

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

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

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 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 \$2,768,285 to \$148,987,437 with unrestricted net position increasing \$2,403,721 to \$9,356,088; restricted net position \$49,172 to \$87,752; and net investment in capital assets increasing \$315,392 to \$139,543,597.

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The excess revenue over expenses before non-cash items for 2019, as presented to the Finance Committee at the August meeting, was \$4,020,000. Subsequently the recording of capital appropriations, year-end adjustments including pension, tuition allowance for bad debt and depreciation expense resulted in an increase in net position of \$2,768,285. This is an increase in net position compared to 2018 before the gain on sale of property of \$2,831,918. A summary of the College's assets, liabilities and net position at June 30, 2019, 2018, and 2017, respectively:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current Assets:			
Cash	\$ 34,486,973	\$ 34,608,711	\$ 31,995,387
Accounts Receivable	1,182,651	1,578,840	1,327,307
Grants Receivable	1,722,231	1,721,619	1,824,042
Due from County of Hudson	5,071,311	403,422	293,627
Other Receivables	306,360	290,171	1,297,095
Prepaid Expenses and Other Assets	261,449	197,466	236,362
Total Current Assets	<u>43,030,975</u>	<u>38,800,229</u>	<u>36,973,820</u>
Noncurrent Assets:			
Security Deposits	41,714	41,714	41,834
Capital Assets, Net	139,543,597	139,228,205	143,063,548
Total Noncurrent Assets	<u>139,585,311</u>	<u>139,269,919</u>	<u>143,105,382</u>
Total Assets	<u>182,616,286</u>	<u>178,070,148</u>	<u>180,079,202</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,060,168</u>	<u>7,968,807</u>	<u>9,640,057</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	4,380,139	4,180,963	9,729,624
Accrued Salaries and Benefits	1,928,527	713,092	793,161
Unearned Revenue	709,454	690,114	798,450
Compensated Absences	1,303,769	1,149,471	1,018,884
Total Current Liabilities:	<u>8,321,889</u>	<u>6,733,640</u>	<u>12,340,119</u>
Noncurrent Liabilities:			
Student Deposits	658,376	632,329	714,758
Compensated Absences	1,533,230	1,579,442	1,560,801
Net Pension Liability	21,622,076	25,374,599	31,140,494
Total Noncurrent Liabilities	<u>23,813,682</u>	<u>27,586,370</u>	<u>33,416,053</u>
Total Liabilities	<u>32,135,571</u>	<u>34,320,010</u>	<u>45,756,172</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,553,446</u>	<u>5,499,793</u>	<u>555,851</u>
NET POSITION			
Net Investment in Capital Assets	139,543,597	139,228,205	143,063,548
Restricted	87,752	38,580	38,580
Unrestricted	9,356,088	6,952,367	305,108
Total Net Position	<u>\$ 148,987,437</u>	<u>\$ 146,219,152</u>	<u>\$ 143,407,236</u>

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Statement of Revenues, Expenses and Changes in Net position

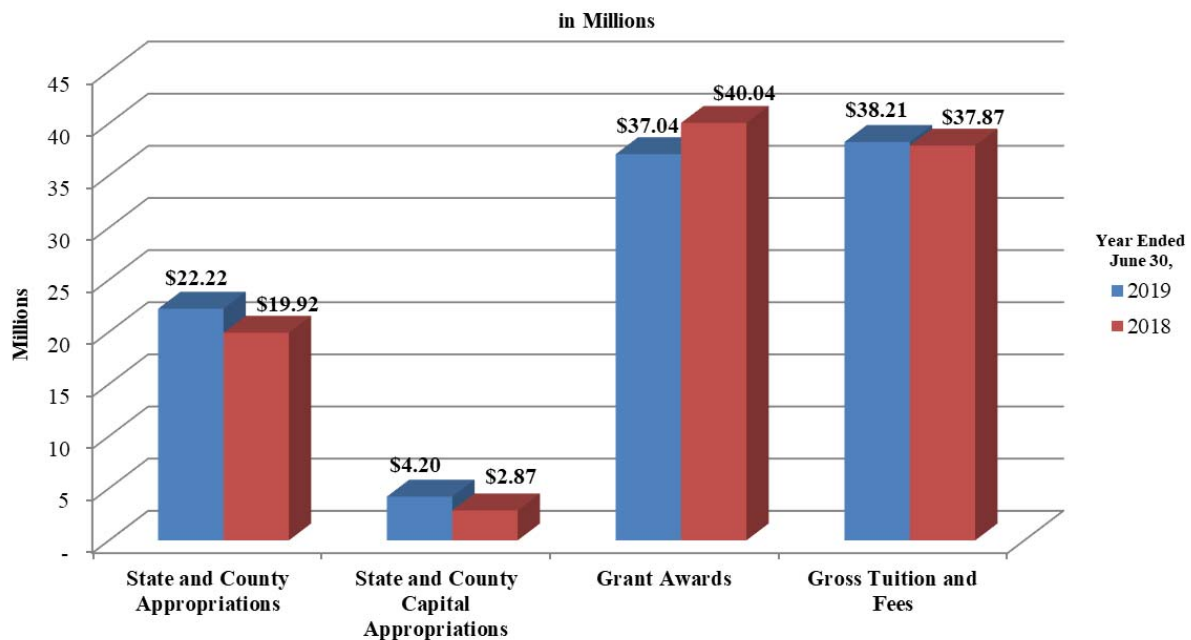
A summary of the College's revenues, expenses and changes in net position for the years ended June 30, 2019, 2018, and 2017, respectively:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPERATING REVENUES			
Student Tuition and Fees	\$ 38,211,012	\$ 37,866,342	\$ 33,853,640
Less: Student Financial Aid	<u>(29,126,930)</u>	<u>(28,368,297)</u>	<u>(27,030,099)</u>
	9,084,082	9,498,045	6,823,541
Government Grants	36,180,272	39,106,525	37,518,003
Local and Private Sponsored Programs	858,982	929,054	825,872
Other Operating Revenues	<u>583,672</u>	<u>519,463</u>	<u>529,400</u>
Total Operating Revenues	<u>46,707,008</u>	<u>50,053,087</u>	<u>45,696,816</u>
OPERATING EXPENSES			
Instructions	23,696,920	22,603,890	20,569,389
Academic Support	3,317,279	2,870,954	3,094,176
Student Services	5,510,691	5,246,476	4,837,945
Institutional Support	23,728,176	26,575,478	27,595,178
Operation and Maintenance of Plant	6,497,203	6,928,844	6,899,418
Conference Center	165,638	409,454	422,383
Student Aid	3,257,264	3,318,243	3,876,033
Depreciation	<u>4,809,044</u>	<u>5,203,253</u>	<u>4,716,864</u>
Total Operating Expenses	<u>70,982,215</u>	<u>73,156,592</u>	<u>72,011,386</u>
Loss from Operations	(24,275,207)	(23,103,505)	(26,314,570)
NONOPERATING REVENUES			
State of New Jersey Appropriations	7,035,622	6,841,913	6,988,454
Hudson County Appropriations	15,182,432	13,073,492	12,580,281
Interest Income	628,381	250,321	135,234
(Loss) Gain on Sale of Property	<u>(4,625)</u>	<u>2,875,549</u>	<u>-</u>
Total Nonoperating Revenues	<u>22,841,810</u>	<u>23,041,275</u>	<u>19,703,969</u>
Net Changes in Net Position			
Before Capital Appropriations	(1,433,397)	(62,230)	(6,610,601)
Capital Appropriations	<u>4,201,682</u>	<u>2,874,146</u>	<u>11,117,005</u>
Change in Net Position	2,768,285	2,811,916	4,506,404
Net Position, July 1	<u>146,219,152</u>	<u>143,407,236</u>	<u>138,900,832</u>
Net Position, June 30	<u><u>\$ 148,987,437</u></u>	<u><u>\$ 146,219,152</u></u>	<u><u>\$ 143,407,236</u></u>

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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.

Comparison of major revenues by source for 2019 and 2018 is as follows:



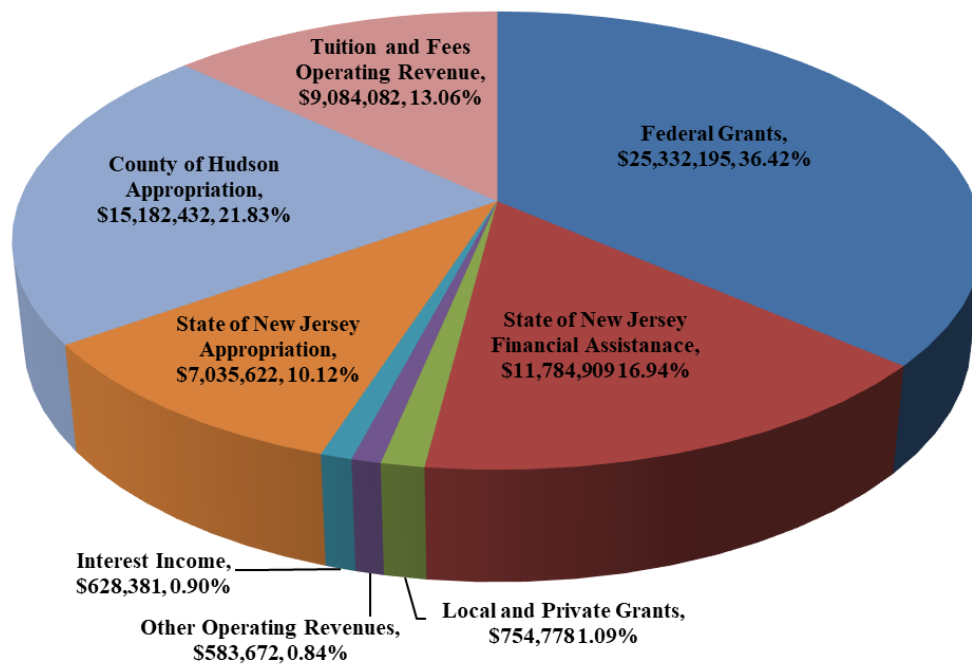
**HUDSON COUNTY COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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, 2019:

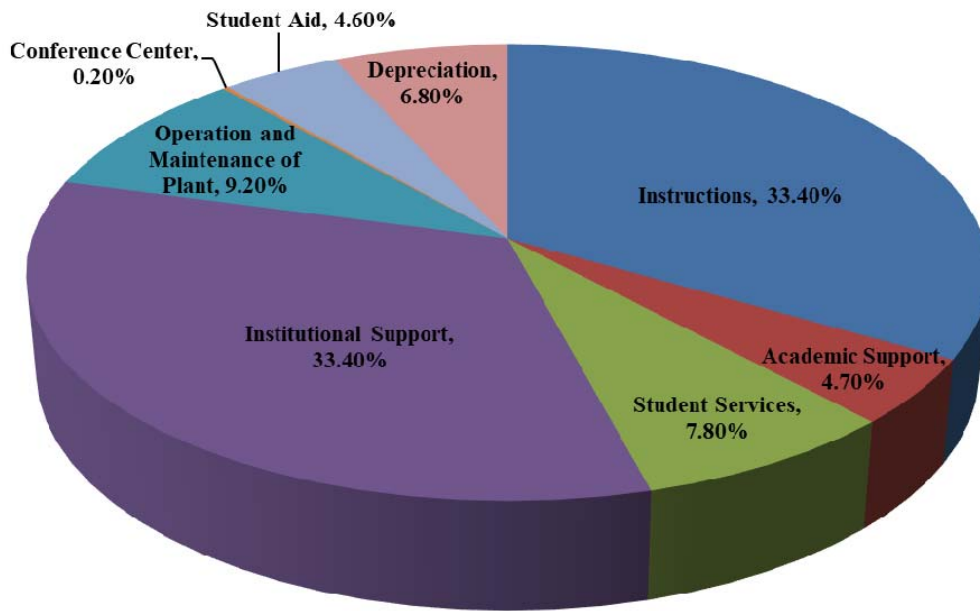


**HUDSON COUNTY COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

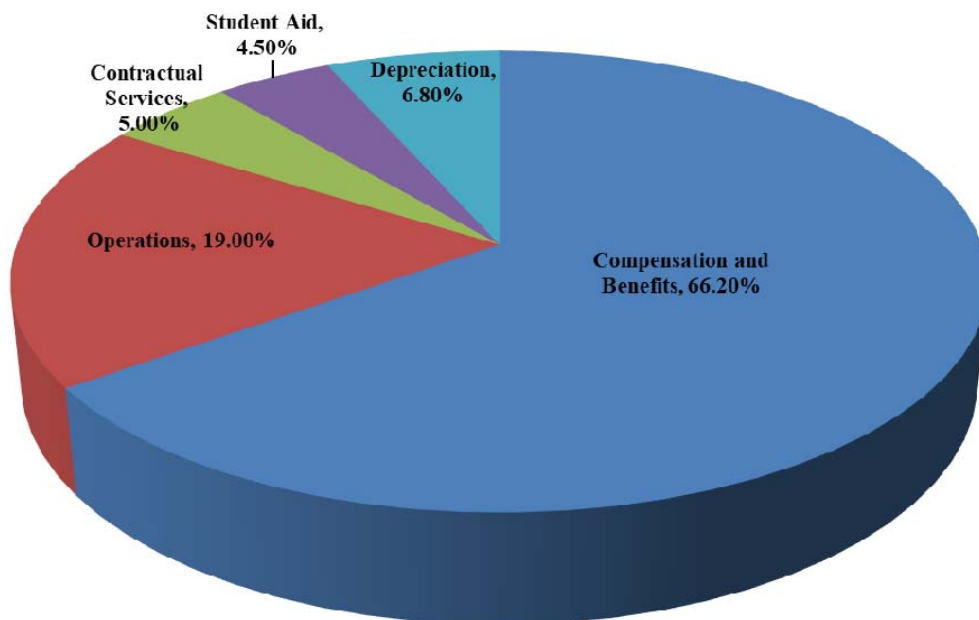
Expenses

A comparison of operating expenses by function and natural classifications for the year ended June 30, 2019 is as follows:

EXPENSES BY FUNCTION



EXPENSES BY NATURAL CLASSIFICATION



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Capital

In 2019, 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 \$5,275,965 in capital additions and \$851,469 in disposals during 2019. The capital additions primarily comprised building and improvements, investment in equipment and construction in progress.

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 capital projects fund balance of \$15,714,605 at June 30, 2019. This fund balance has been internally designated to cover plant and renewal projects, technology projects, and Chapter 12 projects.

The College student credit enrollments have fluctuated over the years. Total student credit hours in fiscal year 2019 totaling 180,261 is a decrease by 3.7% when compared to fiscal year 2018 total student credit hours in the amount of 186,957.

Revenues for State Appropriations in 2019 increase \$193,709 to \$7,035,622. Revenues for County Appropriations in 2019 increased \$2,108,940 to \$15,182,432.

College tuition in 2019 increased \$7.00 per credit or 5.1% over 2018 to \$142.00 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.

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 2019 is \$1,117,325

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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.

During 2019, a memorandum of agreement was approved for each of the following four unions: Professional Association, Support Staff Federation, Adjunct Faculty Federation, and Academic Administrative Association. In addition, each contract expires in June of 2022.

The College was accredited by the Middle States Accreditations for (8) years, through June of 2028.

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, 2019 and 2018 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, 2019 and 2018, whose report dated November 20, 2019, expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hudson County Community College as of June 30, 2019 and 2018, 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 48 - 51 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 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
November 20, 2019

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Unrestricted:		
Cash	\$ 34,486,973	\$ 34,608,711
Accounts Receivable	1,182,651	1,578,840
Due from County of Hudson	5,071,311	403,422
Other Receivables	306,360	290,171
Prepaid Expenses and Other Assets	261,449	197,466
Total Unrestricted	<u>41,308,744</u>	<u>37,078,610</u>
Restricted:		
Grants Receivable	<u>1,722,231</u>	<u>1,721,619</u>
Total Current Assets	<u>43,030,975</u>	<u>38,800,229</u>
Noncurrent Assets:		
Security Deposits	41,714	41,714
Capital Assets, Net	<u>139,543,597</u>	<u>139,228,205</u>
Total Noncurrent Assets	<u>139,585,311</u>	<u>139,269,919</u>
Total Assets	<u>182,616,286</u>	<u>178,070,148</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Liability	<u>2,060,168</u>	<u>7,968,807</u>

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable and Accrued Expenses	\$ 3,991,167	\$ 3,906,029
Accrued Salaries and Benefits	1,928,527	713,092
Unearned Revenue	621,203	644,797
Other Accrued Liabilities	388,972	271,621
Compensated Absences	1,303,769	1,149,471
Payable from Restricted Assets:		
Other Accrued Liabilities	-	3,313
Unearned Revenue	88,251	45,317
Total Current Liabilities	<u>8,321,889</u>	<u>6,733,640</u>
Noncurrent Liabilities:		
Student Deposits	658,376	632,329
Compensated Absences	1,533,230	1,579,442
Net Pension Liability	21,622,076	25,374,599
Total Noncurrent Liabilities	<u>23,813,682</u>	<u>27,586,370</u>
Total Liabilities	<u>32,135,571</u>	<u>34,320,010</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Liability	<u>3,553,446</u>	<u>5,499,793</u>
NET POSITION		
Net Investment in Capital Assets	139,543,597	139,228,205
Restricted	87,752	38,580
Unrestricted	9,356,088	6,952,367
Total Net Position	<u><u>\$ 148,987,437</u></u>	<u><u>\$ 146,219,152</u></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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Student Tuition and Fees	\$ 38,211,012	\$ 37,866,342
Less: Student Financial Aid	<u>(29,126,930)</u>	<u>(28,368,297)</u>
	9,084,082	9,498,045
 Federal Awards	 25,332,195	 25,931,144
State Financial Assistance	10,848,077	13,175,381
Local and Private Sponsored Programs	858,982	929,054
Other Operating Revenues	<u>583,672</u>	<u>519,463</u>
Total Operating Revenues	<u>46,707,008</u>	<u>50,053,087</u>
 OPERATING EXPENSES		
Instructions	23,696,920	22,603,890
Academic Support	3,317,279	2,870,954
Student Services	5,510,691	5,246,476
Institutional Support	23,728,176	26,575,478
Operation and Maintenance of Plant	6,497,203	6,928,844
Conference Center	165,638	409,454
Student Aid	3,257,264	3,318,243
Depreciation	<u>4,809,044</u>	<u>5,203,253</u>
Total Operating Expenses	<u>70,982,215</u>	<u>73,156,592</u>
 Loss from Operations	 (24,275,207)	 (23,103,505)
 NONOPERATING REVENUES		
State of New Jersey:		
Appropriations	7,035,622	6,841,913
Hudson County Appropriations	15,182,432	13,073,492
Interest Income	628,381	250,321
(Loss) Gain on Sale of Property	<u>(4,625)</u>	<u>2,875,549</u>
Total Nonoperating Revenues	<u>22,841,810</u>	<u>23,041,275</u>
 Net (Expense) Revenue and Changes in Net Position		
Before Capital Appropriations	(1,433,397)	(62,230)
 Capital Appropriations	 <u>4,201,682</u>	 <u>2,874,146</u>
 Change in Net Position	 2,768,285	 2,811,916
Net Position, July 1	<u>146,219,152</u>	<u>143,407,236</u>
Net Position, June 30	<u><u>\$ 148,987,437</u></u>	<u><u>\$ 146,219,152</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	\$ 9,456,677	\$ 9,128,063
Governmental Grants	36,222,594	39,219,061
Nongovernmental Grants and Contracts	858,982	929,054
Other Operating Receipts	567,483	1,526,387
Payments for Employee Salaries and Benefits	(34,892,921)	(33,977,363)
Payments to Suppliers	(22,852,763)	(32,810,973)
Payments to Students for Financial Aid	(3,257,264)	(3,318,243)
Net Cash Used by Operating Activities	<u>(13,897,212)</u>	<u>(19,304,014)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State of New Jersey Appropriations	7,035,622	6,841,913
Hudson County Appropriations	10,514,542	12,963,696
Student Organization Agency Transactions	26,047	(82,429)
Net Cash Provided by Noncapital Financing Activities	<u>17,576,211</u>	<u>19,723,180</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(4,424,496)	(931,715)
Sale of Property	(4,622)	2,875,552
Net Cash (Used) Provided by Capital and Related Financing Activities	<u>(4,429,118)</u>	<u>1,943,837</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	628,381	250,321
Net Cash Provided by Investing Activities	<u>628,381</u>	<u>250,321</u>
Net (Decrease) Increase in Cash	(121,738)	2,613,324
Cash, July 1	34,608,711	31,995,387
Cash, June 30	<u>\$ 34,486,973</u>	<u>\$ 34,608,711</u>

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO		
NET CASH USED IN OPERATING ACTIVITIES		
Loss from Operations	\$ (24,275,207)	\$ (23,103,505)
Adjustments to Reconcile Loss from Operations to		
Net Cash Used by Operating Activities:		
Depreciation Expense	4,809,044	5,203,253
Changes in Assets:		
Accounts Receivable	396,189	(251,533)
Grants Receivable	(612)	102,423
Other Receivables	(16,189)	1,006,924
Prepaid Expenses	(63,983)	38,896
Security Deposits	-	120
Change in Deferred Outflows of Resources:		
Deferred Pension Liability	5,908,639	1,671,250
Changes in Liabilities:		
Accounts Payable and Accrued Expenses	85,138	(1,489,935)
Accrued Salaries and Benefits	1,215,435	(80,069)
Unearned Revenue	19,340	(108,336)
Other Accrued Expenses	3,615,778	(4,634,318)
Compensated Absences	108,086	149,228
Net Pension Liability	(3,752,523)	(5,765,895)
Change in Deferred Inflows of Resources:		
Deferred Pension Liability	(1,946,347)	7,957,483
Total Adjustments	<u>10,377,995</u>	<u>3,799,491</u>
Net Cash Used by Operating Activities	<u>\$ (13,897,212)</u>	<u>\$ (19,304,014)</u>
Non-cash investing, capital and financing activities:		
Increase in allowance for uncollectible accounts	\$ 2,235,303	\$ 1,601,057
Capital Assets acquired through Hudson County Appropriations	4,201,682	2,874,146

HUDSON COUNTY COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 348,534	\$ 405,460
Investments	1,086,137	1,082,124
Prepaid expenses	-	4,652
Property and equipment – net	40,569	31,805
Library and art collection	<u>206,525</u>	<u>206,525</u>
Total Assets	<u>\$ 1,681,765</u>	<u>\$ 1,730,566</u>
Liabilities		
None		
Net Assets		
Without donor restrictions	1,083,380	1,117,650
With donor restrictions	<u>598,385</u>	<u>612,916</u>
Total Net Assets	<u>1,681,765</u>	<u>1,730,566</u>
Total Liabilities and Net Assets	<u>\$ 1,681,765</u>	<u>\$ 1,730,566</u>

See accompanying notes to financial statements.

HUDSON COUNTY COMMUNITY COLLEGE FOUNDATION

Statements of Activities and Changes in Net Assets Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Support	\$ 34,330	\$ 107,457	\$ 141,787	\$ 3,200	\$ 147,250	\$ 150,450
Fund raising events	120,875	95,500	216,375	134,850	150,651	285,501
Dining programs	19,945	-	19,945	10,087	-	10,087
Other revenue	8,688	-	8,688	20,775	-	20,775
Interest	4,258	-	4,258	1,608	-	1,608
In kind contribution of services	157,431	-	157,431	151,350	-	151,350
Total Revenue and Support	345,527	202,957	548,484	321,870	297,901	619,771
Net Assets Released from Restrictions						
Satisfaction of Purpose	217,488	(217,488)	-	498,146	(498,146)	-
Total Revenue and Support	563,015	(14,531)	548,484	820,016	(200,245)	619,771
Expenses						
Program services	329,310	-	329,310	480,375	-	480,375
Supporting services:						
Management and general	172,510	-	172,510	185,123	-	185,123
Fundraising	95,465	-	95,465	115,745	-	115,745
Total Expenses	597,285	-	597,285	781,243	-	781,243
Change in Net Assets	(34,270)	(14,531)	(48,801)	38,773	(200,245)	(161,472)
Net Assets – Beginning of Year	1,117,650	612,916	1,730,566	1,078,877	813,161	1,892,038
Net Assets – End of Year	\$ 1,083,380	\$ 598,385	\$ 1,681,765	\$ 1,117,650	\$ 612,916	\$ 1,730,566

See accompanying notes to financial statements.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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.

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 Hudson County Community 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. 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.

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.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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*.

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 position and the operating statements present increases (revenues), and decreases (expenses) in total net position. 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.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

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

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, 2019 AND 2018

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 position requires related restricted net position 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 appropriates the funds to the College.

Classification of Revenue

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

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 November 20, 2019, the date these financial statements were available to be issued.

Reclassifications

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

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.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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, 2019 AND 2018

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, 2019 and 2018 the College's deposits are summarized as follows:

	2019	2018
Cash on Hand	\$ 1,862	\$ 1,862
New Jersey State Cash Management Fund	17,439,868	31,320,707
Federal Deposit Insurance Corporation - Insured	250,000	250,000
Governmental Unit Deposit Protection Act - Insured	15,903,065	3,212,665
	<u>\$ 33,594,795</u>	<u>\$ 34,785,234</u>

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.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

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, 2019 and 2018 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 - ACCOUNTS AND GRANTS RECEIVABLE

At June 30, 2019 and 2018, the College's accounts and grants receivable were as follows:

	<u>2019</u>	<u>2018</u>
Tuition and Fees	\$ 25,235,080	\$ 23,371,546
Less: Allowance for Doubtful Accounts	<u>(24,052,429)</u>	<u>(21,792,706)</u>
Total Accounts Receivable	<u><u>\$ 1,182,651</u></u>	<u><u>\$ 1,578,840</u></u>
Due from County of Hudson:		
Capital Appropriations	<u><u>\$ 5,071,311</u></u>	<u><u>\$ 403,422</u></u>
Grants Receivable:		
Federal	\$ 1,344,383	\$ 1,394,475
State	<u>377,848</u>	<u>327,144</u>
Total Grants Receivable	<u><u>\$ 1,722,231</u></u>	<u><u>\$ 1,721,619</u></u>

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 - CAPITAL ASSETS

Depreciation expense was \$4,809,044 and \$5,203,253 for the years ended June 30, 2019 and 2018, respectively.

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, 2019 is as follows:

	<u>Balance at June 30, 2018</u>	<u>Transfers</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2019</u>
Capital Assets:					
Non-Depreciable:					
Land	\$ 13,096,823	\$ -	\$ -		\$ 13,096,823
Construction in Progress	1,343,037		3,613,490	-	4,956,527
Total Non-Depreciable	<u>14,439,860</u>	<u>-</u>	<u>3,613,490</u>	<u>-</u>	<u>18,053,350</u>
Depreciable:					
Buildings and Improvements	157,704,758		603,984	-	158,308,742
Equipment	3,000,875	-	1,058,491	-	4,059,366
Library Books	1,220,575	-	-	(851,469)	369,106
Total Depreciable at Historical Cost	<u>161,926,208</u>	<u>-</u>	<u>1,662,475</u>	<u>(851,469)</u>	<u>162,737,214</u>
Less: Accumulated Depreciation:					
Buildings and Improvements	(33,900,700)	-	(4,126,710)	-	(38,027,410)
Equipment	(2,194,937)	-	(839,268)	-	(3,034,205)
Library Books	(1,042,226)	-	(71,702)	928,576	(185,352)
Total Accumulated Depreciation	<u>(37,137,863)</u>	<u>-</u>	<u>(5,037,680)</u>	<u>928,576</u>	<u>(41,246,967)</u>
Depreciable Capital Assets, Net	<u>124,788,345</u>	<u>-</u>	<u>(3,375,205)</u>	<u>77,107</u>	<u>121,490,247</u>
Capital Assets, Net	<u>\$ 139,228,205</u>	<u>\$ -</u>	<u>\$ 238,285</u>	<u>\$ 77,107</u>	<u>\$ 139,543,597</u>

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 - CAPITAL ASSETS (Continued)

The detail of capital asset activity for the year ended June 30, 2018 is as follows:

	<u>Balance at June 30, 2017</u>	<u>Transfers</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2018</u>
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>

NOTE 5 – UNEARNED REVENUES

At June 30, 2019 and 2018, the College's unearned revenues were as follows:

	<u>2019</u>	<u>2018</u>
Unearned Student Tuition and Fees	<u>\$ 621,203</u>	<u>\$ 644,797</u>
Unearned Grant Revenue:		
Federal	\$ 32,787	\$ 12,093
State	19,962	7,010
Local	<u>35,502</u>	<u>26,214</u>
Total Unearned Grant Revenue	<u>\$ 88,251</u>	<u>\$ 45,317</u>

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NOTE 6 - RETIREMENT SYSTEMS

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

The 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 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 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. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for their respective tiers.

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.

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NOTE 6 - RETIREMENT SYSTEMS (Continued)

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.

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		
2019	\$ 1,092,307	10.13%	\$ 735,603	\$ 10,785,964
2018	1,009,814	9.54%	722,225	10,589,813
2017	934,080	9.26%	687,834	10,085,536

Chapter 78, P.L. 2011, effective June 28, 2011, established employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage.

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

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.

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NOTE 6 - RETIREMENT SYSTEMS (Continued)

At June 30, 2019 and 2018, the College's proportionate share of net pension liability for PERS was \$21,622,076 and \$25,374,599, respectively.

The net pension liability was measured as of June 30, 2018, 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, 2019, the College's proportion was 0.1100%, which was an increase of 0.0010% from its proportion measured as of June 30, 2018. At June 30, 2018, the College's PERS proportion was 0.1090%, which was an increase of 0.0039% from its proportion measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, the College recognized PERS pension expense of \$234,787 and \$1,333,574 respectively.

At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 300,846	\$ -	\$ 597,484	\$ -
Changes in assumptions	-	3,350,630	5,112,107	5,093,365
Net differences between projected and actual investment earnings on pension plan investments	-	202,816	172,784	-
Changes in proportion	641,997	-	994,125	406,428
Total Deferred Outflows and Inflows or resources before College contributions before measurement date	942,843	3,553,446	6,876,500	5,499,793
College contributions subsequent to measurement date	1,117,325	-	1,092,307	-
Total	<u>\$ 2,060,168</u>	<u>\$ 3,553,446</u>	<u>\$ 7,968,807</u>	<u>\$ 5,499,793</u>

College contributions subsequent to the measurement date for the fiscal years ended June 30, 2019 and 2018 in the amounts of \$1,117,325 and \$1,092,307 are recognized as a reduction of the net pension liability subsequent to their corresponding fiscal years ended.

HUDSON COUNTY COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 - RETIREMENT SYSTEMS (Continued)

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	
June 30,	Amount
2020	\$ 267,508
2021	(48,198)
2022	(1,240,832)
2023	(1,195,835)
2024	(393,245)
Total	<u>\$ (2,610,603)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. 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. These actuarial valuations used the following actuarial assumptions applied to all periods in the measurement.

	2019	2018
Inflation rate	2.25%	2.25%
Salary increases:	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%	7.00%

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NOTE 6 - RETIREMENT SYSTEMS (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back four years for males and females. For local employees, mortality tables are set back two years for males and seven years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 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.

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, 2018) 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.

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NOTE 6 - RETIREMENT SYSTEMS (Continued)

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 and 2018 are summarized in the following table:

Asset Class	2019		2018	
	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%	5.00%	5.51%
Cash	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment grade credit	10.00%	3.78%	10.00%	3.78%
High yield bonds	2.50%	6.82%	2.50%	6.82%
Global diversified credit	5.00%	7.10%	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%	1.00%	6.60%
Debt related private equity	2.00%	10.63%	2.00%	10.63%
Debt related real estate	1.00%	6.61%	1.00%	6.61%
Private real asset	2.50%	11.83%	2.50%	11.83%
Equity related real estate	6.25%	9.23%	6.25%	9.23%
US equities	30.00%	8.19%	30.00%	8.19%
Developed foreign equities	11.50%	9.00%	11.50%	9.00%
Emerging market equities	6.50%	11.64%	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, 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 rate in the most recent fiscal year. Local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current member through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability at June 30, 2018.

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NOTE 6 - RETIREMENT SYSTEMS (Continued)

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

The following presents the College's proportionate share of the net pension liability of the as of June 30, 2019 and 2018 (June 30, 2018 and 2017, 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:

	2019		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
College's proportionate share of PERS net pension liability	\$ 27,187,270	\$ 21,622,076	\$ 16,953,235

	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

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, 2019 and 2018, respectively, the College reported accounts payable to the PERS of \$1,117,325 and \$1,092,307 for the required actuarially determined contribution to PERS for the years ended.

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NOTE 6 - RETIREMENT SYSTEMS (Continued)

Alternate Benefit Program Information (ABP)

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

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

Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating College employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum federal statutory limit, on a pre-tax basis. Employer contributions are 8%. The State of New Jersey reimburses the College a portion of employer contributions for certain classified positions relating to direct student education. The College's and employees' contributions to ABP for the past three years were as follows:

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>		
2019	\$ 1,092,307	\$ 950,989	\$ 735,603	\$ 10,785,964
2018	985,569	948,730	722,225	10,589,813
2017	938,638	903,552	687,834	10,085,536

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NOTE 7 - POST-RETIREMENT MEDICAL BENEFITS

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

State Health Benefit Local Education Retired Employees Plan

The State Health Benefit Local Education Retired Employees Plan (Local Education Retired Plan) is a multiple-employer defined benefit other post-employment benefit (OPEB) plan that is administered by the State on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No 75. The Local Education Retired Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and the covered dependents of local education employees. The State also offers dental care to retirees, however, since dental benefits are completely paid for by the retirees, there is no OPEB liability for these benefits.

The employer contributions for the participating local education employers are legally required to be funded by the State in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retired from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postemployment 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 care 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.

Employees Covered by Benefit Terms

The following Local Education Retired Plan employees were covered by benefit terms as of the June 30, 2019 and 2018 (measurement dates June 30, 2018 and 2017, respectively):

	<u>2019</u>	<u>2018</u>
Active Plan Members	217,131	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	<u>145,050</u>	<u>142,799</u>
Total	<u><u>362,181</u></u>	<u><u>366,546</u></u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

Special Funding Situation

A special funding situation exists for the College as it is a participating employer in the Local Education Retired Plan, where according to N.J.S.A. 52:14-17.32f., the State is required to recognize the total nonemployer OPEB liability. In accordance with GASB No. 75, the College is not required to recognize an OPEB liability for the post-employment health benefit plan. Accordingly, the College's proportionate share percentage determined under GASB 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.

OPEB Liability

At June 30, 2019 and 2018 the State's proportionate share of the OPEB liability attributable to the College is \$36,459,830 and \$53,569,430, respectively. The non-employer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the College at June 30, 2018 and 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018 and 2017, respectively. At June 2018, the State's share of the OPEB liability attributable to the College was 0.0791% which was a decrease of -.0208% from its proportion measured as of June 30, 2017 of 0.0999%. At June 2017, the State's share of the OPEB liability attributable to the College was 0.0999% which was an increase of 0.005% from its proportion measured as of June 30, 2016 of 0.0948%.

The change in the State's proportionate share of the OPEB liability attributable to the College for the fiscal years ended June 30, 2019 and 2018 (measurement dates June 30, 2018 and 2017, respectively) are as follows:

	<u>2019</u>	<u>2018</u>
Balance, July 1 measurement date	\$ 53,569,430	\$ 54,844,428
Changes reconized for the fiscal year:		
Service cost	5,256,563	6,301,791
Interest on the total OPEB liability	2,089,271	1,725,757
Changes in assumptions	(4,183,948)	(8,107,453)
Difference between expected actual experience	(19,330,258)	-
Gross benefit payments	(974,923)	(1,240,782)
Contributions from the member	33,695	45,689
Net changes	<u>(17,109,600)</u>	<u>(1,274,998)</u>
Balance, June 30, measurement date	<u><u>\$ 36,459,830</u></u>	<u><u>\$ 53,569,430</u></u>

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liability (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% in 2017 to 3.87% in 2018.

OPEB Expense

For the fiscal years ended June 30, 2019 and 2018, the College recognized OPEB expense of \$4,328,749 and \$7,526,533, respectively. These amounts have been included as a revenue and expense in the financial statements in accordance with GASB No. 85.

Actuarial Assumptions and Other Inputs

The OPEB liability for the June 30, 2018, measurement date was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. 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 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
Salary Increases:	1.55 – 4.55%	2.15 – 4.15%
Through 2026	based on years of service	based on age
Thereafter	2.00 – 5.45% based on years of service	3.15 – 5.15% based on age

Preretirement mortality rates were based on the RP-2006 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-2006 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

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NOTE 7 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2011 – June 30, 2014, and July 1, 2010 – June 30, 2013 for TPAF, PERS and PFRS, respectively. The actuarial assumptions used in the June 30, 2016, valuation were 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.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven 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.

Sensitivity of 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, 2019 and 2018, calculated using the discount rate disclosed above, as well as what the State's proportionate share of the OPEB liability attributable to the College would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	2019		
	At 1% Decrease (2.87%)	At Current Discount Rate (3.87%)	At 1% Increase (4.87%)
State's Proportionate Share of the OPEB Liability Attributable to the College	\$ 43,102,941	\$ 36,459,830	\$ 31,179,243
	2018		
	At 1% Decrease (2.58%)	At Current Discount Rate (3.58%)	At 1% Increase (4.58%)
State's Proportionate Share of the OPEB Liability Attributable to the College	\$ 63,590,778	\$ 53,569,430	\$ 45,620,401

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NOTE 7 - POST-RETIREMENT MEDICAL BENEFITS (Continued)

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, 2019 and 2018, calculated using the healthcare trend rate as disclosed above as well as what the State's proportionate share of the OPEB liability attributable to the College would be if it was calculated using a healthcare trend rate that is 1% point lower or 1% point higher than the current rate:

	2019		
	1 % Decrease	Healthcare Cost Trend Rate	1% Increase
State's Proportionate Share of the OPEB Liability Attributable to the College	\$ 30,136,173	\$ 36,459,830	\$ 44,807,294
2018			
	1 % Decrease	Healthcare Cost Trend Rate	1% Increase
State's Proportionate Share of the OPEB Liability Attributable to the College	\$ 44,055,678	\$ 53,569,430	\$ 66,203,581

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.

NOTE 8 - 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.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 8 - COMPENSATED ABSENCES (Continued)

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 Position, 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, 2019 and 2018, the following changes occurred in liabilities reported as compensated absences:

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2019</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Compensated Absences	\$ 2,579,685	\$ 154,298	\$ 46,212	\$ 2,687,771	\$ 1,303,769	\$1,533,230

	<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	\$ 2,487,851	\$ 354,065	\$ 262,231	\$ 2,579,685	\$ 1,149,471	\$1,579,442

NOTE 9 - LEASE COMMITMENTS

The College has entered into various lease agreements for classrooms and office space. The lease commitments expire at various dates. Rent expense for the years ended June 30, 2019 and 2018 was \$212,256 and \$186,681, respectively.

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 222,119
2021	345,786
2022	351,814
2023	144,900
2024	144,900

The College rents property under a month to month agreement. The College reported rental income for the years ended June 30, 2019 and 2018 in the amounts of \$30,716 and \$21,350, respectively.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 - DISCRETELY PRESENTED COMPONENT UNIT

Organization of the Foundation

The Hudson County Community College Foundation (the “Foundation”) is a discretely presented component unit of the College. 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.

During the years ended June 30, 2019 and 2018, the Foundation distributed \$172,595 and \$351,397 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.

Summary of the Foundation’s Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Net Asset Classifications

The Foundation reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not imposed to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity and endowments which are invested to provide income for the granting of scholarships.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)

Summary of the Foundation's Significant Accounting Policies (Continued)

Valuation of Investments

Investments are valued at their fair market value.

Library and Art Collection

Accessions are capitalized at cost if purchased and at appraised or fair value at the date of accession if received by donation.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased and fair value when donated. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. The estimated lives by asset class follows:

Culinary Equipment	5 years
Office Equipment	3 years
Furniture	5 years

Long-Lived Assets

In accordance with accounting principles generally accepted in the United States of America, long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flows.

Revenue Recognition

Revenue is recognized when earned and consists primarily of contributions and proceeds from special events.

Deferred Revenue

Deferred revenue consists of funds received by the Foundation for future events.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)

Summary of the Foundation's Significant Accounting Policies (Continued)

Tax Ruling Status

Hudson County Community College Foundation is exempt from federal and state income taxes under applicable sections of the Internal Revenue and State of New Jersey Code.

Concentration of Credit Risk

The financial instruments which potentially subject the Foundation to concentrations of credit risk are cash and investments. The Foundation places its cash and investments with various financial institutions. The amount in any one institution that exceeds the federally insured limit is subject to credit risk. As of June 30, 2019 and 2018, the Foundation had cash totaling \$80,740 and \$166,596, respectively that was not federally insured.

All investments are subject to credit risk.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year balances to conform to the current year's presentation.

Functional Expenses

The cost of program and supporting service activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, direct costs are charged against each program or fundraising activity.

All other costs are determined to be supporting services and are reported as management and general costs.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 10 - DISCRETELY PRESENTED COMPONENT UNIT (Continued)

Summary of the Foundation's Significant Accounting Policies (Continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly.

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.

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.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County, New Jersey)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 13 – CONTINGENCIES (Continued)

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, 2019, the College estimates that no material liabilities will result from such audits.

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

	<u>June 30, 2019</u>	<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	0.109815256%	0.109004902%	0.105143518%	0.103111575%	0.107551610%
College's proportionate share of the net pension liability	\$ 21,622,076	\$ 25,374,599	\$ 31,140,494	\$ 23,146,482	\$ 20,136,604
College's covered-employee payroll	10,785,964	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	49.88%	41.73%	32.39%	39.32%	36.81%
Plan fiduciary net position as a percentage of the total pension liability	53.60%	48.10%	40.14%	47.93%	52.08%

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 FIVE FISCAL YEARS

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,092,307	\$ 985,569	\$ 903,552	\$ 934,080	\$ 886,483
Contributions in relation to the contractually required contribution	<u>1,092,307</u>	<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>	<u>\$ -</u>
College's covered-employee payroll	\$ 10,785,964	\$ 10,589,813	\$ 10,085,536	\$ 9,100,123	\$ 7,411,708
Contributions as a percentage of covered-employee payroll	10.13%	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 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 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 TWO FISCAL YEARS

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Balance, July 1	\$ 53,569,430	\$ 54,844,428
Changes reconized for the fiscal year:		
Service cost	5,256,563	6,301,791
Interest on the total OPEB liability	2,089,271	1,725,757
Changes in assumptions	(4,183,948)	(8,107,453)
Difference between expected and actual experience	(19,330,258)	-
Gross benefit payments	(974,923)	(1,240,782)
Contributions from the member	33,695	45,689
Net changes	<u>(17,109,600)</u>	<u>(1,274,998)</u>
Balance, June 30	<u>\$ 36,459,830</u>	<u>\$ 53,569,430</u>
College's proportionate share of OPEB liability	\$ -	\$ -
State's proportionate share of OPEB liability	<u>36,459,830</u>	<u>53,569,430</u>
Total OPEB liability	<u>\$ 36,459,830</u>	<u>\$ 53,569,430</u>
College's covered employee payroll	\$ 21,179,626	\$ 21,179,626
Total OPEB Liability as a percentage of covered employee payroll	0.000%	0.000%

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, 2019

	Public Employees' Retirement System (PERS)	State Health Benefit Local Education Retired Employees OPEB Plan
Change in benefits	None	None
Changes in assumptions:		
Discount rate:		
As of June 30, 2018	5.66%	3.87%
As of June 30, 2017	5.00%	2.85%
Municipal bond rate:		
As of June 30, 2018	3.87%	3.87%
As of June 30, 2017	3.58%	3.58%
Inflation rate:		
As of June 30, 2018	2.25%	2.50%
As of June 30, 2017	2.25%	2.50%
Long-term expected rate of return on pension plan investments:		
As of June 30, 2018	7.00%	Not Applicable
As of June 30, 2017	7.00%	Not Applicable

SINGLE AUDIT SECTION

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hudson County Community College (the "College"), a component unit of Hudson County, New Jersey, which collectively comprise the College's basic financial statements and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 20, 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, 2019 and 2018, whose report dated October 23, 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.

A handwritten signature in black ink that reads "Donohue, Gironde, Doria & Tomkins LLC".

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

Bayonne, New Jersey
November 20, 2019

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
Frederick J. Tomkins, CPA, RMA
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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, 2019. 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, 2019.

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
November 20, 2019

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARENDED JUNE 30, 2019

Federal Grantor/ Passed through Grantor/ Program or Cluster Title	Federal CFDA Number	FAIN Number	Award Amount	Grant Period		June 30, 2018		Cash Received	Expenditures	Adjustments	June 30, 2019		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: Aspen Institute - Workforce Leadership Academy Trade Adjustment Assistance Community College and Career Training	17.282 17.282	**	\$ 32,000 363,911	03/01/19 10/01/17	03/20/20 09/30/18	\$ - (58,530)	\$ - (58,530)	\$ 32,000 61,074	\$ (11,306) (24,759)	- -	\$ - (22,215)	\$ 20,694 -	\$ (11,306) (255,825)
Total U.S. Department of Labor						(58,530)	-	93,074	(36,065)	-	(22,215)	20,694	
National Science Foundation: Northern New Jersey Bridges to the Baccalaureate Degree (NNJ B2B) Northern New Jersey Bridges to the Baccalaureate Degree (NNJ B2B)	47.076 47.076	**	82,325 96,748	08/15/18 08/15/17	07/31/19 07/31/18	- (30,586)	- (30,586)	29,655 35,744	(54,646) (5,252)	- -	(24,991) (94)	- -	54,645 (35,838)
Total National Science Foundation						(30,586)	-	65,399	(59,898)	-	(25,085)	-	
U.S. Department of Education: Student Financial Assistance Cluster: Federal Supplemental Educational Opportunity Grants Federal Supplemental Educational Opportunity Grants	84.007 84.007	**	307,945 313,600	09/01/18 09/01/17	08/31/19 08/31/18	- (45,250)	- (45,250)	324,165 49,750	(384,449) (4,500)	- -	(60,264) (60,264)	- -	(384,449) (295,894)
Federal Work Study Programs Federal Work Study Programs	84.033 84.033	**	321,193 302,675	07/01/18 07/01/17	06/30/19 06/30/18	- (155,461)	- (155,461)	284,584 15,546	(321,193) -	- -	(56,609) -	- -	(321,173) (298,466)
Federal Pell Grant Program Federal Pell Grant Program	84.063 84.063	**	22,963,527 25,506,423	09/01/18 09/01/17	08/31/19 08/31/18	- (610,726)	- (610,726)	21,711,609 1,297,723	(22,597,379) (686,997)	- -	(885,770) (885,770)	- -	(22,966,287) (24,595,569)
Federal Direct Student Loans Federal Direct Student Loans	84.268 84.268	**	4,709,385 4,860,105	09/01/18 09/01/17	08/31/19 08/31/18	- (89,140)	- (89,140)	3,510,036 198,210	(3,558,607) (109,070)	- -	(48,571) (48,571)	- -	(3,558,607) (4,397,926)
Total Student Financial Assistance Cluster						(760,662)	-	27,391,623	(27,662,195)	-	(1,031,234)	-	
Title V - Higher Education: Opening the Gate: Improving Mathematics Success for STEM Careers Opening the Gate: Improving Mathematics Success for STEM Careers Opening the Gate: Improving Mathematics Success for STEM Careers	84.031C 84.031C 84.031C	** *	91,231 83,470 21,328	10/01/18 10/01/17 10/01/14	08/31/19 08/31/18 09/30/15	- (56,576) (15,984)	- (56,576) (15,984)	- 56,576 -	(91,231) -	- 15,984 15,984	(91,231) -	- -	(91,231) (56,576) (122,195)
Picking Up the Pace: Ensuring Hispanic Degree Completion Picking Up the Pace: Ensuring Hispanic Degree Completion Picking Up the Pace: Ensuring Hispanic Degree Completion Picking Up the Pace: Ensuring Hispanic Degree Completion	84.031S 84.031S 84.031S 84.031S	** * *	311,548 35,000 308,541 635,978	10/01/17 10/01/17 10/01/16 10/01/13	09/30/18 09/30/18 09/30/17 09/30/18	(785,665) (5,694) (136,856) (65,971)	- - - -	217,551 25,274 184,989 149,274	(161,525) (20,580) (48,133) (96,604)	- - - -	(22,559) (1,000) -	- -	(342,932) (50,694) (614,915) (871,888)
Total Title V - Higher Education						(1,357,646)	-	633,664	(418,073)	15,984	(126,071)	-	
Passed through State of New Jersey, Department of Education: Career and Technical Education - Perkins Career and Technical Education - Perkins	84.048A 84.048A	V048A160030 V048A170030	817,247 673,393	07/01/18 07/01/17	06/30/19 06/30/18	- (160,202)	- (160,202)	682,983 160,202	(781,399) -	- -	(98,416) (98,416)	- -	(782,247) (628,874)
College Readiness Now College Readiness Now	84.334 84.334	**	40,637 56,807	07/01/18 07/01/17	06/30/19 06/30/18	- (26,849)	- (26,849)	- 27,729	(40,637) (1,605)	- -	(40,637) (725)	- -	(40,637) (48,658)
Total U.S. Department of Education						(1,205,359)	-	28,896,201	(28,903,909)	15,984	(1,297,083)	-	

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Passed through Grantor/ Program or Cluster Title	Federal CFDA Number	EAIN Number	Award Amount	Grant Period		June 30, 2018			June 30, 2019			Cumulative Expenditures
				From	To	Accounts Receivable	Unearned Revenue	Cash Received	Expenditures	Adjustments	Accounts Receivable	
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)
Total U.S. Department of Health and Human Services						-	12,093	-	-	-	12,093	
Total Federal Awards						\$ (1,394,475)	\$ 12,093	\$ 29,054,674	\$ (28,999,872)	\$ 15,984	\$ (1,344,383)	\$ 32,787

* - Information Not Available

Note: There were no expenditures passed through to subrecipients.

HUDSON COUNTY COMMUNITY COLLEGE
(A Component Unit of Hudson County)
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEARENDED JUNE 30, 2019

State of New Jersey, Grantor/ Pass Through Grantor/ Program or Cluster Title	Grant Account Number	Award Amount	Grant Period From To	June 30, 2018		Cash Received	Expenditures	Adjustments/ Cancellations	June 30, 2019		Cumulative Expenditures
				Accounts Receivable	Unearned Revenue				Accounts Receivable	Unearned Revenue	
Higher Education Assistance Authority: Tuition Aid Grants Tuition Aid Grants	19-100-074-2405-007	\$ 4,212,017	07/01/18 06/30/19	\$ -	\$ -	\$ 4,182,163	\$ (4,212,018)	-	\$ (29,855)	\$ -	\$ (4,235,812)
	18-100-074-2405-007	4,411,524	07/01/17 06/30/18	(6,465)	-	6,465	-	-	-	-	(4,411,524)
				(6,465)	-	4,188,628	(4,212,018)	-	(29,855)	-	-
				(1,122)	-	-	-	1,122	-	-	(289,765)
Alternative Loan	*	289,765	07/01/17 06/30/18	(1,122)	-	-	-	1,122	-	-	-
New Jersey Student Tuition Assistance Reward Scholarship (NJ Stars) Program	19-100-074-2405-313	97,748	07/01/18 06/30/19	-	-	96,938	(97,343)	-	(405)	-	(97,748)
				(7,587)	-	4,285,566	(4,309,361)	1,122	(30,260)	-	-
Total Higher Education Assistance Authority											
Department of Higher Education: Supplementary Education Program Grant: Educational Opportunity Fund: Article III - Educational Opportunity Fund Summer Article III - Educational Opportunity Fund Article III - Educational Opportunity Fund Art Scholarship Article IV - Academic Year Support Funds Total Educational Opportunity Fund	20-100-074-2401-001 19-100-074-2401-002 19-100-074-2401-002 18-100-074-2401-002	25,633 133,517 174,242 155,601	07/01/19 08/31/19 06/01/18 07/31/19 06/01/18 07/31/19 07/01/17 06/30/18	- - - -	- - - 6,699	9,414 132,968 170,011 3,312	- (133,517) (174,242) -	- - - -	- (549) (4,231) -	9,414 - - 10,011	- (133,517) (159,832) (149,457)
New Jersey Community College Opportunity Grant: Community College Opportunity Grant Community College Opportunity Grants - Special Funding Community College Opportunity Grants - Marketing Total Department of Higher Education	19-100-074-2400-061	29,018,901	09/15/18 08/01/20	-	-	734,141	(739,748)	-	(5,607)	-	(739,748)
	19-100-074-2400-061	7,500	04/01/19 06/30/19	-	-	7,500	-	-	-	226	(7,274)
	19-100-074-2400-061	250,000	09/15/18 08/01/19	-	-	250,000	(252,139)	-	(2,139)	-	(25,139)
				-	-	991,641	(999,161)	-	(7,740)	226	-
Department of Treasury: Higher Education Administration: Operational Costs - County Colleges Alternate Benefit Program Alternate Benefit Program Division of Pensions and Benefits: On-Behalf Post Retirement Medical Benefits Contribution Total Department of Treasury	19-100-082-2155-015	7,035,622	07/01/18 06/30/19	-	-	7,035,622	(7,035,622)	-	-	-	(7,035,622)
	19-100-082-2155-017	896,621	07/01/18 06/30/19	-	-	561,362	(895,624)	-	(334,062)	-	(895,624)
	18-100-082-2155-017	909,236	07/01/17 06/30/18	(319,557)	-	319,557	-	-	-	-	(909,236)
				(319,557)	-	881,119	(895,624)	-	(334,062)	-	-
Other State Grants: Governor's Urban Scholarship Grant NJ Government Ind Vocation NJ Government Ind Vocation Total State Financial Assistance	19-074-2405-586	2,000	07/01/18 06/30/19	-	-	2,000	(2,000)	-	-	-	(2,000)
	19-074-2405-586	4,075	07/01/18 06/30/19	-	-	4,423	(5,423)	-	(1,000)	-	(4,075)
	18-074-2405-586	2,948	07/01/17 06/30/18	-	311	4,423	-	-	(1,000)	311	(2,657)
				(327,144)	\$ 7,010	\$ 17,844,825	(17,883,699)	\$ 1,122	\$ (377,848)	\$ 19,962	
Less: On-Behalf Post Retirement Medical Benefits Contribution Total Subject to Single Audit						4,328,749					\$ (13,554,950)

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

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, 2019

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 of the College 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 – INDIRECT COST METHOD

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

NOTE 4 - 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.

NOTE 5 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

As explained in note 4, the College is responsible only for the performance and certain administrative duties with respect to the Federal Direct Student Loan Program. Such funding is presented in the schedule of expenditures of federal awards, however, is not presented in the basic financial statements. The net adjustment to reconcile federal awards to the basic financial statements is \$3,667,677 for the Federal Direct Student Loan Program.

**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, 2019**

NOTE 6 - RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 7 - ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

The amount of \$4,328,749 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, 2019. 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, 2019

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>
<u>84.007</u>	<u>*</u>	Student Financial Assistance Cluster:
<u>84.033</u>	<u>*</u>	<u>Federal Supplemental Educational Opportunity Grants</u>
<u>84.063</u>	<u>*</u>	<u>Federal Work Study Programs</u>
<u>84.268</u>	<u>*</u>	<u>Federal Pell Grant Program</u>
		<u>Federal Direct Student Loans</u>

- H) Dollar threshold used to distinguish between type A and Type B Programs: \$869,996
- 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, 2019

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)
19-100-074-2401-002
19-100-074-2400-061
19-100-082-2155-015

Name of State Program
Educational Opportunity Fund
New Jersey Community College Opportunity Grant
Operational Costs - County Colleges

* - 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, 2019

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, 2019

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, 2019

(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.