

2018



(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, 2018 and 2017
(With Independent Auditor's Report)

HUDSON COUNTY COMMUNITY COLLEGE
(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, 2018 and 2017
(With Independent Auditor's Report)**



**DONOHUE, GIRONDA,
DORIA & TOMKINS, LLC**

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
TABLE OF CONTENTS

FOR YEARS ENDED JUNE 30, 2018 AND 2017

Page
No

FINANCIAL SECTION

Required Supplementary Information - Part I:

Management's Discussion and Analysis 1 - 8

Independent Auditor's Report 9 - 11

Basic Financial Statements:

Hudson County Community College Statements of Net Position 12 - 13

Hudson County Community College Statements of Revenues, Expenses, and
Changes in Net Position 14

Hudson County Community College Statements of Cash Flows 15 - 16

Hudson County Community College Foundation, Inc. Statements of Financial
Position 17

Hudson County Community College Foundation, Inc. Statements of Activities 18

Notes to Financial Statements 19 - 53

Required Supplementary Information - Part II:

Schedule of the College's Proportionate Share of the Net Pension Liability -
Public Employees Retirement System (PERS) 54

Schedule of College Contributions -
Public Employees Retirement System (PERS) 55

Schedule of Changes in the State's Proportionate Share of OPEB Liability
Attributable to the College and Related Ratios -
State Health Benefits Local Education Retired Employees OPEB Plan 56

Notes to the Required Supplementary Information 57

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
TABLE OF CONTENTS

FOR YEARS ENDED JUNE 30, 2018 AND 2017

Page
No

SINGLE AUDIT SECTION

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 <i>Government Auditing Standards</i>	58 - 59
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular 15-08	60 - 62
Schedule of Expenditures of Federal Awards	63 - 64
Schedule of Expenditures of State Financial Assistance	65
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	66 - 67
Schedule of Findings and Questioned Costs :	
Section I - Summary of Auditor's Results	68 - 69
Section II - Financial Statement Findings	70
Section III - Federal and State Financial Assistance Findings and Questioned Costs	71
Summary Schedule of Prior-Year Audit Findings and Questioned Costs as Prepared by Management	72

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

PART I

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017 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 \$2,811,916 to \$146,219,152 with unrestricted net position increasing \$6,647,259 to \$6,952,367 and net investment in capital assets decreasing \$3,835,343 to \$139,228,205.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

A summary of the College's assets, liabilities and net position at June 30, 2018, 2017, and 2016, respectively:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Current Assets:			
Cash	\$ 34,608,711	\$ 31,995,387	\$ 32,739,983
Accounts Receivable	1,578,840	1,327,307	1,051,414
Grants Receivable	1,721,619	1,824,042	2,399,632
Due from State of New Jersey	-	-	1,712,373
Due from County of Hudson	403,422	293,627	514,436
Other Receivables	290,171	1,297,095	1,345,828
Prepaid Expenses and Other Assets	197,466	236,362	186,036
Total Current Assets	<u>38,800,229</u>	<u>36,973,820</u>	<u>39,949,702</u>
Noncurrent Assets:			
Security Deposits	41,714	41,834	41,834
Capital Assets, Net	<u>139,228,205</u>	<u>143,063,548</u>	<u>130,954,118</u>
Total Noncurrent Assets	<u>139,269,919</u>	<u>143,105,382</u>	<u>130,995,952</u>
Total Assets	<u>178,070,148</u>	<u>180,079,202</u>	<u>170,945,654</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>7,968,807</u>	<u>9,640,057</u>	<u>4,057,931</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	4,180,963	9,729,624	5,136,123
Accrued Salaries and Benefits	713,092	793,161	819,623
Unearned Revenue	690,114	798,450	2,517,253
Compensated Absences	1,149,471	1,018,884	942,805
Total Current Liabilities:	<u>6,733,640</u>	<u>12,340,119</u>	<u>9,415,804</u>
Noncurrent Liabilities:			
Student Deposits	632,329	714,758	779,586
Compensated Absences	1,579,442	1,560,801	1,683,458
Net Pension Liability	<u>25,374,599</u>	<u>31,140,494</u>	<u>23,146,482</u>
Total Noncurrent Liabilities	<u>27,586,370</u>	<u>33,416,053</u>	<u>25,609,526</u>
Total Liabilities	<u>34,320,010</u>	<u>45,756,172</u>	<u>35,025,330</u>
DEFERRED INFLOWS OF RESOURCES	<u>5,499,793</u>	<u>555,851</u>	<u>1,077,424</u>
NET POSITION			
Net Investment in Capital Assets	139,228,205	143,063,548	130,954,118
Restricted Net Assets	38,580	38,580	38,580
Unrestricted	<u>6,952,367</u>	<u>305,108</u>	<u>7,908,133</u>
Total Net Position	<u>\$ 146,219,152</u>	<u>\$ 143,407,236</u>	<u>\$ 138,900,831</u>

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018, 2017, and 2016, respectively:

	<u>2018*</u>	<u>2017*</u>	<u>2016</u>
OPERATING REVENUES			
Student Tuition and Fees	\$ 37,866,342	\$ 33,853,640	\$ 35,238,072
Less: Student Financial Aid	<u>(28,368,297)</u>	<u>(27,030,099)</u>	<u>(26,358,704)</u>
	9,498,045	6,823,541	8,879,368
Government Grants	39,106,525	37,518,003	33,827,132
Local and Private Sponsored Programs	929,054	825,872	822,895
Other Operating Revenues	<u>519,463</u>	<u>529,400</u>	<u>835,975</u>
Total Operating Revenues	<u>50,053,087</u>	<u>45,696,816</u>	<u>44,365,370</u>
OPERATING EXPENSES			
Instructions	22,603,890	20,569,389	21,335,748
Academic Support	2,870,954	3,094,176	3,002,101
Student Services	5,246,476	4,837,945	4,405,586
Institutional Support	26,575,478	27,595,178	18,474,096
Operation and Maintenance of Plant	6,928,844	6,899,418	6,173,210
Conference Center	409,454	422,383	301,778
Student Aid	3,318,243	3,876,033	6,380,115
Depreciation	<u>5,203,253</u>	<u>4,716,864</u>	<u>4,655,620</u>
Total Operating Expenses	<u>73,156,592</u>	<u>72,011,386</u>	<u>64,728,254</u>
Loss from Operations	(23,103,505)	(26,314,570)	(20,362,884)
NONOPERATING REVENUES			
State of New Jersey Appropriations	6,841,913	6,988,454	6,920,463
Hudson County Appropriations	13,073,492	12,580,281	12,106,039
Interest Income	250,321	135,234	73,892
Gain on Sale of Property	<u>2,875,549</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues	<u>23,041,275</u>	<u>19,703,969</u>	<u>19,100,394</u>
Net Changes in Net Position			
Before Capital Appropriations	(62,230)	(6,610,601)	(1,262,490)
Capital Appropriations	<u>2,874,146</u>	<u>11,117,005</u>	<u>10,855,488</u>
Change in Net Position	2,811,916	4,506,404	9,592,998
Net Position, July 1	<u>143,407,236</u>	<u>138,900,832</u>	<u>129,307,834</u>
Net Position, June 30	<u>\$ 146,219,152</u>	<u>\$ 143,407,236</u>	<u>\$ 138,900,832</u>

* The College adopted GASB Statement No. 75 retroactively, for the year ended June 30, 2017. As a result, the College recognized on-behalf revenue and expense of the State's proportionate share of post-retirement benefits expense attributable to the College of \$7,526,533 and \$7,158,891, for the year ended June 30, 2018 and 2017, respectively.

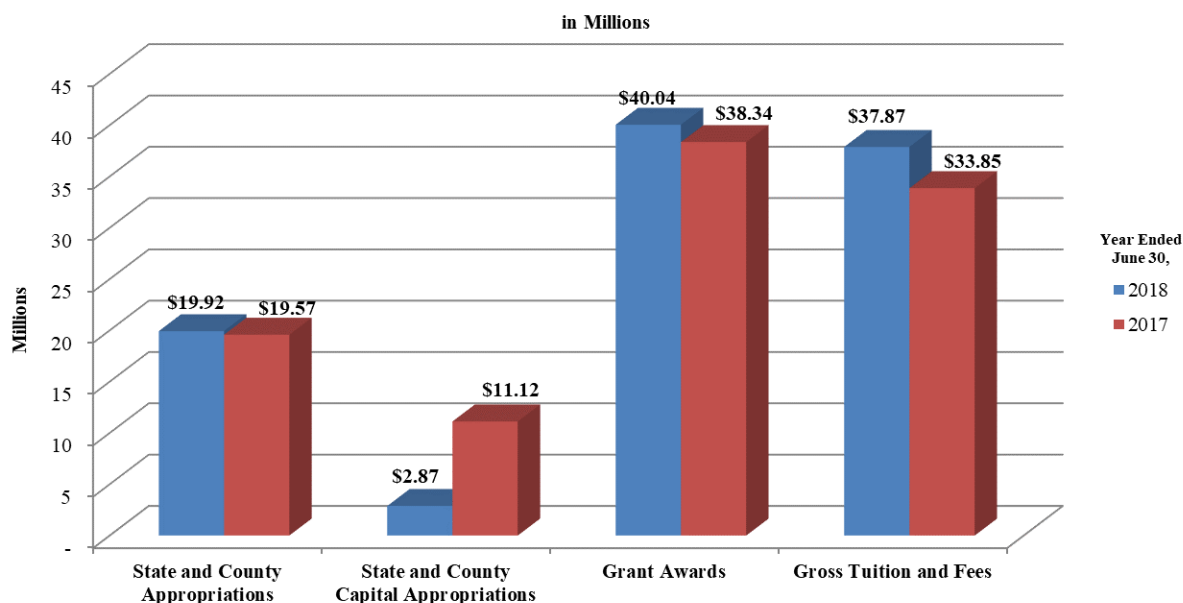
HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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.

The statements of revenues, expenses and changes in net position for fiscal years 2018 and 2017 reflect a decrease in changes in net position before capital appropriations of (\$62,230) and (\$6,610,601), respectively. Capital appropriations for the fiscal years 2018 and 2017 decreased in the amount of \$8,242,859 and increased in the amount of \$261,517, respectively. Net position for fiscal years 2018 and 2017 increased in the amounts of \$2,811,916 and \$4,506,404, respectively.

The overall increase in net position before capital appropriations in 2018 is primarily attributed to a one time revenue from the sale of property of resulting in a gain of \$2,875,549 and an overall decrease in losses from operations in the amount of \$3,211,065. Additional increases in nonoperating revenues can be primarily attributed to County and State appropriations increase in 2018 and 2017 in the amounts of \$346,670 and \$542,233, respectively.

Comparison of major revenues by source for 2018 and 2017 is as follows:



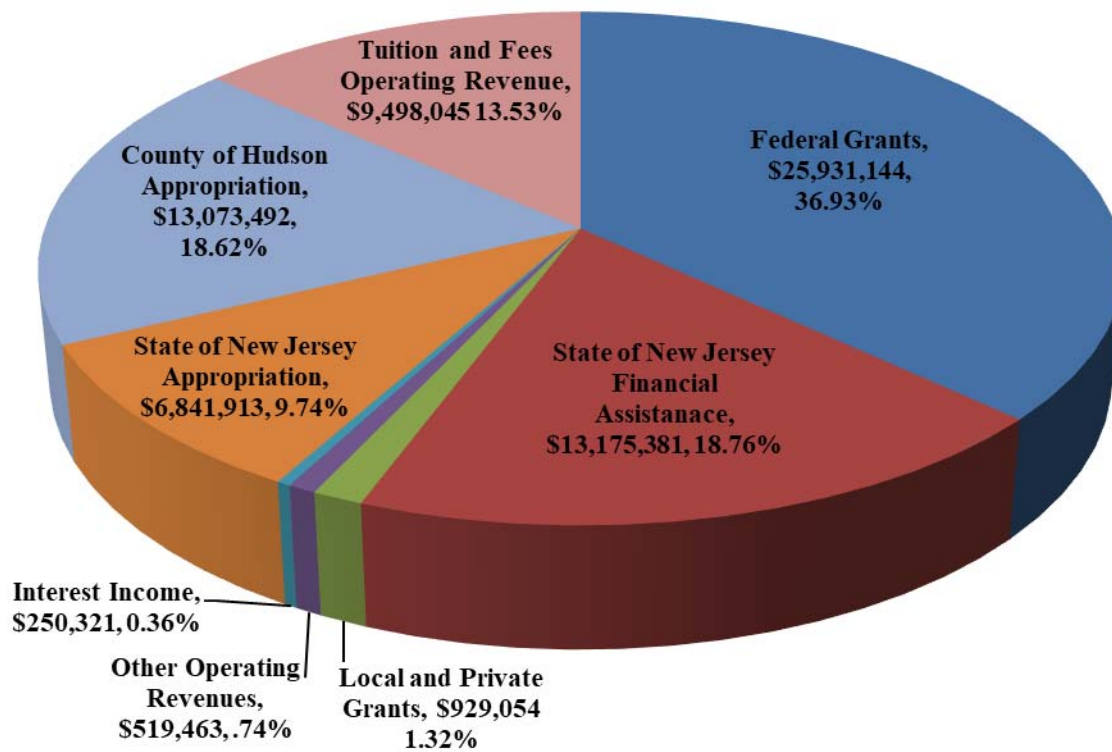
**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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, 2018:

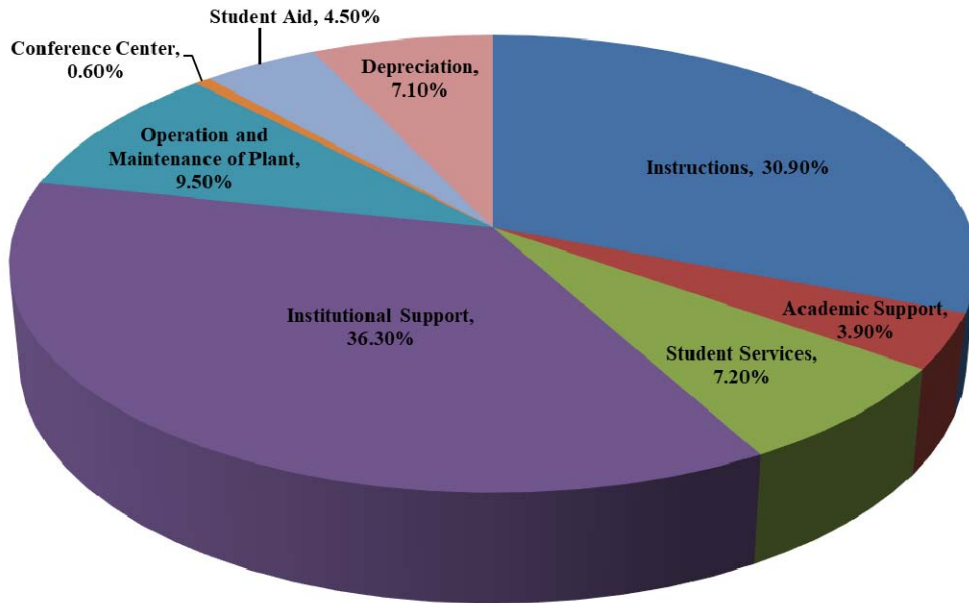


**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

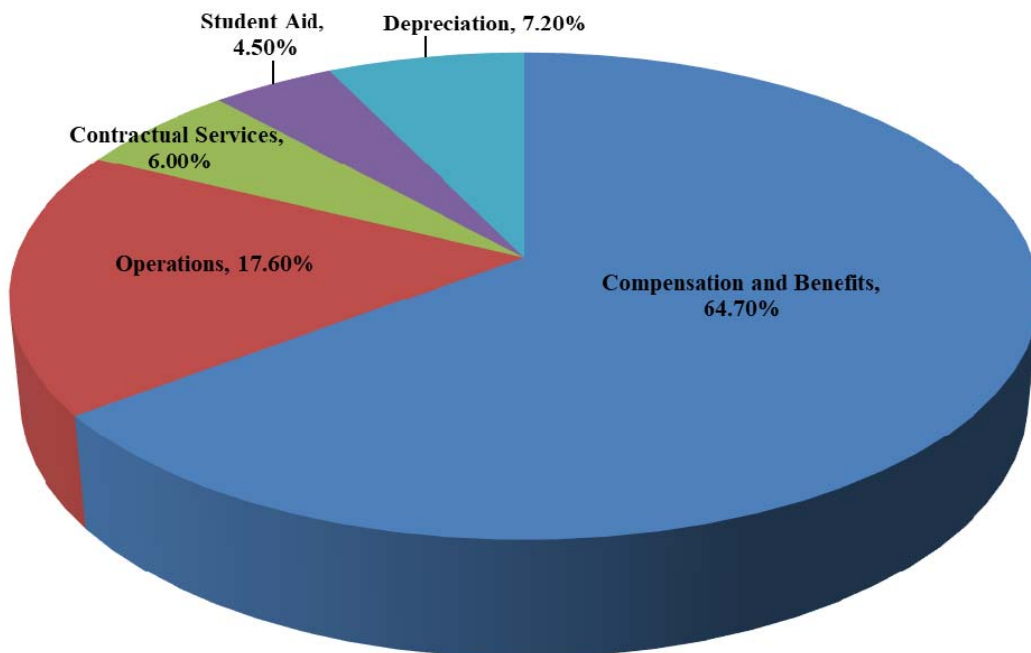
Expenses

A comparison of operating expenses by function and natural classifications for the year ended June 30, 2018 is as follows:

EXPENSES BY FUNCTION



EXPENSES BY NATURAL CLASSIFICATION



**HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

Capital

In 2018, 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.

The College had \$7,009,329 in capital additions during 2018 of which \$2,874,146 was funded by capital appropriations and \$16,826,293 during 2017 of which \$11,117,005 was funded by capital appropriations. The capital additions primarily comprised building and improvements, investment in equipment and construction in progress.

During 2018 the College was approved for \$18,549,310 in capital projects of which \$17,792,909 are funded by the County and \$756,402 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 \$5,093,944 at June 30, 2018. 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 2018 totaling 186,957 an increase by 1.6% when compared to fiscal year 2017 total student credit hours in the amount of 183,994.

Revenues for State Appropriations in 2018 decreased \$146,541 to \$6,841,913. Revenues for County Appropriations in 2018 increased \$493,211 to \$13,073,492.

College tuition in 2018 increased 6.00 per credit or 4.7% over 2017 to \$135.00 per 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.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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 2018 is \$1,092,307.

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

The Governor of New Jersey, Phil Murphy, selected Hudson County Community College as 1 of 13 community colleges in the State able to participate in the \$20 million award to cover tuition and fees. This initiative is anticipated to create an increase in enrollments as it will open access to education for many students who otherwise would not be able to attend college due to lack of financial resources.

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, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. 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, 2018 and 2017, whose report dated February 28, 2019, expressed and 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, 2018 and 2017, 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 and post-retirement medical benefits information on pages 54 - 56 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 and 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.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in 2018 the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and for comparative purposes has restated the financial statements for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the College's internal control over financial reporting and compliance.



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

Bayonne, New Jersey
February 28, 2019

BASIC FINANCIAL STATEMENTS

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Unrestricted:		
Cash	\$ 34,608,711	\$ 31,995,387
Accounts Receivable	1,578,840	1,327,307
Due from County of Hudson	403,422	293,627
Other Receivables	290,171	1,297,095
Prepaid Expenses and Other Assets	197,466	236,362
Total Unrestricted	<u>37,078,610</u>	<u>35,149,778</u>
Restricted:		
Grants Receivable	<u>1,721,619</u>	<u>1,824,042</u>
Total Current Assets	<u>38,800,229</u>	<u>36,973,820</u>
Noncurrent Assets:		
Security Deposits	41,714	41,834
Capital Assets, Net	139,228,205	143,063,548
Total Noncurrent Assets	<u>139,269,919</u>	<u>143,105,382</u>
Total Assets	<u>178,070,148</u>	<u>180,079,202</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Liability	<u>7,968,807</u>	<u>9,640,057</u>

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable and Accrued Expenses	\$ 3,906,029	\$ 5,395,964
Accrued Salaries and Benefits	713,092	793,161
Unearned Revenue	644,797	763,246
Other Accrued Liabilities	271,621	4,330,242
Compensated Absences	1,149,471	1,018,884
Payable from Restricted Assets:		
Other Accrued Liabilities	3,313	3,418
Unearned Revenue	45,317	35,204
Total Current Liabilities	<u>6,733,640</u>	<u>12,340,119</u>
Noncurrent Liabilities:		
Student Deposits	632,329	714,758
Compensated Absences	1,579,442	1,560,801
Net Pension Liability	25,374,599	31,140,494
Total Noncurrent Liabilities	<u>27,586,370</u>	<u>33,416,053</u>
Total Liabilities	<u>34,320,010</u>	<u>45,756,172</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Liability	<u>5,499,793</u>	<u>555,851</u>
NET POSITION		
Net Investment in Capital Assets	139,228,205	143,063,548
Restricted Net Assets	38,580	38,580
Unrestricted	<u>6,952,367</u>	<u>305,108</u>
Total Net Position	<u>\$ 146,219,152</u>	<u>\$ 143,407,236</u>

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 37,866,342	\$ 33,853,640
Less: Student Financial Aid	<u>(28,368,297)</u>	<u>(27,030,099)</u>
	9,498,045	6,823,541
 Federal Grant Awards	 25,931,144	 25,045,206
State Financial Assistance	13,175,381	12,472,797
Local and Private Sponsored Programs	929,054	825,872
Other Operating Revenues	<u>519,463</u>	<u>529,400</u>
Total Operating Revenues	<u>50,053,087</u>	<u>45,696,816</u>
 OPERATING EXPENSES		
Instructions	22,603,890	20,569,389
Academic Support	2,870,954	3,094,176
Student Services	5,246,476	4,837,945
Institutional Support	26,575,478	27,595,178
Operation and Maintenance of Plant	6,928,844	6,899,418
Conference Center	409,454	422,383
Student Aid	3,318,243	3,876,033
Depreciation	<u>5,203,253</u>	<u>4,716,864</u>
Total Operating Expenses	<u>73,156,592</u>	<u>72,011,386</u>
 Loss from Operations	 (23,103,505)	 (26,314,570)
 NONOPERATING REVENUES		
State of New Jersey:		
Appropriations	6,841,913	6,988,454
Hudson County Appropriations	13,073,492	12,580,281
Interest Income	250,321	135,234
Gain on Sale of Property	<u>2,875,549</u>	<u>-</u>
Total Nonoperating Revenues	<u>23,041,275</u>	<u>19,703,969</u>
 Net (Expense) Revenue and Changes in Net Position		
Before Capital Appropriations	(62,230)	(6,610,601)
 Capital Appropriations	 <u>2,874,146</u>	 <u>11,117,005</u>
 Change in Net Position	 2,811,916	 4,506,404
Net Position, July 1	<u>143,407,236</u>	<u>138,900,832</u>
Net Position, June 30	<u><u>\$ 146,219,152</u></u>	<u><u>\$ 143,407,236</u></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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 9,128,063	\$ 6,366,086
Governmental Grants	39,219,061	29,163,944
Nongovernmental Grants and Contracts	929,054	1,059,389
Other Operating Receipts	1,526,387	578,133
Payments for Employee Salaries and Benefits	(33,977,363)	(35,516,494)
Payments to Suppliers	(32,810,973)	(14,382,659)
Payments to Students for Financial Aid	(3,318,243)	(3,876,033)
Net Cash Used by Operating Activities	<u>(19,304,014)</u>	<u>(16,607,634)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State of New Jersey Appropriations	6,841,913	8,700,827
Hudson County Appropriations	12,963,696	12,801,091
Student Organization Agency Transactions	(82,429)	(64,828)
Net Cash Provided by Noncapital Financing Activities	<u>19,723,180</u>	<u>21,437,090</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(931,715)	(5,709,286)
Sale of Property	2,875,552	-
Net Cash Used by Capital and Related Financing Activities	<u>1,943,837</u>	<u>(5,709,286)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	250,321	135,234
Net Cash Provided by Investing Activities	<u>250,321</u>	<u>135,234</u>
Net Increase (Decrease) in Cash	2,613,324	(744,596)
Cash, July 1	31,995,387	32,739,983
Cash, June 30	<u>\$ 34,608,711</u>	<u>\$ 31,995,387</u>

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES		
Loss from Operations	\$ (23,103,505)	\$ (26,314,570)
Adjustments to Reconcile Loss from Operations to Net Cash Used by Operating Activities:		
Depreciation Expense	5,203,253	4,716,864
Changes in Assets:		
Accounts Receivable	(251,533)	(275,893)
Grants Receivable	102,423	575,590
Other Receivables	1,006,924	48,733
Prepaid Expenses	38,896	(50,326)
Security Deposits	120	-
Change in Deferred Outflows of Resources:		
Deferred Pension Liability	1,671,250	(5,582,126)
Changes in Liabilities:		
Accounts Payable and Accrued Expenses	(1,489,935)	2,192,427
Accrued Salaries and Benefits	(80,069)	(26,462)
Unearned Revenue	(108,336)	(1,718,803)
Other Accrued Expenses	(4,634,318)	2,401,070
Compensated Absences	149,228	(46,577)
Net Pension Liability	(5,765,895)	7,994,012
Change in Deferred Inflows of Resources:		
Deferred Pension Liability	7,957,483	(521,573)
Total Adjustments	<u>3,799,491</u>	<u>9,706,936</u>
Net Cash Used by Operating Activities	<u>\$ (19,304,014)</u>	<u>\$ (16,607,634)</u>
Non-cash investing, capital and financing activities:		
Increase in allowance for uncollectible accounts	\$ 1,601,057	\$ 2,111,245
Capital Assets acquired through Hudson County Appropriations	2,874,146	11,117,005

HUDSON COUNTY COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 405,460	\$ 600,579
Investments	1,082,124	1,080,896
Prepaid expenses	4,652	2,500
Property and equipment – net	31,805	14,040
Library and art collection	<u>206,525</u>	<u>206,525</u>
Total Assets	<u>\$ 1,730,566</u>	<u>\$ 1,904,540</u>
Liabilities		
Deferred revenue	\$ <u>-</u>	\$ <u>12,500</u>
Total Liabilities	<u>-</u>	<u>12,500</u>
Net Assets		
Unrestricted	1,117,650	1,078,877
Temporarily restricted	43,274	243,518
Permanently restricted	<u>569,642</u>	<u>569,642</u>
Total Net Assets	<u>1,730,566</u>	<u>1,892,037</u>
Total Liabilities and Net Assets	<u>\$ 1,730,566</u>	<u>\$ 1,904,537</u>

See accompanying notes.

HUDSON COUNTY COMMUNITY COLLEGE FOUNDATION

Statements of Activities and Changes in Net Assets For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Change in Net Assets								
Revenue and Support								
Support	\$ 3,200	\$ 147,250	\$ -	\$ 150,450	\$ 2,550	\$ 78,712	\$ -	\$ 81,262
Fund raising events	134,850	150,651	-	285,501	143,258	142,555	-	285,813
Subscription dining	8,172	-	-	8,172	17,060	-	-	17,060
Other revenue	20,775	-	-	20,775	-	-	-	-
Interest	1,608	-	-	1,608	4,654	-	-	4,654
In kind contribution of services	151,350	-	-	151,350	201,985	-	-	201,985
Total Revenue and Support	319,955	297,901	-	617,856	369,507	221,267	-	590,774
Net Assets Released from Restrictions								
Satisfaction of Purpose	498,146	(498,146)	-	-	230,642	(230,642)	-	-
Total Revenue and Support	818,101	(200,244)	-	617,856	600,149	(9,375)	-	590,774
Expenses								
Program services	478,460	-	-	478,460	344,227	-	-	344,227
Supporting services:								
Management and general	185,123	-	-	185,123	247,374	-	-	247,374
Fundraising	115,745	-	-	115,745	114,255	-	-	114,255
Total Expenses	779,328	-	-	779,328	705,856	-	-	705,856
Change in Net Assets	38,773	(200,244)	-	(161,472)	(105,707)	(9,375)	-	(115,082)
Net Assets – Beginning of Years	1,078,877	243,518	569,642	1,892,037	1,184,584	252,893	569,642	2,007,119
Net Assets – End of Years	\$ 1,117,650	\$ 43,274	\$ 569,642	\$ 1,730,565	\$ 1,078,877	\$ 243,518	\$ 569,642	\$ 1,892,037

See accompanying notes.

NOTES TO BASIC FINANCIAL STATEMENTS

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 AND 2017

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, 2018 AND 2017

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) information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position 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. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements, deferred outflows and/or inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) and/or inflow of resources (revenue) until then. The College has one item that qualifies for reporting in this category which is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

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.”

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 Hudson County County appropriates the funds to the College.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2019, the date these financial statements were available to be issued.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts have been reclassified to conform to current year presentation.

Adoption of New Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities.

GASB Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB.

Restatement of Financial Statements

As a result of implementing GASB No. 75, the College has restated the statement of revenue, expenses, and changes in net position for the year ended June 30, 2017 to retroactively recognize OPEB expense of \$7,158,891. This amount has been included as a revenue and expense for the year ended June 30, 2017 in accordance with GASB No. 85.

Recently Issued Accounting Pronouncements to be implemented in future years

GASB Statement No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

GASB Statement No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements to be implemented in future years (Continued)

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

GASB Statement No. 89, Accounting for Interest Costs Incurred Before the End of a Construction Period, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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, 2018 AND 2017

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, 2018 and 2017 the College's carrying amounts of deposits were \$34,608,711 and \$31,995,387 respectively, and the bank balances were \$36,023,567 and \$33,594,794, respectively. As of June 30, 2018 and 2017, \$250,000 of the total deposits were insured by the FDIC, \$26,924,933 and \$17,439,867, 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, \$166,596 and \$364,428, 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, 2018 AND 2017

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, 2018 and 2017 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, 2018 AND 2017

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, 2018 and 2017, the Foundation distributed \$312,936 and \$269,700 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, 2018 and 2017, the College's accounts receivable were as follows:

	2018	2017
Tuition and Fees	\$ 23,371,546	\$ 21,466,030
Less: Allowance for Doubtful Accounts	<u>(21,792,706)</u>	<u>(20,138,723)</u>
Total Accounts Receivable	<u>\$ 1,578,840</u>	<u>\$ 1,327,307</u>
Due from County of Hudson:		
Capital Appropriations	<u>\$ 403,422</u>	<u>\$ 293,627</u>
Grants Receivable:		
Federal	\$ 1,394,475	\$ 1,486,927
State	<u>327,144</u>	<u>337,115</u>
Total Grants Receivable	<u>\$ 1,721,619</u>	<u>\$ 1,824,042</u>

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 5 - CAPITAL ASSETS

Depreciation expense was \$5,203,253 and \$4,716,864 for the years ended June 30, 2018 and 2017, respectively.

The County of Hudson issued bonds in the amount of \$0 and \$3,100,000 during the years ended June 30, 2018 and 2017, 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 detail of capital asset activity for the year ended June 30, 2018 is as follows:

	Balance at June 30, 2017	Transfers	Additions	Disposals	Balance at June 30, 2018
Capital Assets:					
Non-Depreciable:					
Land	\$ 14,413,762	\$ -	\$ -	\$ (1,316,939)	\$ 13,096,823
Construction in Progress	23,626,951	(22,283,914)	-	-	1,343,037
Total Non-Depreciable	<u>38,040,713</u>	<u>(22,283,914)</u>	<u>-</u>	<u>(1,316,939)</u>	<u>14,439,860</u>
Depreciable:					
Buildings and Improvements	139,108,499	22,283,914	6,943,862	(10,631,517)	157,704,758
Equipment	11,230,742	-	-	(8,229,867)	3,000,875
Library Books	1,155,108	-	65,467	-	1,220,575
Total Depreciable at Historical Cost	<u>151,494,349</u>	<u>22,283,914</u>	<u>7,009,329</u>	<u>(18,861,384)</u>	<u>161,926,208</u>
Less: Accumulated Depreciation:					
Buildings and Improvements	(36,829,169)	-	(3,615,992)	6,544,461	(33,900,700)
Equipment	(8,661,687)	-	(1,525,693)	7,992,443	(2,194,937)
Library Books	(980,658)	-	(61,568)	-	(1,042,226)
Total Accumulated Depreciation	<u>(46,471,514)</u>	<u>-</u>	<u>(5,203,253)</u>	<u>14,536,904</u>	<u>(37,137,863)</u>
Depreciable Capital Assets, Net	<u>105,022,835</u>	<u>22,283,914</u>	<u>1,806,076</u>	<u>(4,324,480)</u>	<u>124,788,345</u>
Capital Assets, Net	<u>\$ 143,063,548</u>	<u>\$ -</u>	<u>\$ 1,806,076</u>	<u>\$ (5,641,419)</u>	<u>\$ 139,228,205</u>

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 5 - CAPITAL ASSETS (Continued)

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

	<u>Balance at June 30, 2016</u>	<u>Transfers</u>	<u>Additions</u>	<u>Disposals</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>-</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>-</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>-</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>-</u>	<u>105,022,835</u>
Capital Assets, Net	<u>\$ 130,954,118</u>	<u>\$ -</u>	<u>\$ 12,109,430</u>	<u>\$ -</u>	<u>\$ 143,063,548</u>

NOTE 6 – UNEARNED REVENUES

At June 30, 2018 and 2017, the College's unearned revenues were as follows:

	<u>2018</u>	<u>2017</u>
Unearned Student Tuition and Fees	<u>\$ 644,797</u>	<u>\$ 763,246</u>
Unearned Grant Revenue:		
Federal	\$ 12,093	\$ 12,095
State	7,010	12,578
Local	<u>26,214</u>	<u>10,531</u>
Total Unearned Grant Revenue	<u>\$ 45,317</u>	<u>\$ 35,204</u>

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS

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.

Public Employees' Retirement System (PERS)

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:

Tier	Definition
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

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

Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 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.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Each of the 5 Tiers have eligibility requirements and benefit calculations which vary for deferred retirements, early retirements, veteran retirements, ordinary disability retirements and accidental disability retirements. There is no minimum service requirement to receive these pension benefits. State-paid insurance coverage may be obtained after 25 years of service for employees in Tiers 1 through 4 and 30 years of service for Tier 5 employees.

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.

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 2018. 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.

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

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Plan Amendments

The authority to amend the provisions of PERS rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10% and \$23.3 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into 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 calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five-year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.00% and (b) projected salary increases applied through the year 2026 of 1.65-5.15 % based on age for the PERS.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Employer and Employee Contribution Requirements

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 seven years beginning in fiscal year 2012. The member contribution rate was 7.34% and 7.20% in the State fiscal year 2018 and 2017, respectively. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The final phase-in of the additional incremental member contribution rate took place on July 1, 2018, reaching 7.5%. 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.

Annual Pension Costs (APC)

For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension cost equals contributions made. PERS employer contributions are made annually by the College to the pension system in accordance with Chapter 114, P.L. 1997.

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

Year Ended June 30,	Employer Contribution		Employee Contributions	Pensionable Wages
	Gross College Contribution	Percentage of Covered Payroll		
2018	\$ 985,569	9.31%	\$ 722,225	\$ 10,589,813
2017	938,638	9.31%	687,834	10,085,536
2016	815,557	8.96%	509,723	9,100,123

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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* 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. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits ("Division") administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer paid member contributions are determined separately for each individual employer of the State and local groups of the plan. To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2017.

At June 30, 2018 and 2017, the College's proportionate share of net pension liability for PERS was \$25,374,599 and \$31,140,494, respectively. The net pension liability was measured as of June 30, 2017, 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, 2018, the College's proportion was 0.1090%, which was an increase of 0.0039% from its proportion measured as of June 30, 2017. At June 30, 2017, the College's PERS proportion was 0.1051%, which was an increase of 0.0020% from its proportion measured as of June 30, 2016.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the years ended June 30, 2018 and 2017, the College recognized PERS pension expense of \$916,428 and \$1,981,408 respectively. At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 597,484	\$ -	\$ 579,119	\$ -
Changes in assumptions	5,112,107	5,093,365	6,450,647	-
Net differences between projected and actual investment earnings on pension plan investments	172,784	-	1,187,415	-
Changes in proportion	994,125	406,428	397,700	555,851
Total Deferred Outflows and Inflows or resources before District contributions before measurement date	6,876,500	5,499,793	8,614,881	555,851
District contributions subsequent to measurement date	1,092,307	-	1,025,176	-
Total	<u>\$ 7,968,807</u>	<u>\$ 5,499,793</u>	<u>\$ 9,640,057</u>	<u>\$ 555,851</u>

College contributions subsequent to the measurement date for the fiscal years ended June 30, 2018 and 2017 in the amounts of \$1,102,191 and \$903,552 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:

Year Ended	Amount
June 30,	
2019	\$ 673,889
2020	982,410
2021	440,980
2022	(211,946)
2023	(508,626)
Total	<u>\$ 1,376,707</u>

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. These actuarial valuations used the following actuarial assumptions applied to all periods in the measurement.

	<u>2018</u>	<u>2017</u>
Inflation rate	2.25%	3.08%
Salary increaes:	1.65-4.15%	1.65-4.15%
Through 2026	based on age	based on age
Thereafter	2.65-5.15%	2.65-5.15%
	based on age	based on age
Investment rate of return	7.00%	7.65%

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

Asset Class	2017		2016	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%	0.00%	0.00%
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment grade credit	10.00%	3.78%	8.00%	1.79%
Mortgages	0.00%	0.00%	2.00%	1.67%
High yield bonds	2.50%	6.82%	2.00%	4.56%
Global diversified credit	5.00%	7.10%	0.00%	0.00%
Credit oriented hedge funds	1.00%	6.60%	0.00%	0.00%
Debt related private equity	2.00%	10.63%	0.00%	0.00%
Debt related real estate	1.00%	6.61%	0.00%	0.00%
Private real asset	2.50%	11.83%	0.00%	0.00%
Equity related real estate	6.25%	9.23%	0.00%	0.00%
Inflation-indeed bonds	0.00%	0.00%	1.50%	3.44%
Broad US equities	30.00%	8.19%	26.00%	8.53%
Developed foreign equities	11.50%	9.00%	13.25%	6.83%
Emerging market equities	6.50%	11.64%	6.50%	9.95%
Buyouts/venture capital	8.25%	13.08%	0.00%	0.00%
Private equities	0.00%	0.00%	9.00%	12.40%
Hedge funds/absolute return	0.00%	0.00%	12.50%	4.68%
Real estate (property)	0.00%	0.00%	2.00%	6.91%
Commodities	0.00%	0.00%	0.50%	5.45%
Global debt ex US	0.00%	0.00%	5.00%	-0.25%
REIT	0.00%	0.00%	5.25%	5.63%

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions.

Based on those assumptions, the plan's fiduciary net position was projected as of June 30, 2017 and 2016 to be available to make projected future benefit payments of current plan members through 2040 and 2034, respectively. Therefore, the long-term expected rate of return on plan investments as of June 30, 2017 and 2016 was applied to projected benefit payments through 2040 and 2034, respectively, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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, 2018 and 2017 (June 30, 2017 and 2016, respectively Measurement Date), 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:

	2018		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
College's proportionate share of PERS net pension liability	\$ 31,478,912	\$ 25,374,599	\$ 20,288,949

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	2017		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
College's proportionate share of PERS net pension liability	\$ 38,159,041	\$ 31,140,494	\$ 25,346,075

The sensitivity analysis was based on the proportionate share of the College's net pension liability at June 30, 2017 and 2016. A sensitivity analysis specific to the College's net pension liability was not provided by the pension system.

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.

Payable to the pension plan

At June 30, 2018 and 2017, respectively, the College reported accounts payable to the PERS of \$1,092,307 and \$1,025,176 for the required actuarially determined contribution to PERS for the years ended.

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.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 7 - RETIREMENT SYSTEMS (Continued)

Alternate Benefit Program Information (ABP) (Continued)

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:

Year Ended June 30,	<u>Employer Contributions</u>		<u>Employee Contributions</u>	<u>Pensionable Salaries</u>
	<u>Gross College Paid</u>	<u>State Reimbursed</u>		
2018	\$ 985,569	\$ 948,730	\$ 722,225	\$ 10,589,813
2017	938,638	903,552	687,834	10,085,536
2016	815,557	815,557	620,628	9,100,123

NOTE 8 - POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for county colleges.

As a result of implementing GASB Statement No. 74 Financial Reporting for *Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

State Health Benefit Program Fund – Local Education Retired (including Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the teachers pension annuity fund (TPAF) who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and ABP who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for the above fund. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Plan Membership

At June 30, 2016, the total plan membership for the State of New Jersey consisted of the following:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	<u>142,331</u>
Total	<u>366,078</u>

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the post-retirement health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the unfunded actuarial accrued liability for OPEB is \$69.3 billion which is made up of \$25.5 billion for State active and retired members and \$43.8 billion for education employees and retired members that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into 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 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 that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2016 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and the PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides employer-paid health benefits to members of PERS and ABP who retired from a board of education or county college with 25 years of service. The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in fiscal year 2017.

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 No. 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 State Health Benefits Program Fund for PERS and ABP retirees' post-retirement benefits on behalf of the College was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized as both a revenue and expenditure in accordance with GASB Statement No. 85.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefits Program Fund Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows or resources, collective deferred inflows of resources and collective OPEB expense excluding the attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the College is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the College. Accordingly, the College's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability, attributable to the College. Therefore, in addition, the College does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal year ended June 30, 2018 and 2017, the College recognized OPEB expense of \$7,526,533 and \$7,158,891, respectively. These amounts have been included as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 and 2017 the State's proportionate share of the OPEB liability attributable to the College is \$53,569,430 and \$54,844,428, respectively. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the College at June 30, 2017 and 2016 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017 and 2016, respectively. At June 2017, the State's share of the OPEB liability attributable to the College was 0.0998% which was an increase of 0.0050% from its proportion measured as of June 30, 2016 of 0.0948%.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions

The OPEB liability for the June 30, 2017, measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The OPEB liability for the June 30, 2016, measurement date was determined by an actuarial valuation as of June 30, 2015, which was rolled forward to June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate: 2.50%

	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 – 4.55% based on years of service	2.15 – 4.15% based on age	2.10 – 8.98% based on age
Thereafter	2.00 – 5.45% based on years of service	3.15 5.15% based on age	3.10 – 9.98% based on age

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

The actuarial assumptions used in the June 30, 2017, valuation was based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Health Care Trend Assumptions

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

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate

The discount rate for June 30, 2017 and 2016, was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. The source is the Bond Buyer Go 20-Bond Municipal bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/ Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Change in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the College for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	Total OPEB Liability <u>(State Share 100%)</u>
Balance, June 30, 2016 measurement date	\$ 54,844,428
Changes reconized for the fiscal year:	
Service cost	6,301,791
Interest on the total OPEB liability	1,725,757
Changes in assumptions	(8,107,453)
Gross benefit payments	(1,240,782)
Contributions from the member	45,689
Net changes	<u>(1,274,998)</u>
Balance, June 30, 2017 measurement date	<u><u>\$ 53,569,430</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% in 2016 to 3.58% in 2017.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the College at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the College for the fiscal year ended June 30, 2017 was not provided by the pension system.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 8 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the College as of June 30, 2017, calculated using the discount rate disclosed above, as well as the State's proportionate share of the OPEB liability attributable to the College that would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<u>At 1% Decrease (2.58%)</u>	<u>At Current Discount Rate (3.58%)</u>	<u>At 1% Increase (4.58%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the College	\$ 63,590,778	\$ 53,569,430	\$ 45,620,401

Sensitivity of total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the College as of June 30, 2017, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1% point lower or 1% point higher than the current rate:

	<u>1 % Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
State's Proportionate Share of the OPEB Liability Attributable to the College	\$ 44,055,678	\$ 53,569,430	\$ 66,203,581

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 9 - COMPENSATED ABSENCES

The College accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board 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).

During the fiscal year ended June 30, 2018 and 2017, the following changes occurred in liabilities reported as compensated absences:

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2018</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated Absences	\$ 2,579,685	\$ 130,587	\$ (18,641)	\$ 2,728,913	\$ 1,149,471	\$1,579,442
	<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	\$ 2,487,851	\$ 354,065	\$ 262,231	\$ 2,579,685	\$ 1,018,884	\$1,560,801

NOTE 10 - LEASE COMMITMENTS

The College leases classrooms, office space and office equipment classified as operating leases. Rental expense was approximately \$736,537 in 2018 and \$830,776 in 2017.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 10 - LEASE COMMITMENTS (Continued)

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

Year Ending	
June 30,	Amount
2019	\$ 465,418
2020	500,475
2021	477,462
2022	144,900
2023	144,900

The College rents property under a month to month agreement. The College reported rental income for the years ended June 30, 2018 and 2017 in the amounts of \$21,350 and \$49,044, 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.

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.

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

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018, the College estimates that no material liabilities will result from such audits.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

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, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
College's proportion of the net pension liability	0.109004902%	0.105143518%	0.103111575%	0.107551610%
College's proportionate share of the net pension liability	\$ 25,374,599	\$ 31,140,494	\$ 23,146,482	\$ 20,136,604
College's covered-employee payroll	10,589,813	10,085,536	9,100,123	7,411,708
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	239.61%	308.76%	254.35%	271.69%
Plan fiduciary net position as a percentage of the total pension liability	52.00%	52.08%	52.08%	52.00%

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a 10-year trend is compiled, the College will only present information for those years for which information is available.

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, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 985,569	\$ 903,552	\$ 934,080	\$ 886,483
Contributions in relation to the contractually required contribution	<u>985,569</u>	<u>903,552</u>	<u>934,080</u>	<u>886,483</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 10,589,813	\$ 10,085,536	\$ 9,100,123	\$ 7,411,708
Contributions as a percentage of covered-employee payroll	9.31%	8.96%	10.26%	11.96%

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a 10-year trend

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF OPEB LIABILITY
ATTRIBUTABLE TO THE COLLEGE AND RELATED RATIOS
STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN
LAST FISCAL YEAR

	<u>June 30, 2018</u>
Balance, June 30, 2016 measurement date	\$ 54,844,428
Changes reconized for the fiscal year:	
Service cost	6,301,791
Interest on the total OPEB liability	1,725,757
Changes in assumptions	(8,107,453)
Gross benefit payments	(1,240,782)
Contributions from the member	45,689
Net changes	<u>(1,274,998)</u>
Balance, June 30, 2017 measurement date	<u>\$ 53,569,430</u>
College's proportionate share of OPEB liability	\$ -
State's proportionate share of OPEB liability	<u>53,569,430</u>
Total OPEB liability	<u>\$ 53,569,430</u>
College's covered employee payroll	\$ 20,171,072
Total OPEB Liability as a percentage of covered employee payroll	265.576%

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

This schedule is presented to illustrate the requiement to show information for 10 years in accordance with GASB Statement No. 75. However, until a 10-year trend is compiled, the College will only present information for those years for which information is available.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
Notes to the Required Supplementary Information
for the Fiscal Year Ended June 30, 2018

	Public Employees' Retirement System (PERS)	Teachers Pension and Annuity Fund (TPAF)	State Health Benefit Local Education Retired Employees OPEB Plan
Change in benefits	None	None	None
Changes in assumptions:			
Discount rate:			
As of June 30, 2017	5.00%	4.25%	2.85%
As of June 30, 2016	3.98%	3.22%	3.58%
Municipal bond rate:			
As of June 30, 2017	3.58%	3.58%	3.58%
As of June 30, 2016	2.85%	2.85%	2.85%
Inflation rate:			
As of June 30, 2017	2.25%	2.25%	2.50%
As of June 30, 2016	3.08%	2.50%	
Long-term expected rate of return on pension plan investments:			
As of June 30, 2017	7.00%	7.00%	Not Applicable
As of June 30, 2016	7.65%	7.65%	Not Applicable

SINGLE AUDIT SECTION

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

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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, 2019. 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, 2018 and 2017, whose report dated February 26, 2019, 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 the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


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

Bayonne, New Jersey
February 28, 2019

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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, 2018. 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, 2018.

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.

A handwritten signature in black ink that reads "Donohue, Gironde, Doria & Tomkins LLC". The script is cursive and fluid.

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

Bayonne, New Jersey
February 28, 2019

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

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Passed through Grantor/ Program or Cluster Title	Federal CFDA Number	FAIN Number	Award Amount	Grant Period		June 30, 2017		Cash Received	Expenditures	Adjustments	June 30, 2018		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 Trade Adjustment Assistance Community College and Career Training Total U.S. Department of Labor	17.282	*	\$ 363,911	10/01/17	09/30/18	\$ -	\$ -	\$ 172,527	\$ (231,057)	\$ -	\$ (58,530)	\$ -	\$ (231,057)
	17.282	*	168,789	10/01/16	09/30/17	(62,776)	-	62,776	-	-	-	-	(164,477)
						(62,776)	-	235,303	(231,057)	-	(58,530)	-	
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
						-	-	64,277	(30,586)	-	(30,586)	-	(30,586)
						-	-	-	-	-	-	-	(64,277)
						-	-	64,277	(30,586)	-	(30,586)	-	
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
National Science Foundation: Northern New Jersey Bridges to the Baccalaureate Degree (NNJ R2B) Northern New Jersey Bridges to the Baccalaureate Degree (NNJ R2B) Total National Science Foundation	47.076	*	96,748	08/15/17	07/31/18	-	-	-	(30,586)	-	(30,586)	-	(30,586)
	47.076	*	82,325	08/15/16	07/31/17	(64,277)	-	64,277	-	-	-	-	(64,277)
						(64,277)	-	-	(30,586)	-	(30,586)	-	
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
U.S. Department of Education: Student Financial Assistance Cluster: Federal Supplemental Educational Opportunity Grants Federal Supplemental Educational Opportunity Grants Federal Work Study Programs Federal Work Study Programs Federal Pell Grant Program Federal Pell Grant Program Federal Direct Student Loans Federal Direct Student Loans Total Student Financial Assistance Cluster	84.007	*	313,600	09/01/17	08/31/18	-	-	246,144	(291,394)	-	(45,250)	-	(291,394)
	84.007	*	307,945	09/01/16	08/31/17	(9,634)	-	9,634	(291,394)	-	(45,250)	-	(314,031)
						(9,634)	-	255,778	-	-	(45,250)	-	
						-	-	-	(298,466)	-	(15,546)	-	(298,466)
	84.033	*	302,675	07/01/17	06/30/18	(468)	-	468	(298,466)	-	(15,546)	-	(298,466)
	84.033	*	307,847	07/01/16	06/30/17	(468)	-	283,388	-	-	(15,546)	-	(269,474)
						-	-	-	-	-	-	-	
						-	-	-	-	-	-	-	
	84.063	*	25,506,423	09/01/17	08/31/18	(674,573)	-	23,113,065	(23,723,791)	-	(610,726)	-	(23,723,791)
	84.063	*	22,963,527	09/01/16	08/31/17	(674,573)	-	674,573	(23,723,791)	-	(610,726)	-	(22,966,287)
					(674,573)	-	23,787,638	-	-	(610,726)	-		
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The accompanying Notes to Schedules of Expenditure of Federal Awards and State Financial Assistance are an integral part of this schedule

(Page 1 of 2)

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

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Passed through Grantor/ Program or Cluster Title	Federal CFDA Number	FAIN Number	Award Amount	Grant Period		June 30, 2017		Cash Received	Expenditures	Adjustments	June 30, 2018		Cumulative Expenditures
				From	To	Accounts Receivable	Unearned Revenue				Accounts Receivable	Unearned Revenue	
U.S. Department of Education (Continued):													
Passed through State of New Jersey:													
Department of Education:													
Career and Technical Education - Perkins	84.048A		\$ 673,393	07/01/17	06/30/18	\$ -	\$ -	\$ 468,677	\$ (628,879)	\$ -	\$ (160,202)	\$ -	\$ (628,874)
Career and Technical Education - Perkins	84.048A	V048A160030	576,839	07/01/16	06/30/17	(266,498)	-	266,498	-	-	-	-	(455,435)
Career and Technical Education - Perkins	84.048A	V048A150030	459,414	07/01/15	06/30/16	(266,498)	-	-	(628,879)	-	(160,202)	-	-
								735,175					
College Readiness Now	84.334	*	40,137	07/01/16	06/30/17	(33,680)	-	33,680	-	-	-	-	(33,680)
College Readiness Now	84.334	*	56,807	07/01/17	06/30/18	-	-	20,204	(47,053)	-	(26,849)	-	(47,053)
						(33,680)	-	53,884	(47,053)	-	(26,849)	-	
College Credit Now	84.334	*	20,000	07/01/16	06/30/17	(19,927)	-	19,927	-	-	-	-	(19,927)
						(1,359,874)	-	30,008,156	(29,953,641)	(1,384)	(1,305,359)	-	
Total U.S. Department of Education							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	(354,612)
						-	12,093	-	-	-	-	12,093	
Total U.S. Department of Health and Human Services													
Total Federal Awards						\$ (1,486,927)	\$ 13,477	\$ 30,307,736	\$ (30,215,284)	\$ (1,384)	\$ (1,394,475)	\$ 12,093	

* - Information Not Available

FOR THE YEAR ENDED JUNE 30, 2018

* Information not available

65

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, 2018

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, 2018.

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)
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 – ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

The amount of \$7,526,533 reported as post-retirement medical benefits represent the OPEB expense amounts incurred by the State on behalf of the College for the year ended June 30, 2018. On-behalf expenditures for the College by the State are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the College's basic financial statements and the amount subject to the State single audit and major program determination.

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

FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

FINANCIAL STATEMENT SECTION

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 AWARD SECTION

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>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007	*	Student Financial Assistance Cluster:
84.033	*	Federal Supplemental Educational Opportunity Grants
84.063	*	Federal Work Study Programs
84.268	*	Federal Pell Grant Program
		Federal Direct Student Loans
		Tile V - Higher Education:
84.031C	*	Opening the Gate: Improving Mathematics Success for STEM Careers
84.031S	*	Picking Up the Pace: Ensuring Hispanic Degree Completion

H) Dollar threshold used to distinguish between type A and Type B Programs: \$906,459

I) Auditee qualified as low-risk auditee? ✓ yes no

* - Information Not Available

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

FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

STATE FINANCIAL ASSISTANCE SECTION

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:

State Grant/Project Number(s)
100-074-2405-007
*

Name of State Program
Tuition Aid Grants
Alternative Loan

* - Information Not Available

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

FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

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

(This section identifies audit findings required to be reported 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 SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT

FOR THE YEAR ENDED JUNE 30, 2018

(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.