data was submitted between 18 and 313 days late for the four students.

**Questioned Costs**

There were no questioned costs related to this finding.

**Cause**

A malfunction in the College's reporting system caused these students not to appear on the exception report which is used for the disbursement process. In addition a fourth student had a Pell Grant adjustment due to a "Professional Judgement" (PJ) recalculation. The increased amount was not reported to COD within 30 days because certain "flags" on the student's account were not reset.

**Recommendation**

We recommend that the College take appropriate steps to ensure the disbursement data is reported to COD within the required timeframe and the correct information is sent to COD.

**View of Responsible Official**

The College has developed a process where the exception report used for the disbursement process will be reconciled against a separate roster of current Pell recipients. Additionally, any PJ adjustments that cause an adjustment to the Pell Grant award will be carefully monitored. The financial aid staff member that maintains the PJ database will assist in this endeavor.

**06-3 – Disbursements To or On Behalf of Students**

Student Financial Assistance Cluster:
U.S. Department of Education:
Federal Family Education Loans Program (CFDA #84.032)

**Criteria**

Loan funds may not be disbursed earlier than: 30 days after the first day of classes of the first payment period for a first-year, first-time loan borrower; or 10 days before the first day of classes for any subsequent payment period. Loan funds must be disbursed within 3 business days of receipt if the lender provided the funds by EFT or master check or 30 days if the lender provided the funds by check payable to the borrower or copayable to the borrower and the institution.

### Condition and Effect

Two out of a sample of thirty students, who were first-time loan borrowers, received their first installment of loans before the end of 30 days from the first day of classes (on the $15^{th}$ day from the start of classes). Additionally, one out of a sample of thirty students received their loan disbursements more than three business days after the College received the EFT payment.

A similar finding was noted in the 2005 single audit report as finding number 05-2.

### Questioned Costs

There are no known questioned costs related to this finding.

### Cause

When incoming freshman begin attending the College, the College's Student Information System codes the students' accounts as having no earned credits. The College's Student Information System is then able to delay the disbursements made to the accounts of first-time borrowers based on the students' coded status. The two first-time borrowers who received their first installment of loans before the end of the 30 days had earned advanced placement credits while attending high school and therefore were not identified as having no earned credits in order for the payment to be delayed.

The reasons for failed EFT disbursements vary and in some cases, an individual student can have more than one reason. The current Student Information System delivered error reports that allow only one error code to appear at a time. By the time the students with multiple errors were reviewed and corrected the three day time period had passed.

### Recommendation

We recommend that the College ensure that the appropriate time frame is followed with respect to the loan disbursements.

### View of Responsible Official

The scheduling of the 30 day delayed disbursement will require the review of two individuals, including the office director, to insure that it is accurate.

The staff in the loan processing area will limit the response to external calls and visitors for the 3 days following the first large disbursement of each semester. Additional staff will be trained in diagnosing and correcting failed EFT disbursements. A pro-active step will be added in that an SIS job will be written that reconciles the enrollment status of all loan recipients at the end of the drop/add period each semester and produces an exception report. The exceptions will be re-calculated prior to the College receiving the disbursements. This will greatly reduce the number of failed EFT disbursements. NOTE: For fiscal year 2007 it is no longer a requirement for the College to observe the 30 day delay rule due to recent Federal reauthorization and low default rate.



(Continued)

**06-4 – Return of Title IV Funds**
Student Financial Assistance Cluster:
U.S. Department of Education:
Federal Family Education Loans Program (CFDA #84.032)

**Criteria**

Federal regulations require that refunds of Federal Pell Grants, Federal Supplemental Educational Opportunity Grants, Federal Perkins Loans and Federal Family Education Loan programs be returned to the Federal program within 30 days of the student's withdrawal date or date that the institution became aware of the student's withdrawal. For unofficial withdrawals, the institution has 30 days from the last day of the semester to determine if a student withdrew. Federal regulations require institutions to follow a formula for calculating the amount of funds that must be returned to Title IV programs. This formula includes six steps that result in either a post-withdrawal disbursement to be made to the student or a refund of Title IV funds to be made to the Federal program.

**Condition and Effect**

There was one student out of a sample of ten students who withdrew before the end of the 60% point of the semester; however the Office of Student Accounts did not perform a return of Title IV calculation for the student. The calculation was performed and returned once the student was selected for our testwork procedures and after the Office of Student Accounts was notified that the return should have been performed.

A similar finding was noted in the 2005 single audit report as finding number 05-3.

**Questioned Costs**

The questioned costs represent the interest on the late refund amount of $1,467.

**Cause**

Records and Registration did not notify the Office of Student Accounts of the student's withdrawal and therefore no refund calculation was performed for the student.

**Recommendation**

We recommend that the College review its policies for Federal refund calculations and implement procedures to timely communicate a student's withdrawal and review of the calculations.

**View of Responsible Official**

The Office of Student Financial Assistance will insure that refund calculations are performed in the timeframe allowed by Federal law. A reconciliation process has been implemented which employs another staff member, trained in the area of refund calculations, to complete a second review of the calculation prior to submitting and returning funds.


(Continued)

**06-5 – Student Status Changes**
Student Financial Assistance Cluster:
U.S. Department of Education:
Federal Family Education Loans Program (CFDA #84.032)

**Criteria**

The Federal Family Education Loan program requires institutions to complete and return within 30 days of receipt, roster files sent by the National Student Loan Data System (NSLDS). Unless the institution expects to complete its next roster file within 60 days, the institution must notify NSLDS within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis.

**Condition and Effect**

For three students out of the thirty students selected for testwork, the students' change in status was not reported to NSLDS.

A similar finding was noted in the 2005, 2004, 2003, and 2002 single audit reports as finding numbers 05-4, 04-1, 03-2, and 02-1, respectively.

**Questioned Costs**

There are no known questioned costs related to this finding.

**Cause**

The College uses the National Student Clearinghouse (the Clearinghouse) as a third party vendor to process student enrollment verification information. In this relationship the Clearinghouse transmits College student enrollment, withdrawal, and graduation data directly to NSLDS. On an annual basis, the College establishes data transmission dates with the Clearinghouse that are in compliance with the 30 day notification requirement. In turn, the Clearinghouse establishes transmission dates with NSLDS to insure that colleges and universities are in compliance. The College has had a pervasive problem with the Clearinghouse over the last four years in synchronizing the College's data feeds with the Clearinghouse data feeds to NSLDS. The timing of these feeds has resulted in noncompliance for reporting of some students' status changes.

**Recommendation**

We recommend that the College implement procedures to ensure that all student status changes are correctly and timely reported.

**View of Responsible Official**

The College has been working with the National Student Clearinghouse over the past years to rectify this problem. Each year we have worked with the Clearinghouse by adjusting reporting time-tables and increasing the number of transmissions. These changes have resulted in decreasing the number of cited cases. The above three students' status changes were submitted to the clearinghouse via a batch process that resulted in an extend notification time period. Since then the Clearinghouse has implemented an on-line notification process. We believe this change will prevent future cases as documented in this audit.

**06-6 – Written Arrangements with Another Institution, Consortium, or Organization to Provide Educational Programs**

Student Financial Assistance Cluster:
U.S. Department of Education:
All programs

**Criteria**

An eligible institution may enter into a written arrangement with another eligible institution (or a consortium of eligible institutions) under which the other institution (or consortium) provides all or part of the educational program, if the program(s) provided by the other eligible institution (or consortium members) is (are) otherwise eligible.

**Condition and Effect**

For seven institutions out of the fourteen institutions selected for testwork, there was no signed agreement between the College and the other institution or consortium. For one agreement out of the fourteen intuitions selected, the agreement was not signed by the authorized College official. For one arrangement, the College was listed in the bylaws of the organization however there was not an official agreement signed by an authorized individual.

**Questioned Costs**

There are no known questioned costs related to this finding.

**Cause**

Due to the prior informal procedure for reviewing and signing written global program agreements some were not properly executed.

**Recommendation**

We recommend that the College review its policies and procedures governing the agreements between the College and other institutions or consortiums.

**View of Responsible Official**

Since January 2006, the responsible officer for International and Off-Campus Programs has implemented procedures to ensure that all new agreements will be properly executed and signed by the provost.

All prior affiliations are also currently under review and new agreements will be executed where necessary. Each agreement has a clause for a review of the terms every 2 to 3 years.

**06-7 – Allowable Costs/Cost Principles**

U.S. Department of Education:
Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities and Deaf/Blind MOU Program (CFDA #84.326)

**Criteria**

Indirect cost rates are to be applied in accordance with the approved special award provisions or limitations. Billings or reimbursement requests should be the result of applying the approved rate to the proper base amount.

**Condition and Effect**

The College was not applying the correct fringe benefit rate as prescribed in the approved budget from the U.S. Department of Education during the year. As a result, the College requested reimbursements of fringe benefits that were in excess of the actual and budget amounts.

A similar finding was noted in the 2005 single audit report as finding number 05-5.

**Questioned Costs**

The difference between what the College charged as fringe benefits and the amount using the correct fringe benefit rate is $7,475.

**Cause**

The State of New Jersey issues an annual circular which dictates the approved reimbursement rates for fringe benefits. This rate for fiscal year 2006 full time employees was greater than the grant’s budgeted amount for fringe benefits expense. Since the State of New Jersey rate was used to calculate the expense, it exceeded the grant’s budgeted amount.

**Recommendation**

We recommend that the College implement procedures to ensure that all reimbursements are in accordance with special provisions that may exist in the grant agreement.



(Continued)

**View of Responsible Official**

A reconciliation process has been implemented to monitor the grant's budgeted fringe benefit expense vs. the State of NJ reimbursement rates. In cases where the two are not equal, the grant's budgeted amount will take precedence over the State of NJ rates.

**06-8 – Activities Allowed or Unallowed**

U.S. Department of Education:
Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities and Deaf/Blind MOU Program (CFDA #84.326)

**Criteria**

Per Federal regulations, amounts charged to grant programs for personnel services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and provided in accordance with generally accepted practices of the organization:

1. For professorial and professional staff, the after-the-fact activity reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the after-the-fact activity reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

2. The system will provide for independent internal evaluations to ensure the system's effectiveness and compliance with the above standard.

**Condition and Effect**

After-the-fact activity reports for professorial and professional staff were prepared; however, they were not prepared in a timely manner.

**Questioned Costs**

There are no known questioned costs associated with this finding.

**Cause**

Although the necessary forms were completed, due to the manually intensive process, they were not completed within the required time frame.

**Recommendation**

We recommend that the College implement procedures for the submission of personnel activity reports sufficiently detailed, at least twice a year, to be in accordance with Federal regulations.

**View of Responsible Official**

For all applicable Federal grants the College will implement a web-based system with an automated workflow approval process to ensure that all time and effort forms are prepared within the required time frame.

**06-9 – Activities Allowed or Unallowed**

U.S. Department of Education:

Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities and Deaf/Blind MOU Program (CFDA #84.326)

**Criteria**

To be allowable under Federal awards, costs must meet the following general criteria:

- Be reasonable and necessary for the performance and administration of Federal awards (A-21, section C.3).
- Conform with the allocability provisions of A-21 (A-21, section C.4) or Cost Accounting Standards (CAS) Board for educational institutions, as applicable (see 48 CFR part 9905). See "Allowable Costs - Special Requirements - Cost Accounting Standards and Disclosure Statements" in this section for additional guidance on CAS).
- Be given consistent accounting treatment within and between accounting periods. Consistency in accounting requires that costs incurred for the same purpose, in like circumstances, be treated as either direct costs only or indirect costs only with respect to final cost objectives (A-21, sections C.10 and C.11).

**Condition and Effect**

For six out of twenty-five disbursement transactions selected for testwork, the expenditure was charged to the wrong fiscal year.

**Questioned Costs**

The known questioned costs associated with this finding are $9,938.

**Cause**

Due to the State of New Jersey financial statement reporting deadline of September 30th, it is necessary to implement an accrual cut-off date for invoices received after June 30th. After the close of the fiscal year, all invoices received were reviewed for materiality and were accrued if they met the materiality threshold of over $5,000. There were seven invoices cited in the finding that totaled the $9,938, all of which were received after the accrual cut-off date and none met the materiality threshold.



(Continued)

**Recommendation**

We recommend that the College charge grant expenditures to the correct fiscal year to be in accordance with Federal regulations by reviewing grant expenditures that are paid after year-end.

**View of Responsible Official**

The College will continue to make every effort to identify and accrue all outstanding invoices at fiscal year end. For Federal grants the College will review all invoices received regardless of materiality so that expenditures are recorded in the correct fiscal year.

**06-10 – Performance Reporting**

U.S. Department of Education:
Special Education, Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities (CFDA #84.326)

**Criteria**

Recipients shall submit performance reports at least annually but not more frequently than quarterly. Performance reports generally contain, for each award, brief information on each of the following:

- A comparison of actual accomplishments with the goals and objectives established for the period.
- Reasons why established goals were not met, if appropriate.
- Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

**Condition and Effect**

The Federal grant funds reported on the Grant Performance Report cover sheet for the previous budget period agreed to the report submitted during the prior year; however, the funds reported for the current budget period represented expenditures from 10/01/05-3/31/06, not through 3/1/05-3/31/06 as indicated on the report. Additionally, the expenditures reported for previous budget period are only through 4/30/05 therefore expenses incurred between 5/01/06 to 9/30/05 were never reported to the program sponsor.

**Questioned Costs**

There are no questioned costs associated with this finding as the College is not reimbursed based upon expenditure amounts reported in the grant performance report.

**Cause**

The report in question was not prepared by the Finance / Accounting area and thus was not reconciled properly against the general ledger expenditures for the proper time period.


(Continued)

**Recommendation**

We recommend that the College review all grant performance reports for accuracy before they are sent to the U.S. Department of Education.

**View of Responsible Official**

The College has implemented procedures to ensure that all grant expenditure reports are prepared and/or reviewed by Finance / Accounting area prior to submission to the grantor. This will ensure that the expenditures are properly reported.

**06-11 – Allowable Costs/Cost Principles**
U.S. Department of Education:
Teacher Quality Enhancement Recruitment (CFDA #84.336)

**Criteria**

Indirect cost rates are to be applied in accordance with the approved special award provisions or limitations. Billings or reimbursement requests should be the result of applying the approved rate to the proper base amount.

**Condition and Effect**

The College did not charge the indirect costs as prescribed in the approved budget from the State of New Jersey Department of Education during the year. As a result, the College's indirect costs were not recorded in the general ledger and were therefore not reported to the State of New Jersey. The difference between what the College charged as indirect costs and the amount that should have been charged according to the agreement with the State of New Jersey is $64,807.

**Questioned Costs**

There are no known questioned costs related to this finding.

**Cause**

On a monthly basis an automated allocation process is run to calculate and post the indirect costs to the applicable grants. Due to a manual data entry error, this grant was not included in the automated process.

**Recommendation**

We recommend that the College implement procedures to ensure that all indirect costs are charged in accordance with special provisions that may exist in the grant agreement.

**View of Responsible Official**

A reconciliation process has been implemented to ensure that all indirect costs are applied properly to each applicable grant.

**State of New Jersey Awards**

No findings or questioned costs which are required to be reported.