

# 2017



(A Component Unit of Hudson County, New Jersey)  
Basic Financial Statements, Management's Discussion  
and Analysis and Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
For the Years Ended

June 30, 2017 and 2016  
(With Independent Auditor's Report)

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**

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Analysis and Schedules of Expenditures of  
Federal Awards and State Financial Assistance  
For the Years Ended  
June 30, 2017 and 2016  
(With Independent Auditor's Report)**

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
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**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

***Introduction***

The following discussion and analysis provides an overview of the financial position and activities of the Hudson County Community College (the "College") for the fiscal years ending June 30, 2017 and 2016 with comparative information from previous fiscal years. This discussion has been prepared by management and should be read in conjunction with the financial statements including the notes thereto, which follow this section.

***Using the Financial Statements***

The College's financial report includes three basic financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows. These statements are prepared in accordance with accounting principles generally accepted in the United States of America and Government Accounting Standards Board (GASB) pronouncements. The College presents financial statements in accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities". The statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus better on the College as a whole. Resources are classified into three net asset categories – unrestricted, restricted and invested in capital assets, net of accumulated depreciation and related debt. The College's financial statements also include the Hudson County Community College Foundation as a discretely presented component unit in accordance with the requirements of Section 2100 of GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB Statement No. 39.

***Statements of Net Position***

The statements of net position present the financial position of the College at the end of the fiscal year and include all assets and liabilities of the College. The difference between total assets and total liabilities (net position) is one indicator of the financial condition of the College, while the change in net position is an indicator of whether the financial condition has improved or declined during the year. The statement states two asset and liability classifications; a) current assets and liabilities that are less than one year and b) non-current assets and liabilities that are more than one year. There are three net position classifications a) investment in capital assets, net of related debt b) restricted assets (expendable and non-expendable) and c) unrestricted assets.

Total net position increased \$4,506,404 to \$143,407,236 with unrestricted net position decreasing \$7,603,025 to \$305,108 and net investment in capital assets increasing \$12,109,430 to \$143,063,548.

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 20166**

A summary of the College's assets, liabilities and net position at June 30, 2017, 2016, and 2015, respectively:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 31,995,387	\$ 32,739,983	\$ 29,153,132
Accounts Receivable	1,327,307	1,051,414	976,901
Grants Receivable	1,824,042	2,399,632	1,663,104
Due from State of New Jersey	-	1,712,373	378,143
Due from County of Hudson	293,627	514,436	2,081,299
Other Receivables	1,297,094	1,345,828	32,275
Prepaid Expenses and Other Assets	236,362	186,036	54,183
Total Current Assets	<u>36,973,819</u>	<u>39,949,702</u>	<u>34,339,037</u>
Noncurrent Assets:			
Security Deposits	41,834	41,834	76,579
Capital Assets, Net	143,063,548	130,954,118	123,667,568
Total Noncurrent Assets	<u>143,105,382</u>	<u>130,995,952</u>	<u>123,744,147</u>
Total Assets	<u>180,079,201</u>	<u>170,945,654</u>	<u>158,083,184</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>9,640,057</u>	<u>4,057,931</u>	<u>1,624,942</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	9,729,623	5,136,123	4,196,558
Accrued Salaries and Benefits	793,161	819,623	667,058
Unearned Revenue	798,450	2,517,253	845,232
Compensated Absences	1,018,884	942,805	867,385
Total Current Liabilities:	<u>12,340,118</u>	<u>9,415,804</u>	<u>6,576,233</u>
Noncurrent Liabilities:			
Student Deposits	714,758	779,586	854,110
Compensated Absences	1,560,801	1,683,457	1,620,466
Net Pension Liability	31,140,494	23,146,482	20,149,451
Total Noncurrent Liabilities	<u>33,416,053</u>	<u>25,609,525</u>	<u>22,624,027</u>
Total Liabilities	<u>45,756,171</u>	<u>35,025,329</u>	<u>29,200,260</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>555,851</u>	<u>1,077,424</u>	<u>1,200,032</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	143,063,548	130,954,118	123,667,568
Restricted Net Assets	38,580	38,581	38,581
Unrestricted	305,108	7,908,133	5,601,685
Total Net Position	<u>\$ 143,407,236</u>	<u>\$ 138,900,832</u>	<u>\$ 129,307,834</u>

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

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

A summary of the College's revenues, expenses and changes in net position for the years ended June 30, 2017, 2016, and 2015, respectively:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES</b>			
Student Tuition and Fees	\$ 33,853,640	\$ 35,238,072	\$ 32,300,072
Less: Student Financial Aid	<u>(27,030,099)</u>	<u>(26,358,704)</u>	<u>(23,392,026)</u>
	6,823,541	8,879,368	8,908,046
Government Grants	30,359,112	33,827,132	35,978,291
Local and Private Sponsored Programs	825,872	822,895	683,637
Other Operating Revenues	<u>529,400</u>	<u>835,975</u>	<u>639,777</u>
Total Operating Revenues	<u>38,537,925</u>	<u>44,365,370</u>	<u>46,209,751</u>
<b>OPERATING EXPENSES</b>			
Instructions	20,569,389	21,335,748	20,350,714
Academic Support	3,094,176	3,002,101	2,804,404
Student Services	4,837,945	4,405,586	4,232,248
Institutional Support	20,436,287	18,474,096	17,050,625
Operation and Maintenance of Plant	6,899,418	6,173,210	5,937,308
Conference Center	422,383	301,778	309,224
Student Aid	3,876,033	6,380,115	9,901,564
Depreciation	<u>4,716,864</u>	<u>4,655,620</u>	<u>4,253,897</u>
Total Operating Expenses	<u>64,852,495</u>	<u>64,728,254</u>	<u>64,839,984</u>
Loss from Operations	(26,314,570)	(20,362,884)	(18,630,233)
<b>NONOPERATING REVENUES</b>			
State of New Jersey Appropriations	6,988,454	6,920,463	6,698,135
Hudson County Appropriations	12,580,281	12,106,039	11,748,568
Interest Income	<u>135,234</u>	<u>73,892</u>	<u>28,064</u>
Total Nonoperating Revenues	<u>19,703,969</u>	<u>19,100,394</u>	<u>18,474,767</u>
Net Changes in Net Position			
Before Capital Appropriations	(6,610,601)	(1,262,490)	(155,466)
Capital Appropriations	<u>11,117,005</u>	<u>10,855,488</u>	<u>8,706,708</u>
Change in Net Position	4,506,404	9,592,998	8,551,242
Net Position, July 1	<u>138,900,832</u>	<u>129,307,834</u>	<u>120,756,592</u>
Net Position, June 30	<u><u>\$ 143,407,236</u></u>	<u><u>\$ 138,900,832</u></u>	<u><u>\$ 129,307,834</u></u>

The statement of revenues, expenses and changes in net position presents the results of operation for the College as a whole. Revenues, expenses and other changes in net position are reported as either operating or non-operating. Significant recurring sources of college revenue, state and county appropriations and investment earnings, are defined by GASB Statement No. 35 as non-operating.



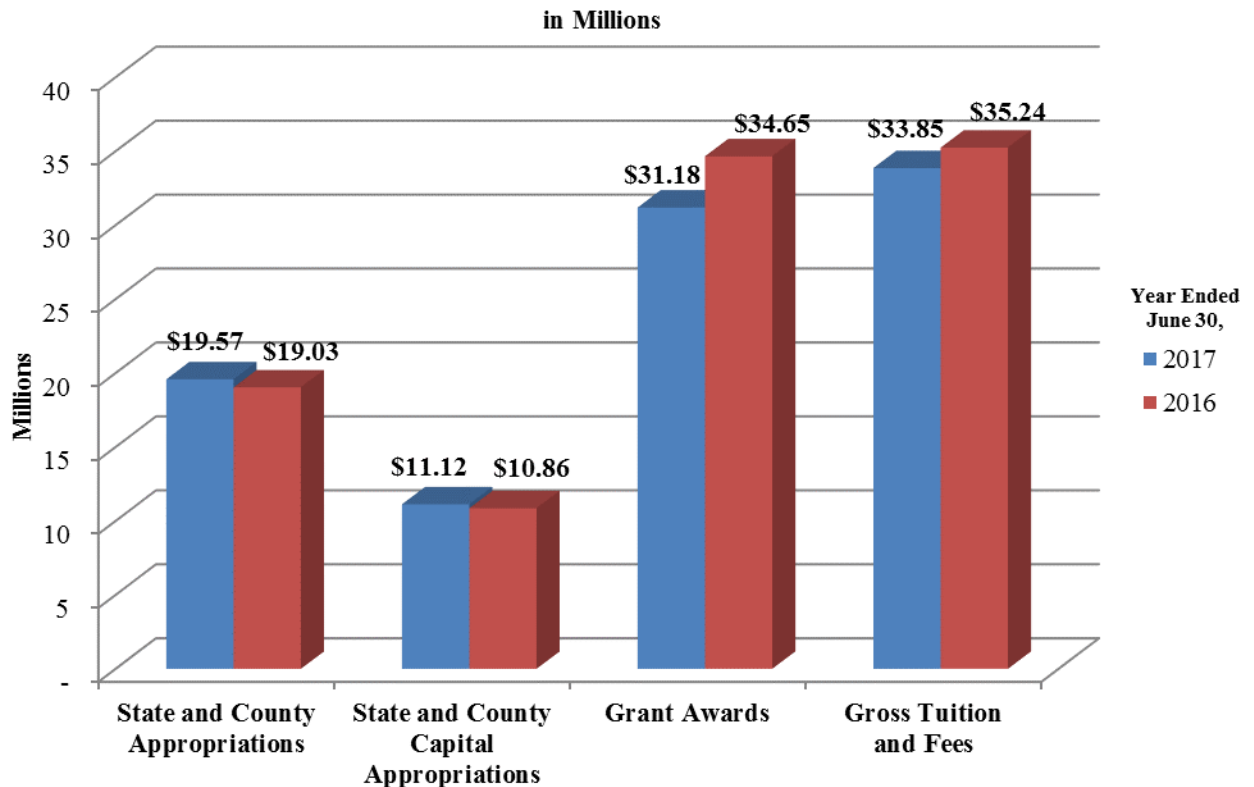
**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

The statements of revenues, expenses and changes in net position for fiscal years 2017 and 2016 reflect a decrease in changes in net position before capital appropriations of \$6,610,601 and \$1,262,490, respectively, resulting in an overall increase in Net position in the amount of \$4,506,404 when comparing fiscal year 2017 versus 2016.

The overall year over year decrease in net position before capital appropriations can be primarily attributed to an overall decrease in operating revenues and expenses in the amounts of \$6,610,601 and \$1,844,381 respectively, resulting in an increase in losses from operations in the amount of \$5,951,686. The loss from operations results were decreased by an increase in nonoperating revenues in the amount of \$603,575. Increases in nonoperating revenues can be primarily attributed to County and State appropriations increases totaling \$474,242 in fiscal year 2017.

Capital appropriations increase by \$261,517 primarily due to new capital projects contracts entered by the College with a third party related to the nursing school program site renovations.

A comparison of major revenues by source for 2017 and 2016 is as follows:





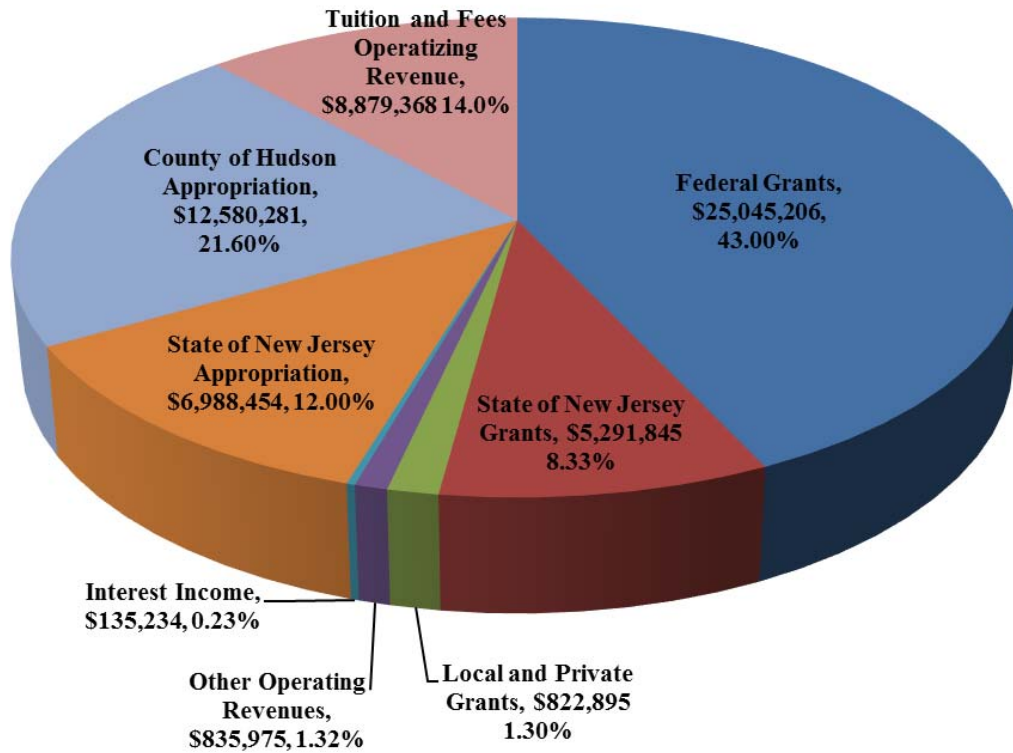
**HUDSON COUNTY COMMUNITY COLLEGE  
(A Component Unit of Hudson County, New Jersey)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 20166**

***Revenue***

The College received operating and nonoperating revenue from the following main sources:

- Tuition and Fee Revenue
- Federal Grants
- State of New Jersey Grants
- Local Grants
- State of New Jersey Appropriation, and
- County of Hudson Appropriation

The following is a graphic illustration of revenue by source for the year ended June 30, 2017:

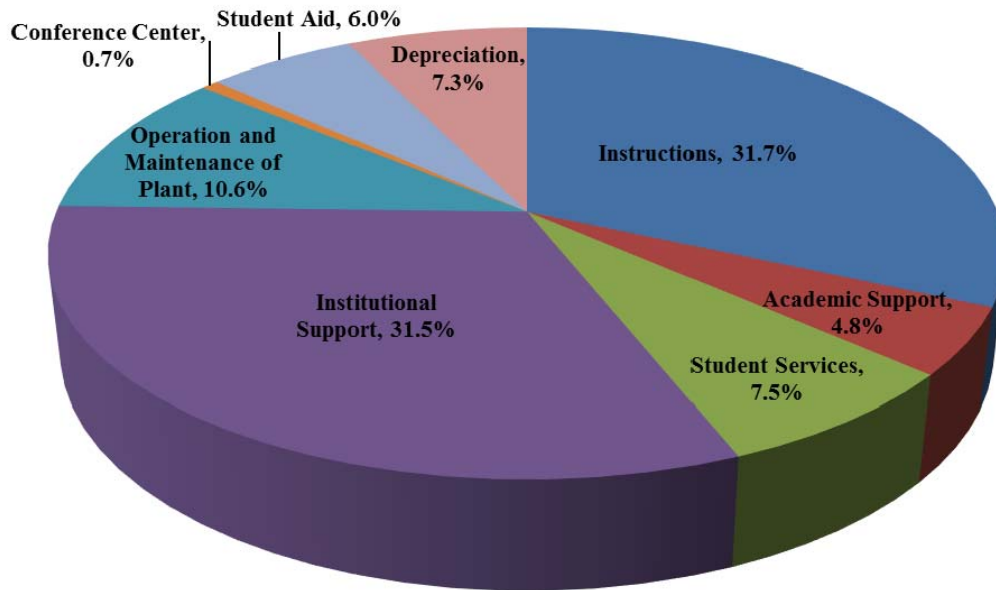


**HUDSON COUNTY COMMUNITY COLLEGE  
(A Component Unit of Hudson County, New Jersey)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 20166**

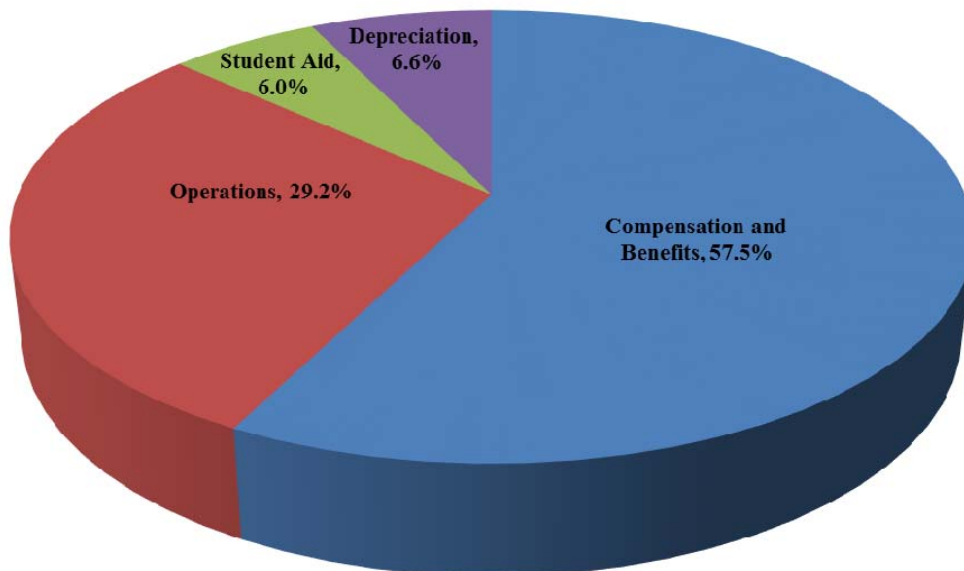
***Expenses***

A comparison of operating expenses by function and natural classifications for the year ended June 30, 2017 is as follows:

**EXPENSES BY FUNCTION**



**EXPENSES BY NATURAL CLASSIFICATION**



**HUDSON COUNTY COMMUNITY COLLEGE  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 20166**

***Capital***

In 2017, Hudson County Community College continued to implement the College's facilities Master Plan through building projects consisting of renovations of acquired facilities and construction of new facilities.

The goal of the facilities master plan are to meet significant student enrollment growth, implement new academic programs, expand current programs, develop the remaining portion of the college campus and continue to move from lease facilities to college owned facilities.

During 2017 the College continued the construction of the Library project at 65-79 Sip Avenue. The estimated project cost is \$36 million and is funded by the County. The College also started construction of the STEM Project at 257 Academy Street. The estimated project cost is \$30 million and will be funded from County and State Chapter 12 funds and other revenue sources.

The College had \$16,826,293 in capital additions during 2017 of which \$11,117,005 was funded by capital appropriations and \$11,942,170 during 2016 of which \$10,855,488 was funded by capital appropriations. The capital additions primarily comprised building and improvements, investment in equipment and construction in progress.

During 2017 the College was approved for \$21,920,387 in capital projects of which \$11,338,873 are funded by the County and \$10,476,003 by the State.

The cost of expansion is a major challenge for the College. The addition of physical space and the implementation of new instructional technologies can add significant operating expenses that may exceed revenues or new revenues. The College continues to explore ways in which to expand academic offerings to support enrollments and potential sources of revenue.

***Other Economic and Financial Considerations***

The following is a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position (net position) or results of operation (revenues, expenses, and other changes in net position) of the College.

The College has an internal plant fund capital projects fund balance of \$6,722,902 at June 30, 2017. This fund balance has been internally designated to cover plant and renewal projects, technology projects, and supplement Chapter 12 projects.

The College student credit enrollments have fluctuated over the years. Total student credit hours in fiscal year 2017 totaling 183,994 decrease by 8% when compared to fiscal year 2016 total student credit hours in the amount of 199,458.

**HUDSON COUNTY COMMUNITY COLLEGE  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

Revenues for State Appropriations in 2017 increased \$67,991 to \$6,988,454. Revenues for County Appropriations in 2017 increased \$474,242 to \$12,580,281.

College tuition in 2017 there was an increase of 7.00 per credit or 5% over 2016 to \$129.00 a credit. The College tuition rate is in the middle range of the 19 New Jersey Community Colleges and the lowest of the surrounding local sector.

The cost of employee pensions (PERS) paid in the past by the State continues to be charged to the College. The pension payable liability in 2017 is 1,025,176.

The College has a managed services agreement with Ellucian for ERP support. The current contract had an expiration date of July 2020 with an option to renew through June, 2022.

The College projects no significant growth in county funding and reduced or level funding from the State. With approximately 54% of the total College operating budget being personnel or labor driven, it is important that most programs and their services cover their costs.

The College was accredited by the Middle States Accreditations for ten (10) years, through 2018.

***Contacting the Hudson County Community College's Financial Management***

The Management Discussion and Analysis of this financial report is designed to provide the reader with a snapshot of the Hudson County Community College's finances. Questions about this report or additional financial information can be requested from the Finance Department located at 26 Journal Square, Jersey City NJ 07306.

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Hudson County Community College  
Jersey City, New Jersey

We have audited the accompanying financial statements of the Hudson County Community College (the "College"), a component unit of Hudson County, New Jersey, as of and for the fiscal years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. The financial statements of the Hudson County Community College Foundation, Inc, the discretely presented component unit of the College, were audited by other auditors for the years ended June 30, 2017 and 2016, whose report dated October 20, 2017 expressed an unmodified opinion on those statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hudson County Community College as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 and required pension information on pages 43-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was 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 awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from a n relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control over financial reporting and compliance.

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
*Certified Public Accountants*

Bayonne, New Jersey  
February 28, 2018



**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
Current Assets:		
Unrestricted:		
Cash	\$ 31,995,387	\$ 32,739,983
Accounts Receivable	1,327,307	1,051,414
Due from State of New Jersey	-	1,712,373
Due from County of Hudson	293,627	514,436
Other Receivables	1,297,095	1,345,828
Prepaid Expenses and Other Assets	236,362	186,036
Total Unrestricted	<u>35,149,778</u>	<u>37,550,070</u>
Restricted:		
Grants Receivable	<u>1,824,042</u>	<u>2,399,632</u>
Total Current Assets	<u>36,973,820</u>	<u>39,949,702</u>
Noncurrent Assets:		
Security Deposits	41,834	41,834
Capital Assets, Net	<u>143,063,548</u>	<u>130,954,118</u>
Total Noncurrent Assets	<u>143,105,382</u>	<u>130,995,952</u>
Total Assets	<u>180,079,202</u>	<u>170,945,654</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Pension Liability	<u>9,640,057</u>	<u>4,057,931</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable and Accrued Expenses	5,395,963	3,203,536
Accrued Salaries and Benefits	793,161	819,623
Unearned Revenue	763,246	944,808
Other Accrued Liabilities	4,330,242	1,928,669
Compensated Absences	1,018,884	942,805
Payable from Restricted Assets:		
Other Accrued Liabilities	3,418	3,918
Unearned Revenue	35,204	1,572,445
Total Current Liabilities	<u>12,340,118</u>	<u>9,415,804</u>
Noncurrent Liabilities:		
Student Deposits	714,758	779,586
Compensated Absences	1,560,801	1,683,457
Net Pension Liability	<u>31,140,494</u>	<u>23,146,482</u>
Total Noncurrent Liabilities	<u>33,416,053</u>	<u>25,609,525</u>
Total Liabilities	<u>45,756,171</u>	<u>35,025,329</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Liability	<u>555,851</u>	<u>1,077,424</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	143,063,548	130,954,118
Restricted Net Assets	38,580	38,580
Unrestricted	<u>305,108</u>	<u>7,908,134</u>
Total Net Position	<u>\$ 143,407,236</u>	<u>\$ 138,900,832</u>

See Accompanying Notes to Financial Statements

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>OPERATING REVENUES</b>		
Student Tuition and Fees	\$ 33,853,640	\$ 35,238,072
Less: Student Financial Aid	(27,030,099)	(26,358,704)
	<u>6,823,541</u>	<u>8,879,368</u>
Federal Grant Awards	25,045,206	28,535,287
State Financial Assistance	5,313,906	5,291,845
Local and Private Sponsored Programs	825,872	822,895
Other Operating Revenues	529,400	835,975
Total Operating Revenues	<u>38,537,925</u>	<u>44,365,370</u>
<b>OPERATING EXPENSES</b>		
Instructions	20,569,389	21,335,748
Academic Support	3,094,176	3,002,101
Student Services	4,837,945	4,405,586
Institutional Support	20,436,287	18,474,096
Operation and Maintenance of Plant	6,899,418	6,173,210
Conference Center	422,383	301,778
Student Aid	3,876,033	6,380,115
Depreciation	4,716,864	4,655,620
Total Operating Expenses	<u>64,852,495</u>	<u>64,728,254</u>
Loss from Operations	(26,314,570)	(20,362,884)
<b>NONOPERATING REVENUES</b>		
State of New Jersey Appropriations	6,988,454	6,920,463
Hudson County Appropriations	12,580,281	12,106,039
Interest Income	135,234	73,892
Total Nonoperating Revenues	<u>19,703,969</u>	<u>19,100,394</u>
Net (Expense) Revenue and Changes in Net Position		
Before Capital Appropriations	(6,610,601)	(1,262,490)
Capital Appropriations	<u>11,117,005</u>	<u>10,855,488</u>
Change in Net Position	4,506,404	9,592,998
Net Position, July 1	138,900,832	129,307,834
Net Position, June 30	<u>\$ 143,407,236</u>	<u>\$ 138,900,832</u>

See Accompanying Notes to Financial Statements

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees	\$ 6,366,086	\$ 8,919,835
Governmental Grants	29,163,944	34,749,113
Nongovernmental Grants and Contracts	1,059,389	721,427
Other Operating Receipts	578,133	(477,578)
Payments for Employee Salaries and Benefits	(35,516,494)	(36,601,358)
Payments to Suppliers	(14,382,659)	(15,516,297)
Payments to Students for Financial Aid	(3,876,033)	(6,380,115)
Net Cash Used by Operating Activities	<u>(16,607,634)</u>	<u>(14,584,973)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State of New Jersey Appropriations	8,700,827	5,586,233
Hudson County Appropriations	12,801,091	13,672,902
Student Organization Agency Transactions	(64,828)	(74,524)
Net Cash Provided by Noncapital Financing Activities	<u>21,437,090</u>	<u>19,184,611</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(5,709,286)	(1,086,679)
Net Cash Used by Capital and Related Financing Activities	<u>(5,709,286)</u>	<u>(1,086,679)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	135,234	73,892
Net Cash Provided by Investing Activities	<u>135,234</u>	<u>73,892</u>
Net (Decrease) Increase in Cash	(744,596)	3,586,851
Cash, July 1	32,739,983	29,153,132
Cash, June 30	<u>\$ 31,995,387</u>	<u>\$ 32,739,983</u>

See Accompanying Notes to Financial Statements

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH</b>		
<b>USED IN OPERATING ACTIVITIES</b>		
Loss from Operations	\$ (26,314,570)	\$ (20,362,884)
Adjustments to Reconcile Loss from Operations to		
Net Cash Used by Operating Activities:		
Depreciation Expense	4,716,864	4,655,620
Changes in Assets:		
Accounts Receivable	(275,893)	(74,513)
Grants Receivable	575,590	(736,528)
Other Receivables	48,733	(1,313,553)
Prepaid Expenses	(50,326)	(131,853)
Security Deposits	-	34,745
Change in Deferred Outflows of Resources:		
Deferred Pension Liability	(5,582,126)	(2,432,989)
Changes in Liabilities:		
Accounts Payable and Accrued Expenses	2,192,427	(141,758)
Accrued Salaries and Benefits	(26,462)	152,562
Unearned Revenue	(1,718,803)	1,672,021
Other Accrued Expenses	2,401,070	1,081,323
Compensated Absences	(46,577)	138,411
Net Pension Liability	7,994,012	2,997,031
Change in Deferred Inflows of Resources:		
Deferred Pension Liability	(521,573)	(122,608)
Total Adjustments	<u>9,706,936</u>	<u>5,777,911</u>
Net Cash Used by Operating Activities	<u>\$ (16,607,634)</u>	<u>\$ (14,584,973)</u>
Non-cash investing, capital and financing activities:		
Increase in allowance for uncollectible accounts	\$ 2,111,245	\$ 1,110,733
Capital Assets acquired through Hudson County Appropriations	11,117,005	10,855,488

See Accompanying Notes to Financial Statements

# HUDSON COUNTY COMMUNITY COLLEGE FOUNDATION

## Statements of Financial Position June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 600,576	\$ 725,731
Investments	1,080,896	1,076,733
Miscellaneous receivables	-	6,000
Prepaid expenses	2,500	2,500
Property and equipment – net	14,040	25,430
Library and art collection	<u>206,525</u>	<u>200,525</u>
<b>Total Assets</b>	<u>\$ 1,904,537</u>	<u>\$ 2,036,919</u>
<b>Liabilities</b>		
Deferred revenue	\$ <u>12,500</u>	\$ <u>29,800</u>
<b>Total Liabilities</b>	<u>12,500</u>	<u>29,800</u>
<b>Net Assets</b>		
Unrestricted	1,078,877	1,184,584
Temporarily restricted	243,518	252,893
Permanently restricted	<u>569,642</u>	<u>569,642</u>
<b>Total Net Assets</b>	<u>1,892,037</u>	<u>2,007,119</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,904,537</u>	<u>\$ 2,036,919</u>

See accompanying notes.

# HUDSON COUNTY COMMUNITY COLLEGE FOUNDATION

## Statements of Activities and Changes in Net Assets For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
<b>Change in Net Assets</b>								
<b>Revenue and Support</b>								
Support	\$ 2,550	\$ 78,712	\$ -	\$ 81,262	\$ 2,690	\$ 181,163	\$ -	\$ 183,853
Fund raising events	143,258	142,555	-	285,813	168,824	137,275	-	306,099
Subscription dining	17,060	-	-	17,060	22,938	-	-	22,938
Interest	4,654	-	-	4,654	4,962	-	-	4,962
In kind contribution of services	201,985	-	-	201,985	195,716	-	-	195,716
<b>Total Revenue and Support</b>	369,507	221,267	-	590,774	395,130	318,438	-	713,568
<b>Net Assets Released from Restrictions</b>								
Satisfaction of Purpose	230,642	(230,642)	-	-	361,987	(361,987)	-	-
<b>Total Revenue and Support</b>	600,149	(9,375)	-	590,774	757,117	(43,549)	-	713,568
<b>Expenses</b>								
Program services	344,227	-	-	344,227	319,066	-	-	319,066
Supporting services:								
Management and general	247,374	-	-	247,374	219,883	-	-	219,883
Fundraising	114,255	-	-	114,255	93,935	-	-	93,935
<b>Total Expenses</b>	705,856	-	-	705,856	632,884	-	-	632,884
<b>Change in Net Assets</b>	(105,707)	(9,375)	-	(115,082)	124,233	(43,549)	-	80,684
<b>Net Assets – Beginning of Years</b>	1,184,584	252,893	569,642	2,007,119	1,060,351	296,442	569,642	1,926,435
<b>Net Assets – End of Years</b>	\$ 1,078,877	\$ 243,518	\$ 569,642	\$ 1,892,037	\$ 1,184,584	\$ 252,893	\$ 569,642	\$ 2,007,119

See accompanying notes.

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Hudson County Community College (the “College”), a component unit of Hudson County, New Jersey was established as a unit of the New Jersey Master Plan for Higher Education and is one of nineteen New Jersey county colleges. The College offers pre-baccalaureate preparation (A.S. and A.A. degrees) as well as programs and certificates which are designed to prepare students for employment (A.A.S. degrees). The purpose of the College is to offer high quality programs and services which are affordable, accessible, and community centered. All programs and services are designed to meet the educational needs of a diverse community and to promote the economic, technological, cultural, social and civic development of Hudson County and its service areas.

**Reporting Entity**

The financial statements present the College, (a Component Unit of Hudson County, New Jersey), and it’s discretely presented component unit, Hudson County Community College Foundation, Inc.

**Basis of Presentation**

The College’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments, including public colleges and universities, through its pronouncements (Statements and Interpretations). The College is also required to follow Accounting Principle Boards (APB) opinions and, Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure, unless those pronouncements conflict with or contradict GASB pronouncements. The College has the option to apply FASB pronouncements and APB opinions issued after that date November 30, 1989 and the College has chosen to do so. The more significant accounting policies established in GAAP and used by the College is discussed below.

The College prepares its financial statements in accordance with GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis for Public Colleges and Universities*.



**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus and Basis of Accounting**

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues), and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are generally recognized when earned and expenses are recognized at the time the liability is incurred, regardless of when the related cash flows take place. State and County appropriations the activities of the College are reported as a business-type activity. Business type activities are required to be used for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. State and County appropriations are recognized as revenue in the year in which the appropriation is first made available for use. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Accounts Receivable**

Accounts receivable primarily consist of tuition and fee charges to students and charge backs due from counties. Accounts receivable are recorded net of estimated uncollectible amounts.

**Capital Assets**

Capital assets include land, land improvements, buildings and equipment. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method.

**Restricted Assets**

Restricted assets include assets related to grants such as grants receivable and prepaid expenses paid for by restricted funds. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

**Grants Receivable**

Grants receivable represent amounts expended under grants awarded to the College and have been recorded as current funds revenues as expended.

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Unearned Revenue**

Tuition and fee revenues collected during the fiscal year which relate to the period after the fiscal year end have been recognized as deferred revenues. In addition, income from federal, state and local grants is deferred and recognized over the periods to which the expenses relate.

**Compensated Absences**

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

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense of the Public Employees Retirement System (PERS) have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Deferred Outflows of Resources**

Decreases in net position that relate to future periods are reported as deferred outflows of resources in a separate section the statement of net position. The only deferred outflow of resources reported is for pension resources.

**Deferred Inflows of Resources**

Increases in net position that relate to future periods are reported as deferred inflows of resources in a separate section of the statement of net position. Related revenues are not recognized until a future event occurs. The only deferred inflow of resources reported is for pension resources.

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Equity Classifications**

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

Net position represents the difference between assets, deferred inflows, deferred outflows and liabilities in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Equity is classified as net position and displayed in three components:

Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Permanent endowments or permanent fund principal amounts included in the statement of net assets requires related restricted net assets to be displayed in two additional components – expendable and nonexpendable. *Nonexpendable* amounts are those that are required to be retained in perpetuity. All other permanent endowment amounts are reported as expendable amounts.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as scholarship expense, and are recognized in the period earned.

Grants and contracts revenue is comprised mainly of revenues received from grants from the State of New Jersey and the federal government and are recognized as the related expenses are incurred. Amounts received from grants which have not yet been earned under the terms of the agreement is recorded as deferred revenue in the accompanying financial statements. Revenue from state and county appropriations is recognized in the fiscal year during which the State of New Jersey and Passaic County appropriates the funds to the College.

**Classification of Revenue**

Revenues and expenses are those that serve the College's principal purpose and generally result from exchange transactions, such as payment received for services and payment made for the purchase of goods and services. Operating revenues include: (1) student tuition and fees, net of scholarship allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, state, and local grants and contracts. Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as operating and capital appropriations from the state and county and net investment income.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 reporting period. Actual results could differ from those estimates.

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Other Policies**

Other significant accounting policies followed in the preparation of the accompanying financial statements are outlined below:

- a) Hudson County is responsible for the issuance of Bonds and Notes for the College's capital expenditures which are financed by Bond Ordinances. Hudson County is also responsible for the payment of interest on issued debt and the retirement of such obligations. Accordingly, the debt is reported in the financial statements of Hudson County and is not included in the accompanying financial statements of the College.
- b) Hudson County adopts capital ordinances to fund certain capital expenditures of the College. The College receives Hudson County Bond monies to fund its plant expenditures. Unexpended money in the current year is generally available for capital expenditures in subsequent years.
- c) The College is exempt from federal income taxes under Internal Revenue Code Section 115.

**Date of Management's Review**

Management has evaluated all events through February 28, 2018, the date these financial statements were available to be issued.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

For purposes of the Statement of Cash Flows, the College considers cash and cash equivalents to be currency on hand, demand deposits with banks, and investment accounts and liquid investments with a maturity of three months or less when purchased.

The College has adopted a cash management plan that requires it to deposit public funds into the New Jersey State Cash Management Fund ("NJSCMF") or into institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation ("FDIC") or in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey.

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)**

N.J.S.A. 17:9-41 et. sec. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

All investments in the NJSCMF are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants by the New Jersey Cash Management Fund. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

All cash and cash equivalents on deposit are partially insured by the Federal Deposit Insurance Corporation (herein referred to as "FDIC") up to \$250,000 for each depository. Deposits in excess of FDIC limits are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act.

As of June 30, 2017 and 2016 the College's carrying amounts of deposits were \$31,995,387 and \$32,739,983, respectively, and the bank balances were \$33,594,794 and \$34,785,234, respectively. As of June 30, 2017 and 2016, \$250,000 of the total deposits were insured by the FDIC, \$17,439,867 and \$31,320,707, respectively, were invested in the New Jersey State Cash Management Fund and remainder was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with NJ GUDPA.

The College's component unit (discretely presented) has deposits which are exposed to custodial credit risk. At, \$364,428 and \$474,143, respectively, of the Foundations' bank balances were uninsured and the collateral held by the pledging banks' trust department was not in the Foundations' name.

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)**

Bank deposits as of the balance sheet are required to be classified as to credit risk. Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the College. Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the College will not be able to recover deposits or collateral securities that are in the possession of an outside party. The College does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized.
- b. Collateralized with securities held by the pledging financial institution.
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect deposits. None of the College's deposits as of June 30, 2017 and 2016 are held in foreign currency.

Under GUDPA, financial institutions are not required to pledge collateral for amounts covered by FDIC insurance. Noninterest-bearing transaction accounts are insured by the Dodd-Frank Deposit Insurance Provision of the FDIC. The amount noted as "GUDPA Insured" above includes deposits covered by the Dodd-Frank Provision as well as GUDPA.

**NOTE 3 - COMPONENT UNIT**

The College adopted the GASB Statement, *Determining Whether Certain Organizations Are Component Unit*. The GASB Statement establishes additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity.

The College Foundation, Inc. (the "Foundation") was organized under a separate Board of Trustees from the College in 2001 for the benefit of the College, faculty and students of the College, and the community. The primary function of the Foundation is to obtain contributions and award scholarships.



**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 3 - COMPONENT UNIT (Continued)**

The Foundation 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 resources held by the Foundation can only be used by, or for the benefit of, the College. Therefore, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the years ended June 30, 2017 and 2016, the Foundation distributed \$269,700 and \$228,036, respectively, to the College for scholarships. Complete financial statements for the Foundation can be obtained from the Finance Department of the College, Jersey City, New Jersey.

The Foundation is a private not-for-profit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features which taken as a whole are not material to the College's financial statements of the College. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

**NOTE 4 - ACCOUNTS RECEIVABLE**

At June 30, 2017 and 2016, the College's accounts receivable were as follows:

	2017	2016
Tuition and Fees	\$ 21,655,406	\$ 19,078,677
County Chargebacks	-	215
Less: Allowance for Doubtful Accounts	(20,138,723)	(18,027,478)
Total Accounts Receivable	<u>\$ 1,516,683</u>	<u>\$ 1,051,414</u>
Due from State of New Jersey:		
Capital Appropriations	<u>\$ -</u>	<u>\$ 1,712,373</u>
Due from County of Hudson:		
Capital Appropriations	<u>\$ 293,627</u>	<u>\$ 514,436</u>
Grants Receivable:		
Federal	\$ 1,486,927	\$ 1,781,283
State	337,115	384,832
Local	<u>-</u>	<u>233,517</u>
Total Grants Receivable	<u>\$ 1,824,042</u>	<u>\$ 2,399,632</u>

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 5 - CAPITAL ASSETS**

Depreciation expense was \$4,716,864 and \$4,655,620 for the years ended June 30, 2017 and 2016, respectively.

The County of Hudson issued bonds in the amount of \$3,100,000 and \$8,900,000 during the years ended June 30, 2017 and 2016, respectively, for the College's capital projects under the County College Bond Act, 1971 NJ Laws C.12, as amended during the year ended June 30, 2010. The County of Hudson made available to the College the Chapter 12 Bond Program funding for the acquisition, construction, renovation and furnishing of capital projects in the Union City area and the Journal Square area of Jersey City for permanent use by the College. The total funds remaining under the Chapter 12 Bond Program at June 30, 2017 and 2016, respectively, are \$-0- and \$7,594,596.

The detail of capital asset activity for the years ended June 30, 2017 and 2016 is as follows:

	<u>Balance at June 30, 2016</u>	<u>Transfers</u>	<u>Additions</u>	<u>Balance at June 30, 2017</u>
Capital Assets:				
Non-Depreciable:				
Land	\$ 14,413,762	\$ -	\$ -	\$ 14,413,762
Construction in Progress	7,877,841	(78,221)	15,827,331	23,626,951
Total Non-Depreciable	<u>22,291,603</u>	<u>(78,221)</u>	<u>15,827,331</u>	<u>38,040,713</u>
Depreciable:				
Buildings and Improvements	138,332,668	78,221	697,610	139,108,499
Equipment	11,015,213	-	215,529	11,230,742
Library Books	1,069,285	-	85,823	1,155,108
Total Depreciable at Historical Cost	<u>150,417,166</u>	<u>78,221</u>	<u>998,962</u>	<u>151,494,349</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(33,251,461)	-	(3,577,708)	(36,829,169)
Equipment	(7,579,982)	-	(1,081,705)	(8,661,687)
Library Books	(923,208)	-	(57,450)	(980,658)
Total Accumulated Depreciation	<u>(41,754,651)</u>	<u>-</u>	<u>(4,716,863)</u>	<u>(46,471,514)</u>
Depreciable Capital Assets, Net	<u>108,662,515</u>	<u>78,221</u>	<u>(3,717,901)</u>	<u>105,022,835</u>
Capital Assets, Net	<u>\$ 130,954,118</u>	<u>\$ -</u>	<u>\$ 12,109,430</u>	<u>\$ 143,063,548</u>

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**NOTE 5 - CAPITAL ASSETS (Continued)**

	<u>Balance at June 30, 2015</u>	<u>Transfers</u>	<u>Additions</u>	<u>Balance at June 30, 2016</u>
Capital Assets:				
Non-Depreciable:				
Land	\$ 14,413,762	\$ -	\$ -	\$ 14,413,762
Construction in Progress	3,408,875	(2,509,927)	6,978,893	7,877,841
Total Non-Depreciable	<u>17,822,637</u>	<u>(2,509,927)</u>	<u>6,978,893</u>	<u>22,291,603</u>
Depreciable:				
Buildings and Improvements	132,361,895	2,509,927	3,460,846	138,332,668
Equipment	9,589,312	-	1,425,901	11,015,213
Library Books	992,755	-	76,530	1,069,285
Total Depreciable at Historical Cost	<u>142,943,962</u>	<u>2,509,927</u>	<u>4,963,277</u>	<u>150,417,166</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(29,757,059)	-	(3,494,402)	(33,251,461)
Equipment	(6,466,537)	-	(1,113,445)	(7,579,982)
Library Books	(875,435)	-	(47,773)	(923,208)
Total Accumulated Depreciation	<u>(37,099,031)</u>	<u>-</u>	<u>(4,655,620)</u>	<u>(41,754,651)</u>
Depreciable Capital Assets, Net	<u>105,844,931</u>	<u>2,509,927</u>	<u>307,657</u>	<u>108,662,515</u>
Capital Assets, Net	<u>\$ 123,667,568</u>	<u>\$ -</u>	<u>\$ 7,286,550</u>	<u>\$ 130,954,118</u>

**NOTE 6 – UNEARNED REVENUES**

At June 30, 2017 and 2016, the College's unearned revenues were as follows:

	<u>2017</u>	<u>2016</u>
Unearned Student Tuition and Fees	<u>\$ 763,246</u>	<u>\$ 944,808</u>
Unearned Grant Revenue:		
Federal	\$ 12,095	\$ 13,477
State	12,578	40,197
Local	<u>10,531</u>	<u>1,518,771</u>
Total Unearned Grant Revenue	<u>\$ 35,204</u>	<u>\$ 1,572,445</u>

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**NOTE 7 - RETIREMENT SYSTEMS AND HEALTH BENEFITS**

All required employees of the College are covered by either the Public Employees' Retirement System (PERS) and the Alternate Benefit Program (ABP), which presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA/CREF), Aetna Life Insurance Company, Lincoln Life Insurance Company, Metropolitan Life Insurance Company, Travelers Life Insurance Company and VALIC. PERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of New Jersey. The ABP alternatives are administered by a separate Board of Trustees. Generally all employees, except certain part-time employees, participate in one of these plans.

The College has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB No. 68*. GASB No. 68 and No. 71 require participating employers in pension plans to recognize their proportionate share of their collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

**Public Employees' Retirement System (PERS)**

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

The PERS was established in January 1955 under provisions of N.J.S.A. 43:15A and provides coverage to substantially all full time employees of the Authority provided the employee is not a member of another State administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

The following represents the membership tiers for PERS:

<b>Tier</b>	<b>Definition</b>
1	Members who were enrolled prior to July 1, 2007
2	Employees eligible for enrollment after June 30, 2007 but before November 2, 2008
3	Employees eligible for enrollment after November 1, 2008 but before May 22, 2010
4	Employees eligible for enrollment after May 21, 2010 but before June 28, 2011
5	Employees eligible for enrollment after June 27, 2011

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**NOTE 7 - RETIREMENT SYSTEMS AND HEALTH BENEFITS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

Service retirement benefits of the 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

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

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of several State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The State or local government employers do not appropriate funds to SACT.

The State also administers the Pension Adjustment Fund (PAF) which provides cost of living increases, equal to 60 percent of the change in the average consumer price index, to eligible retirees in all State-sponsored pension systems except SACT. The cost of living increases for PERS are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for that system.

According to state law, all obligations of PERS will be assumed by the State of New Jersey should the PERS be terminated.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the PERS. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in fiscal year 2012. The member contribution rate was 6.92% in the State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and non-contributory death benefits.

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**NOTE 7 - RETIREMENT SYSTEMS AND HEALTH BENEFITS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of all retirement systems.

The College's and employees' contributions to PERS for the past three years were as follows:

<u>Year Ended June 30,</u>	<u>Employer Contribution</u>		<u>Employee Contributions</u>	<u>Pensionable Wages</u>
	<u>Gross College Contribution</u>	<u>Percentage of Covered Payroll</u>		
2017	\$ 938,638	9.31%	\$ 687,834	\$ 10,085,536
2016	815,557	8.96%	509,723	9,100,123
2015	886,640	11.81%	525,551	7,510,201

At June 30, 2017 and 2016, the College's net pension liability for PERS was \$31,140,494 and \$23,146,482, respectively.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, Colleges PERS proportion was 0.1051%, which was an increase of 0.0020% from its proportion measured as of June 30, 2015.

For the years ended June 30, 2017 and 2016, the College recognized PERS pension expense of \$1,981,408 and \$1,389,430 respectively. At June 30, 2017 and 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**NOTE 7 - RETIREMENT SYSTEMS AND HEALTH BENEFITS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

	<b>2017</b>		<b>2016</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 579,119	\$ -	\$ 552,194	\$ -
Changes in assumptions	6,450,647	-	2,485,747	
Net differences between projected and actual investment earnings on pension plan investments	1,187,415		-	1,077,424
Changes in proportion	397,700	555,851	85,910	-
Total Deferred Outflows and Inflows or resources before District contributions before measurement date	8,614,881	555,851	3,123,851	1,077,424
District contributions subsequent to measurement date	1,025,176	-	934,080	-
Total	<u>\$ 9,640,057</u>	<u>\$ 555,851</u>	<u>\$ 4,057,931</u>	<u>\$ 1,077,424</u>

College contributions subsequent to the measurement date for the fiscal years ended June 30, 2017 and 2016 in the amounts of \$903,552 and \$934,080 are recognized as a reduction of the net pension liability subsequent to their corresponding fiscal years ended. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Amount</b>
2018	\$ 1,633,168
2019	1,633,168
2020	1,633,168
2021	1,633,168
2022	1,633,168
Thereafter	1,004,892
	<u>\$ 9,170,732</u>

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**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 7 - RETIREMENT SYSTEMS AND HEALTH BENEFITS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

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

Inflation rate	3.08%
Salary increases: Through 2026	1.65 – 4.15%
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (setback 1 year for males and females) with adjustments for mortality improvements from the base year of 2012 based on Projections Scale AA. The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

*Long-Term Expected Rate of Return*

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



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**NOTE 7 - RETIREMENT SYSTEMS AND HEALTH BENEFITS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

Asset Class	June 30, 2017		June 30, 2016	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Markets Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds / Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

*Discount Rate*

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of condition made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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**NOTE 7 - RETIREMENT SYSTEMS AND HEALTH BENEFITS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

*Sensitivity of the College's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the College's proportionate share of the net pension liability of the as of June 30, 2016 and 2015, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<b>2017</b>		
	<b>1% Decrease (3.90%)</b>	<b>Current Discount Rate (4.90%)</b>	<b>1% Increase (5.90%)</b>
College's proportionate share of PERS net pension liability	\$ 38,159,041	\$ 31,140,494	\$ 25,346,075
	<b>2016</b>		
	<b>1% Decrease (4.39%)</b>	<b>Current Discount Rate (5.39%)</b>	<b>1% Increase (6.39%)</b>
College's proportionate share of PERS net pension liability	\$ 28,768,245	\$ 20,149,451	\$ 15,122,176

*Pension Plan fiduciary net position*

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

*Payable to the pension plan*

At June 30, 2017 and 2016 the College reported accounts payable to the PERS of \$1,025,176 and \$934,080 for the required actuarially determined contribution to PERS for the years ended.

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**NOTE 7 - RETIREMENT SYSTEMS AND HEALTH BENEFITS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

**Alternate Benefit Program Information (ABP)**

ABP provides the choice of seven investment carriers all of which are privately operated defined contribution retirement plans. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for, or on behalf of, those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility as well as contributory and non-contributory requirements are established by the State of New Jersey Retirement and Social Security Law.

Employer contributions to ABP are paid by the State of New Jersey; however, such contributions have not been reflected as revenue and expense in the accompanying financial statements.

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%. The State of New Jersey reimburses the College a portion of employer contributions for certain classified positions relating to direct student education. The College's and employees' contributions to ABP for the past three years were as follows:

<b>Year Ended June 30,</b>	<b><u>Employer Contributions</u></b>		<b><u>Employee Contributions</u></b>	<b><u>Pensionable Salaries</u></b>
	<b><u>Gross College Paid</u></b>	<b><u>State Reimbursed</u></b>		
2017	\$ 938,638	\$ 903,552	\$ 687,834	\$ 10,085,536
2016	815,557	815,557	620,628	9,100,123
2015	886,640	885,640	687,452	10,079,938

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**NOTE 7 - RETIREMENT SYSTEMS AND HEALTH BENEFITS (Continued)**

**Alternate Benefit Program Information (ABP) (Continued)**

**Health Benefits**

Chapter 78, P.L. 2011, effective June 28, 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required.

Under Chapter 78, certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

**NOTE 8 - POST-RETIREMENT BENEFITS**

The College contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

**Post-Retirement Medical Benefits Contribution**

As a result of Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for fiscal year 2007, the SHBP and the Prescription Drug Program (PDP) and Post-Retirement Medical (PRM) of the PERS and Teachers' Pension and Annuity Fund (TPAF) are combined and reported as Health Benefits Program Funds. The Health Benefits Program Funds are categorized into three sections: State, Local Education, and Local Government.

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**NOTE 8 - POST-RETIREMENT BENEFITS (Continued)**

Employees of the College are part of the Health Benefits Program Fund - Local Education which provides State paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of services or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the PERS and ABP who retire from a board of education or county college with 25 years of services or on a disability retirement.

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$59 billion unfunded actuarial accrued liability for other postemployment benefits (OPEB) for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

**Funded Status and Funding Progress**

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**Actuarial Methods and Assumptions**

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future. In the July 1, 2016, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 7.65 percent for investment rate of return for the OPEB.

The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

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**NOTE 8 - POST-RETIREMENT BENEFITS (Continued)**

**Post-Retirement Medical Benefits Contribution**

Under the provisions of P.L. 1992, c.126, the State is responsible for providing health benefits for members of PERS and APB who retired from a board of education or county college with 25 years of services.

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the Health Benefits Program Fund for PERS and ABP retirees' postretirement benefits on behalf of the College was not determined or made available by the State of New Jersey.

**NOTE 9 - COMPENSATED ABSENCES**

The College accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board's Statement No. 16 (GASB), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

College's employees are granted varying amounts of vacation and sick leave in accordance with the College's personnel policy. Upon termination, employees are paid for accrued vacation. The College's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the College for the unused sick leave in accordance with the College's agreements with the various employee unions. The College policies allow for payments of accumulated sick time, not to exceed \$15,000, to employees with ten years of service or more. In the Statement of Net Assets, the liabilities are reported in two components – current (amounts due within one year) and noncurrent (amounts due in more than one year).

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**NOTE 9 - COMPENSATED ABSENCES (Continued)**

During the fiscal year ended June 30, 2017 and 2016, the following changes occurred in liabilities reported as compensated absences:

	<u>Balance at June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2017</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated Absences	\$ 2,626,262	\$ 76,079	\$ 122,656	\$ 2,579,685	\$ 1,018,884	\$1,560,801

	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2016</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated Absences	\$ 2,487,851	\$ 354,065	\$ 215,654	\$ 2,626,262	\$ 942,805	\$1,683,457

**NOTE 10 - LEASE COMMITMENTS**

The College leases classrooms, office space and office equipment classified as operating leases. Rental expense was approximately \$830,776 in 2017 and \$788,623 in 2016.

Future minimum rental commitments under and these operating leases approximate the following:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 458,402
2019	464,226
2020	351,814
2021	144,900
2022	144,900

The College sublets certain leased classrooms on a month-to-month lease. Rental income for the year ended was \$0 and \$5,322, respectively.

The College rents property under a month to month agreement. Rental income for the years ended was \$49,044 and \$70,056, respectively.

**NOTE 11 - RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College maintains commercial insurance coverage for property and liability.

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**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

**NOTE 11 - RISK MANAGEMENT (Continued)**

For worker's compensation insurance the College belongs to the New Jersey Community College Insurance Pool Worker's Compensation Fund (the "Insurance Pool"). The Insurance Pool was created by agreement among the founding community colleges, on June 24, 1987, a non-profit self-insurance pool, pursuant to the provisions of the New Jersey State Government Regulations Act, Chapter 204, P.L. 1985. Effective July 1, 1987, the Insurance Pool established a Workers' Compensation Fund providing workers' compensation insurance to its members. Premium payments are made to the insurance pool by participating community colleges as determined by the Insurance Pool's independent insurance consultant.

**NOTE 12 - FINANCIAL DEPENDENCY**

One of the College's largest sources of revenue is appropriations from Hudson County and the State of New Jersey. The College is economically dependent on these appropriations to carry on its operations.

**NOTE 13 - CONTINGENCIES**

**Litigation**

The College maybe party to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the College's financial position.

**Grants**

The College received financial assistance from the State of New Jersey and the U.S. Government in the form of grants and financial assistance. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including expenditure of the funds for eligible purposes. The College is subject to the requirements of the Single Audit Act of 1984, as amended in 1996, which mandates that all revenues and expenditures from the grants and financial assistance are audited in conjunction with the College's financial statements for compliance with grant requirements. As of June 30, 2017, the College estimates that no material liabilities will result from such audits.



**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**  
**LAST FOUR FISCAL YEARS**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.105143518%	0.103111575%	0.107551610%	0.106899650%
District's proportionate share of the net pension liability	\$ 31,140,494	\$ 23,146,482	\$ 20,136,604	\$ 20,430,646
District's covered-employee payroll	10,085,536	9,100,123	7,411,708	7,068,978
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	308.76%	254.35%	271.69%	289.02%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	52.08%	52.00%	48.72%

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**SCHEDULE OF COLLEGE CONTRIBUTIONS**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**  
**LAST FOUR FISCAL YEARS**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 903,552	\$ 934,080	\$ 886,483	\$ 805,467
Contributions in relation to the contractually required contribution	<u>903,552</u>	<u>934,080</u>	<u>886,483</u>	<u>805,467</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,085,536	\$ 9,100,123	\$ 7,411,708	\$ 7,068,978
Contributions as a percentage of covered-employee payroll	8.96%	10.26%	11.96%	11.39%

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST FOUR FISCAL YEARS**

Changes in benefit terms: None

Changes in assumptions: The discount rate change from the rate as of June 30, 2015 to the rate as of June 30, 2016 in accordance with GASB Statement No. 67.

	<u>PERS</u>	<u>TPAF</u>
Discount Rate as of June 30, 2016	3.98%	3.22%
Discount Rate as of June 30, 2015	4.90%	4.13%

Method and assumptions used in calculations of employer's actuarially determined contributions. The actuarially determined contribution are calculated as of July 1 preceding the fiscal year in which the contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine rates in the schedule of employer contribution:

	<u>PERS</u>	<u>TPAF</u>
Inflation	3.08%	2.50%
Projected salary increase 2012-2021	1.65-4.15% based on age	Varies based on Experience
Thereafter	2.65-5.15% based on age	Varies based on Experience
Projected COLAs	N/A*	N/A*
Investment rate of return	7.65%	7.65%

\* Pursuant to the provisions of Chapter 78, P.L. 2011, cost of living adjustment (COLA) increases were suspended for all current and future retirees of all retirement systems

Contributions: Reported contributions, represent actual contributions by the College including contributions to the Non - Contributor Group Insurance Premium Fund.

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S 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  
Hudson County Community College  
Jersey City, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hudson County Community College (the "College"), a component unit of Hudson County, New Jersey, which collectively comprise the College's basic financial statements and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 28, 2018. The financial statements of the Hudson County Community College Foundation, Inc., the discretely presented component unit of the College, were audited by other auditors for the years ended June 30, 2017 and 2016, whose report dated October 20, 2017 expressed an unmodified opinion on those statements.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
*Certified Public Accountants*

Bayonne, New Jersey  
February 28, 2018

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

The Board of Trustees  
Hudson County Community College  
Jersey City, New Jersey

### **Report on Compliance for Each Major Federal and State Program**

We have audited the Hudson County Community College's, (the "College") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the College's major federal and state programs for the year ended June 30, 2017. The College's major federal and state programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB's Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal and State Program***

In our opinion, the College complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of the Hudson County Community College is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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

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

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
*Certified Public Accountants*

Bayonne, New Jersey  
February 28, 2018



**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/ Passed through Grantor/ Program Title	Federal CFDA Number	Award Amount	Grant Period		June 30, 2016		Cash Received	Expenditures	June 30, 2017		Cumulative Expenditures
			From	To	Accounts Receivable	Unearned Revenue			Accounts Receivable	Unearned Revenue	
U.S. Department of Labor:											
Passed through Jersey City Office of Employment and Training											
Placement in High Growth and Emerging Industry Sectors:											
Trade Adjustment Assistance Community College and Career Training	17.282	\$ 463,330	10/01/15	09/30/16	\$ (143,540)	\$ -	\$ 263,406	\$ (119,866)	\$ -	\$ -	\$ (385,025)
Trade Adjustment Assistance Community College and Career Training	17.282	476,749	10/01/16	09/30/17	-	-	101,701	(164,477)	(62,776)	-	(164,477)
Total U.S. Department of Labor					(143,540)	-	365,107	(284,343)	(62,776)	-	
National Science Foundation:											
Northern New Jersey Bridges to the Baccalaureate Degree (NNJ B2B)	47.076	96,748	08/15/14	07/31/15	(43,261)	-	43,489	(228)	-	-	(70,106)
Northern New Jersey Bridges to the Baccalaureate Degree (NNJ B2B)	47.076	82,325	08/15/16	07/31/17	-	-	-	(64,277)	(64,277)	-	(64,277)
Total National Science Foundation					(43,261)	-	43,489	(64,505)	(64,277)	-	
U.S. Department of Education:											
Student Financial Assistance Cluster:											
Federal Supplemental Educational Opportunity Grants	84.007	299,491	09/01/15	08/31/16	(56,708)	-	56,708	-	-	-	(333,462)
Federal Supplemental Educational Opportunity Grants	84.007	307,945	09/01/16	08/31/17	-	-	304,397	(314,031)	(9,634)	-	(314,031)
Federal Pell Grant Program	84.063	25,502,148	09/01/15	08/31/16	(473,167)	-	473,167	-	-	-	(25,502,149)
Federal Pell Grant Program	84.063	22,963,527	09/01/16	08/31/17	-	-	22,291,714	(22,966,287)	(674,573)	-	(22,966,287)
Federal Direct Student Loans	84.268	4,709,385	09/01/15	08/31/16	(276,008)	-	276,008	-	-	-	(5,315,380)
Federal Direct Student Loans	84.268	4,709,385	09/01/16	08/31/17	-	-	4,672,526	(4,860,109)	(187,583)	-	(4,860,109)
Federal Work Study Programs	84.033	290,872	07/01/15	06/30/16	(7,916)	-	7,916	-	-	-	(229,761)
Federal Work Study Programs	84.033	307,847	07/01/16	06/30/17	-	-	269,006	(269,474)	(468)	-	(269,474)
Total Student Financial Assistance Cluster					(813,799)	-	28,351,442	(28,409,901)	(872,258)	-	
Title V - Higher Education:											
Picking Up the Pace: Ensuring Hispanic Degree Completion	84.031S	331,068	10/01/15	09/30/16	-	1,384	-	-	-	1,384	(208,740)
Picking Up the Pace: Ensuring Hispanic Degree Completion	84.031S	635,978	10/01/15	09/30/16	(268,597)	-	367,775	(154,936)	(55,758)	-	(534,875)
Picking Up the Pace: Ensuring Hispanic Degree Completion	84.031S	308,541	10/01/16	09/30/17	-	-	290,800	(384,069)	(93,269)	-	(384,069)
Picking Up the Pace: Ensuring Hispanic Degree Completion	84.031S	84,473	10/01/16	09/30/17	-	-	56,323	(58,823)	(2,500)	-	(58,823)
Increasing Latino Population Nursing and Health Information Management	84.031S	21,930	10/01/14	09/30/15	(10,323)	-	10,323	-	-	-	(21,930)
Opening the Gate: Improving Mathematics Success for STEM Careers	84.031C	21,328	10/01/14	09/30/15	(15,984)	-	-	-	(15,984)	-	(138,179)
Opening the Gate: Improving Mathematics Success for STEM Careers	84.031C	179,728	10/01/15	09/30/16	(84,735)	-	178,171	(93,436)	-	-	(178,171)
Total Title V - Higher Education					(379,639)	1,384	903,392	(691,264)	(167,511)	1,384	
Passed through State of New Jersey,											
Department of Education:											
Carl D. Perkins Vocational Education and											
Applied Technology Education Act	84.048	459,414	07/01/15	06/30/16	(401,045)	-	401,045	-	-	-	(401,045)
Carl D. Perkins Vocational Education and											
Applied Technology Education Act	84.048	576,839	07/01/16	06/30/17	-	-	188,937	(455,435)	(266,498)	-	(455,435)
College Readiness Now	84.334	40,137	07/01/16	06/30/17	-	-	-	(33,680)	(33,680)	-	(33,680)
College Credit Now	84.334	20,000	07/01/16	06/30/17	-	-	-	(19,927)	(19,927)	-	(19,927)
Total U.S. Department of Education					(401,045)	-	589,982	(509,042)	(320,105)	-	
Total U.S. Department of Education					(1,594,483)	1,384	29,844,816	(29,610,207)	(1,359,874)	1,384	
U.S. Department of Health and Human Services:											
Passed through State of New Jersey,											
Department of Health and Human Services											
Passed through Bergen County Community College:											
Health Careers Opportunity Grant Cooperative	93.822	318,044	10/01/14	09/30/15	-	12,093	-	-	-	12,093	(366,705)
Total U.S. Department of Health and Human Services					-	12,093	-	-	-	12,093	
Total Federal Awards					\$ (1,781,284)	\$ 13,477	\$ 30,253,412	\$ (29,959,055)	\$ (1,486,927)	\$ 13,477	

The accompanying Notes to Schedules of Expenditure of Federal Awards and State Financial Assistance are an integral part of this schedule

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County)**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**FOR THE YEAR ENDED JUNE 30, 2017**

State of New Jersey Grantor/ Passed through Grantor/ Program or Cluster Title	Grant Account Number	Award Amount	Grant Period From To		June 30, 2016		Cash Received	Expenditures	June 30, 2017		Cumulative Expenditures
					Accounts Receivable	Unearned Revenue			Accounts Receivable	Unearned Revenue	
Higher Education Assistance Authority:											
Tuition Aid Grants	16-100-074-2405-007	\$ 4,042,129	07/01/15	06/30/16	\$ -	\$ 38,947	\$ -	\$ (38,947)	\$ -	\$ -	\$ (4,042,129)
Tuition Aid Grants	17-100-074-2405-007	4,098,389	07/01/16	06/30/17	-	-	4,020,434	(4,021,886)	(1,452)	-	(4,021,886)
					<u>-</u>	<u>38,947</u>	<u>4,020,434</u>	<u>(4,060,833)</u>	<u>(1,452)</u>	<u>-</u>	
Alternative Loan	*	274,035	07/01/16	06/30/17	-	-	252,589	(274,035)	(21,446)	-	(274,035)
NJ Stars	17-100-074-2405-313	60,207	07/01/16	06/30/17	-	-	60,207	(60,207)	-	-	(60,207)
Total Higher Education Assistance Authority					<u>-</u>	<u>38,947</u>	<u>4,333,230</u>	<u>(4,395,075)</u>	<u>(22,898)</u>	<u>-</u>	
Department of Higher Education:											
Supplementary Education Program Grant:											
Educational Opportunity Fund:											
Article III - Educational Opportunity Fund Summer	17-100-074-2401-001	23,093	06/01/16	07/31/17	-	-	20,376	(20,376)	-	-	(20,376)
Article IV - Academic Year Support Funds	16-100-074-2401-002	147,555	06/01/15	07/31/16	(11,028)	-	11,028	-	-	-	(136,892)
Article III - Educational Opportunity Fund Art Scholarship	16-100-074-2401-002	125,421	06/01/15	07/31/16	-	1,250	-	(1,250)	-	-	(125,421)
Article III - Educational Opportunity Fund Art Scholarship	17-100-074-2401-002	124,251	06/01/16	07/31/17	-	-	102,327	(102,327)	-	-	(124,251)
Article IV - Academic Year Support Funds	17-100-074-2401-002	151,806	07/01/16	06/30/17	-	-	139,527	(139,527)	-	-	(139,527)
Article IV - Academic Year Support Funds	16-100-074-2401-002	29,701	07/01/15	06/30/16	-	-	23,254	(23,254)	-	-	(29,701)
Total Educational Opportunity Fund					<u>(11,028)</u>	<u>1,250</u>	<u>296,512</u>	<u>(286,734)</u>	<u>-</u>	<u>-</u>	
Total Department of Higher Education					<u>(11,028)</u>	<u>1,250</u>	<u>296,512</u>	<u>(286,734)</u>	<u>-</u>	<u>-</u>	
Department of Treasury:											
Higher Education Administration:											
Alternate Benefit Program	16-100-082-2155-017	806,395	07/01/15	06/30/16	(373,804)	-	373,804	-	-	-	(1,707,131)
Alternate Benefit Program	17-100-082-2155-017	919,571	07/01/16	06/30/17	-	-	612,355	(919,572)	(307,217)	-	(919,572)
Total Department of Treasury					<u>(373,804)</u>	<u>-</u>	<u>986,159</u>	<u>(919,572)</u>	<u>(307,217)</u>	<u>-</u>	
Other State Grants:											
GSS Scholarship Grant	17-074-2405-586	7,000	07/01/16	06/30/17	-	-	-	(7,000)	(7,000)	-	(7,000)
Governor's Urban Scholarship Grant	17-074-2405-586	7,000	07/01/16	06/30/17	-	-	7,000	(7,000)	-	-	(7,000)
NJ Government Ind Vocation	16-074-2405-586	2,000	07/01/15	06/30/16	-	-	-	-	-	-	(2,000)
					<u>-</u>	<u>-</u>	<u>7,000</u>	<u>(14,000)</u>	<u>(7,000)</u>	<u>-</u>	
Total State Financial Assistance					<u>\$ (384,832)</u>	<u>\$ 40,197</u>	<u>\$ 5,622,901</u>	<u>\$ (5,615,381)</u>	<u>\$ (337,115)</u>	<u>\$ -</u>	

\* Information not available

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**

**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - GENERAL**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the Hudson County Community College (the "College"). The College is defined in Note 1 to the College's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other governmental agencies, are included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of Federal Awards and State Financial Assistance include the Federal and State of New Jersey grant activity of Hudson County Community College (the "College") and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the New Jersey Office of Management and Budget Circular 15-08. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3 - LOAN PROGRAMS**

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and the State of New Jersey Alternative Loan and New Jersey Class Loans 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 this program as of June 30, 2017.

**NOTE 4 - INDIRECT COST METHOD**

The College has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uninform Guidance.

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

*Section I - Summary of Auditor's Results*

**Financial Statement**

- A) Type of auditor's report issued: Unmodified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified?      yes   ✓   no
- 2) Significant deficiencies identified?      yes   ✓   none reported
- C) Noncompliance material to basic financial statements noted?      yes   ✓   no

**Federal Awards**

- D) Internal Control over major programs:
- 1) Material weakness(es) identified?      yes   ✓   no
- 2) Significant deficiencies identified?      yes   ✓   none reported
- E) Type of auditor's report issued on compliance for major programs: Unmodified
- F) Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200 SECTION .516(a) of ?      yes   ✓   no
- G) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.033	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational
84.063	Opportunity Grants
84.268	Federal Pell Grant Program
	Federal Direct Student Loans
	Federal Work Study Programs

- H) Dollar threshold used to distinguish between type A and Type B Programs: \$898,772
- I) Auditee qualified as low-risk auditee?   ✓   yes      no

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

*Section I - Summary of Auditor's Results*

**State Awards**

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

\$750,000

K) Auditee qualified as low-risk auditee?

✓ yes           no

L) Internal control over financial reporting:

1) Material weakness(es) identified?

     yes      ✓ no

2) Significant deficiencies identified that are not  
considered to be material weaknesses?

     yes      ✓ none reported

M) Type of auditor's report issued on compliance for major programs:

Unmodified

N) Any audit findings disclosed that are required  
to be reported in accordance with Applicable N.J. OMB Circular  
Letter 15-08

     yes      ✓ no

O) Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
<u>17-100-074-2405-007</u>	<u>Tuition Aid Grants</u>
<u>17-100-082-2155-017</u>	<u>Alternative Benefit Program</u>

**HUDSON COUNTY COMMUNITY COLLEGE  
(A Component Unit of Hudson County, New Jersey)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

***Section II - Financial Statement Findings***

(This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting.)

**No matters were reported.**

**HUDSON COUNTY COMMUNITY COLLEGE  
(A Component Unit of Hudson County, New Jersey)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

***Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs***

(This section identifies audit findings required to be reported by by 2 CFR 200 Section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB Circular Letter 15-08, as applicable.)

**FEDERAL AWARDS**

**No matters were reported.**

**STATE FINANCIAL ASSISTANCE**

**No matters were reported.**

**HUDSON COUNTY COMMUNITY COLLEGE**  
**(A Component Unit of Hudson County, New Jersey)**  
**SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
  
**FOR THE YEAR ENDED JUNE 30, 2017**

(This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (¶.511 (a)(b)) and New Jersey OMB's Circular 04-04 and/or 15-08, as applicable.)

**FINANCIAL STATEMENTS**

**No matters were reported.**

**FEDERAL AWARDS**

**No matters were reported.**

**STATE FINANCIAL ASSISTANCE**

**No matters were reported.**