

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

Hudson County Schools of Technology

Hudson County, New Jersey

For the Fiscal Year Ended June 30, 2018

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
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INTRODUCTORY SECTION

February 28, 2019

The Honorable President and
Members of the Board of Education of the
Hudson County Schools of Technology
Hudson County, New Jersey

The comprehensive annual financial report of the Hudson County Schools of Technology (“the District”) for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District’s organizational chart, a list of principal officials and consultants, auditors and advisors. We have included in the transmittal letter a financial ratio and statistical overview of the entity based on entity-wide financial reporting. The financial section includes under Governmental Accounting Standard Board Statement No. 34, the Report of Independent Auditor’s, the Management Discussion and Analysis, the basic financial statements, required supplementary information, and the combining and individual fund financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance): and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor’s report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1.) REPORTING ENTITY AND ITS SERVICES: The District is a component unit of the County of Hudson within the criteria adopted by the GASB Statement No. 14, as amended by GASB Statement No. 39 and No. 61. The District would be a discretely presented component unit of the County of Hudson, however the County of Hudson reports in accordance with financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that do not require such presentation. All funds and account groups of the District are included in this report. The District and its schools constitute the District’s reporting entity.

The District provides a full range of educational services appropriate to grade levels 9 through 12. These include regular, early childhood, vocational as well as special education for handicapped youngsters. The District completed the 2017-2018 fiscal year with an average daily enrollment of 3,471 students, which is a 283 student increase from the previous year’s enrollment.

The following details the changes in the student enrollment of the District over the last five years:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-2018	3,471	8.88%
2016-2017	3,188	0.57%
2015-2016	3,170	7.09%
2014-2015	2,960	-0.50%
2013-2014	2,975	4.35%

2.) ECONOMIC CONDITION AND OUTLOOK: The Hudson County Schools of Technology has not received an increase in state aid in the last five years. The District continues to be diligent in making the budget work with an average of 1% increase in revenues over that period. The District is struggling to keep a substantial surplus because of the fiscal demands in areas like pensions, benefits and salaries. A 16% increase midyear in the health benefit costs creates an unnecessary hardship for the District.

3.) MAJOR INITIATIVES: The Hudson County Schools of Technology currently has three campuses. The North Bergen campus has been replaced by a new state of the art High School in Secaucus. The 350,000 square foot building which was completed late July of 2018 will house High Tech High School as they leave the North Bergen Campus behind and begin the 2018-2019 at the new location. The Jersey City campus is undergoing major renovations over a five year period. A new addition of 51,000 square feet was opened in September of 2017 and major parts of the existing building will continue to undergo renovations.

4.) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles (GAAP)). The internal control structure is designed to provide reasonable, but not absolute, assurance what these objective are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgment by management.

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. As part of the District's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5.) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget. The object of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of School Estimate. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved by the County of Hudson for capital improvements accounted for in the capital project fund. The final budget amounts as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance of the succeeding year. However, there were no general fund encumbrances at June 30, 2018.

6.) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards District (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7.) OTHER INFORMATION: Independent Audit- State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of DONOHUE, GIRONDA, DORIA & TOMKINS, LLC was selected by the District to perform the audit. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

8.) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the District and thereby contributing their full support to the development and maintenance of our financial operation. Also, we would like to acknowledge the school administrative team and central office administrators for performing their duties in a fiscally sound and conservative manner. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office and school accountants and bookkeepers.

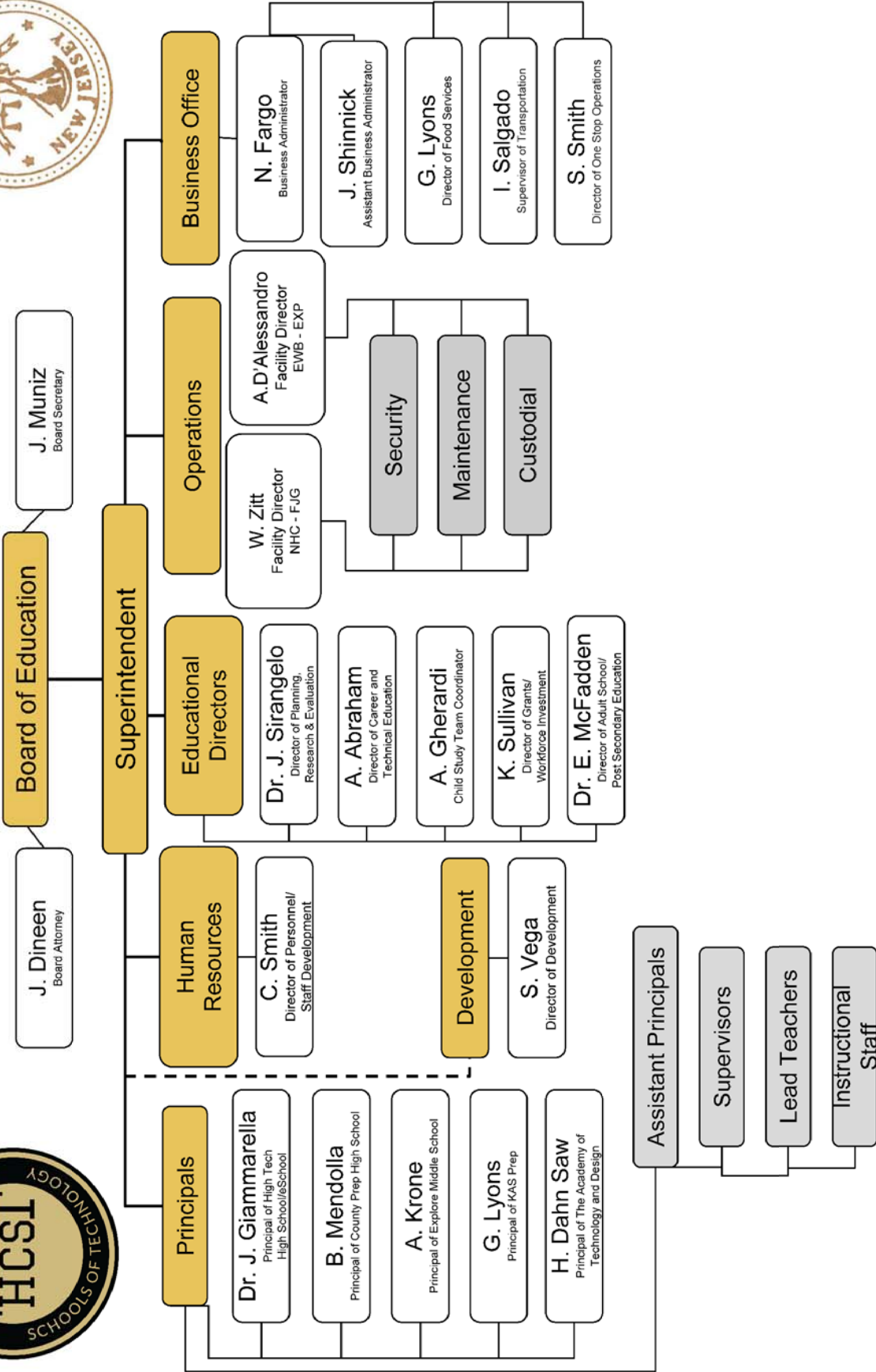
Respectfully submitted,



Nicholas Fargo
School Business Administrator



Hudson County Schools of Technology Organizational Chart



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
ROSTER OF OFFICIALS
JUNE 30, 2018**

Members of the Board of Education

Term Expires

Craig Guy, President	October 31, 2019
Hugh D. Cabrera, Vice-President	October 31, 2020
Neida Rivera	October 31, 2018
Geraldine Perez	October 31, 2018
Amanda Trombetta	October 31, 2019
Hector Zulueta	October 31, 2019
Anthony R. Comprelli	October 31, 2020
John Minella	October 31, 2021
Monica Fundora	October 31, 2021

Other Officials

Frank J. Gargiulo	School Superintendent
Amy Lin-Rodriguez	Assistant Superintendent
Joseph M. Muniz	Board Secretary
Nicholas Fargo	School Business Administrator

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
CONSULTANTS, INDEPENDENT AUDITORS AND ADVISORS
JUNE 30, 2018**

GENERAL COUNSEL

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Jersey City, NJ 07306

SPECIAL COUNSEL

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LABOR COUNSEL

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Lyndhurst, NJ 07071

ARCHITECT

RSC Architects
3 University Plaza Drive, Suite 600
Hackensack, NJ 07601

AUDITOR

Donohue, Girona, Doria & Tomkins, LLC
310 Broadway
Bayonne, NJ 07002

SPECIAL AUDITOR

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.
401 Wanaque Avenue
Pompton Lakes, NJ 07442

OFFICIAL DEPOSITORY

Wells Fargo
TD Bank
BCB Bank
Investors Savings Bank

FINANCIAL SECTION

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

Robert A. Gironda, CPA
Robert G. Doria, CPA (N.J. & N.Y.)
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Jason R. Gironda, CPA
Mauricio Canto, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Hudson County Schools of Technology
Secaucus, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Hudson County Schools of Technology, in the County of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Hudson County Schools of Technology's basic financial statements as listed in the table of contents.

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, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hudson County Schools of Technology as of June 30, 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, budgetary comparison information, and pension and post-retirement medical benefits information on pages 12 through 21, pages 82 through 87, and 88 through 92 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 Hudson County Schools of Technology's basic financial statements. The introductory section and other supplementary information such as the combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the 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 combining and individual fund financial statements, and schedules 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 combining and individual fund financial statements, and schedules 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.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

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



MAURICIO CANTO
Certified Public Accountant
Licensed Public School Accountant
No. 2541



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

Bayonne, New Jersey
February 28, 2019

REQUIRED SUPPLEMENTARY INFORMATION

PART I

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The discussion and analysis of the Hudson County School of Technology's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal years 2018 and 2017 are as follows, respectively:

- In total, net position of governmental activities are \$153,849,283 and \$(5,472,775). Net position of the business-type activity, which represents food service, are \$629,613 and \$692,901. This reflects an increase in net position of governmental activities of \$159,322,058 and a decrease in net position of the business-type activity of (\$63,288). The increase in the governmental activities net position was mainly attributed to County of Hudson capital appropriations for the design, construction, furnishing, and equipping of a new high school. The decrease in business-type activity net position was mainly attributed to an increase in operating costs.
- Total governmental revenues accounted for \$245,175,086 and \$84,068,776, respectively, which was a \$161,106,310 or 65.71% increase. The county tax appropriation increased to \$28,560,000 from \$27,060,000. State aid not restricted increased to \$22,097,410 from \$21,268,832. Capital grants and contributions increased to \$163,156,294 from \$9,783,321.
- The District continues to experience stability in student enrollment. Average daily enrollment for the year ending June 30, 2018 was 3,471. The District enrollment has increased over the last 5 years and continues to increase year over year. Adult school enrollment continues to grow as well.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. This Report is organized to show the reader the District as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in a single column. For the District's, the General Fund is the most significant fund.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

While this report contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2018?” The statement of net position and the statement of activities helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into consideration all of the current year’s revenues and expenses regardless of when cash was received or paid.

These two statements report the District’s net position and changes in position. This change in net position is important because it identifies whether the financial position of the District has improved or diminished, as a whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include current property tax laws in New Jersey, facility conditions, required educational programs, and many other factors.

In the statement of net position and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activity - This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Hudson County Schools of Technology’s Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds. The District’s major governmental funds are the General Fund, Special Revenue Fund and Capital Projects Fund.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Reporting the Hudson County Schools of Technology's Most Significant Funds (Continued)

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net assets and the statement of activities and the governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, their statements are essentially the same.

The District as a Whole

The perspective of the statement of net position is of the Hudson County Schools of Technology as a whole. Table 1 provides a summary of the Hudson County Schools of Technology's net position for the fiscal years 2018 and 2017, respectively.

Total assets equal \$210,206,643 and \$46,546,018. Total assets for Governmental Activities are \$209,577,030 and \$45,810,623. Total assets for Business Type Activity are \$629,613 and \$735,395.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The District as a Whole (Continued)

**Table 1
Net Position**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
ASSETS						
Current and other assets	\$ 7,196,126	\$ 16,399,111	\$ 997	\$ 42,494	\$ 7,197,123	\$ 16,441,605
Capital assets, net	202,380,904	29,411,512	628,616	692,901	203,009,520	30,104,413
Total assets	<u>209,577,030</u>	<u>45,810,623</u>	<u>629,613</u>	<u>735,395</u>	<u>210,206,643</u>	<u>46,546,018</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>11,447,783</u>	<u>14,693,274</u>	-	-	<u>11,447,783</u>	<u>14,693,274</u>
LIABILITIES						
Current and other liabilities	8,923,190	6,792,308	-	42,494	8,923,190	6,834,802
Long-term liabilities	12,804,891	11,668,264	-	-	12,804,891	11,668,264
Net pension liability	37,759,684	47,363,302	-	-	37,759,684	47,363,302
Total liabilities	<u>59,487,765</u>	<u>65,823,874</u>	<u>-</u>	<u>42,494</u>	<u>59,487,765</u>	<u>65,866,368</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>7,687,765</u>	<u>152,798</u>	-	-	<u>7,687,765</u>	<u>152,798</u>
NET POSITION						
Net investment in capital assets	202,380,904	29,411,512	628,616	692,901	203,009,520	30,104,413
Restricted	2,842,529	13,702,603	-	-	2,842,529	13,702,603
Unrestricted	(51,374,150)	(48,586,890)	997	-	(51,373,153)	(48,586,890)
Total net position	<u>\$ 153,849,283</u>	<u>\$ (5,472,775)</u>	<u>\$ 629,613</u>	<u>\$ 692,901</u>	<u>\$ 154,478,896</u>	<u>\$ (4,779,874)</u>

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment); less any related debt (obligations under capital leases) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to students, employees, and creditors. The unrestricted net position includes the amount of long-term obligations that are not invested in capital assets, such as compensated absences.

The District had previously not been able to report a positive balance in net position since the adoption of GASB Statement No. 68 whereby, the District was required to report its net pension liability and deferred outflows and inflows resulting thereof. However, during the fiscal year 2018, the District recognized County of Hudson capital contributions of \$160,000,000 for the on-behalf capital lease for the new high school, whereby increasing the total net position of the District to a positive balance.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The District as a Whole (Continued)

Table 2 reflects the change in net position for fiscal years 2018 and 2017, respectively.

The total changes in net position for the fiscal years 2018 and 2017 for Governmental Activities are \$159,322,058 and (\$23,630,139). The total changes in net position for the Business-Type Activity are (\$63,288) and \$692,901. The total changes in net position are \$159,258,770 and (\$22,937,238).

**Table 2
Net Position**

	Governmental Activities		Business Type Activities		Total	
	2018 ⁽¹⁾	2017	2018	2017	2018 ⁽¹⁾	2017
REVENUES						
Program revenues:						
Charges for services	\$ 7,370,908	\$ 5,272,822	\$ 944,337	\$ 667,334	\$ 8,315,245	\$ 5,940,156
Operating grants and contributions	23,341,102	20,033,122	698,998	643,542	24,040,100	20,676,664
Capital grants and contributions	163,156,294	9,783,321	-	-	163,156,294	9,783,321
Total program revenues	193,868,304	35,089,265	1,643,335	1,310,876	195,511,639	36,400,141
General revenues:						
County appropriation	28,560,000	27,060,000	-	-	28,560,000	27,060,000
State aid not restricted	22,097,410	21,268,832	-	-	22,097,410	21,268,832
Miscellaneous	649,372	650,679	-	102	649,372	650,781
Total general revenues	51,306,782	48,979,511	-	102	51,306,782	48,979,613
Total revenues	245,175,086	84,068,776	1,643,335	1,310,978	246,818,421	85,379,754
EXPENSES						
Instructional services	18,415,101	19,273,634	-	-	18,415,101	19,273,634
Support services	27,632,190	26,537,568	-	-	27,632,190	26,537,568
Unallocated benefits	29,941,585	28,895,602	-	-	29,941,585	28,895,602
Special schools	7,831,190	6,833,969	-	-	7,831,190	6,833,969
Depreciation	1,886,771	1,834,284	-	-	1,886,771	1,834,284
Service related expenses	-	-	1,706,623	1,660,697	1,706,623	1,660,697
Total expenses	85,706,837	83,375,057	1,706,623	1,660,697	87,413,460	85,035,754
Excess (deficit) before transfers and special items	159,468,249	693,719	(63,288)	(349,719)	159,404,961	344,000
Transfers	-	(320,585)	-	320,585	-	-
Special items:						
Adjustment per valuation of capital assets	-	(24,003,273)	-	722,035	-	(23,281,238)
Cancellation of prior year receivable	(146,191)	-	-	-	(146,191)	-
Change in net position	159,322,058	(23,630,139)	(63,288)	692,901	159,258,770	(22,937,238)
Net position, July 1	(5,472,775)	18,157,364	692,901	-	(4,779,874)	18,157,364
Net position, June 30	\$ 153,849,283	\$ (5,472,775)	\$ 629,613	\$ 692,901	\$ 154,478,896	\$ (4,779,874)

(1) During fiscal year 2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pension (OPEB), whereby on-behalf OPEB expense of \$3,853,761 was recognized and offset by a contribution for the same amount.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3a, for government activities, indicates the total cost of services and the percentage cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

Table 3a.
Governmental Activities

	Total Cost of Services		Percent of Total	
	2018	2017	2018	2017
Instructional services	\$ 18,415,101	\$ 19,273,634	21.49%	23.12%
Support services	27,632,190	26,537,568	32.24%	31.83%
Employee benefits	29,941,585	28,895,602	34.93%	34.65%
Special schools	7,831,190	6,833,969	9.14%	8.20%
Depreciation	1,886,771	1,834,284	2.20%	2.20%
Total expenses	\$ 85,706,837	\$ 83,375,057	100.00%	100.00%

Total expenses for governmental activities for fiscal years 2018 and 2017 were \$85,706,837 and \$83,375,057. Total expenses increased mainly because during fiscal year 2018 the District implemented GASB Statement No. 75, whereby on-behalf OPEB expense of \$3,853,761 was recognized. However, instructional and support services decreased due to re-locating costs of individual employees to special schools.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Business-Type Activity

Table 3b.
Business-Type Activity

	Total Cost of Services		Percent of Total	
	2018	2017	2018	2017
Revenues:				
Charges for services	\$ 944,337	\$ 667,334	57.46%	50.90%
Operating grants	698,998	643,542	42.54%	49.09%
Miscellaneous	-	102	0.00%	0.01%
Total revenues	<u>1,643,335</u>	<u>1,310,978</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses:				
Food service	<u>1,706,623</u>	<u>1,660,697</u>	<u>100.00%</u>	<u>100.00%</u>
Total expenses	<u>1,706,623</u>	<u>1,660,697</u>	<u>100.00%</u>	<u>100.00%</u>
(Deficit) before transfers and special item	(63,288)	(349,719)		
Transfers	-	320,585		
Special item	-	722,035		
Change in net position	<u>\$ (63,288)</u>	<u>\$ 692,901</u>		

The business-type activity of the Hudson County Schools of Technology is the food service operation. This program had revenues for the fiscal years 2018 and 2017 of \$1,643,335 and \$1,310,978 and expenses of \$1,706,623 and \$1,660,697, respectively. Total revenues were increased by \$332,357 significantly due to an increase in charges for services. In 2018 the Food Service Program had a net loss of (\$63,288) due to write-offs of receivables from student delinquent accounts at the year end.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Sources of Revenue

Table 4
Sources of Revenue

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Local Tax</u> <u>Levy</u>	<u>Other Local</u> <u>Revenue</u>	<u>Operating</u> <u>Grants</u>	<u>Capital</u> <u>Grants</u>	<u>Federal &</u> <u>State Aid</u> <u>Not Restricted</u>	<u>Total</u>
2018	\$ 28,560,000	\$ 8,020,280	\$ 23,341,102	\$ 163,156,294	\$ 22,097,410	\$ 245,175,086
2017	27,060,000	5,923,501	20,033,122	9,783,321	21,268,832	84,068,776

Program revenues are budgeted to spend all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenues received but not spent is restricted and deferred to the subsequent year. As a result, overall fund revenues variances will be negative and overall fund expenditures variances will be positive.

The Hudson County Schools of Technology had stabilized teaching staff during the 2017-2018 school year. The State of New Jersey has reinstated some of the Adult Education Aid provided to the District, however the District continues to offer adult programs as it did under previous funding levels, which continues to negatively impact the Districts financial position. The District moved to a new facility in late July of 2018. With the move to a new facility the District has secured additional funding from the County of Hudson which should allow the financial outlook to remain stable.

Total revenues increased \$161,106,310 mainly because during fiscal year 2018 County of Hudson capital appropriations were recognized for the on-behalf capital lease of \$160,000 for the new high school. Also, the District implemented GASB Statement No. 75, whereby on-behalf OPEB expense of \$3,853,761 was recognized and a revenue for the same amount. Adult education aid increased by \$882,402 and charges for services for transportation and special schools increased \$2,313,996 during 2018.

The Hudson County Schools of Technology’s Funds

The Hudson County Schools of Technology’s governmental funds are accounted for using standards established by the GASB Statement No. 34. Total governmental funds had revenues and other financing sources of \$227,744,216 and expenditures and other financing uses of \$238,862,997. The positive fund balance for the year reflects that the Hudson County Schools of Technology was able to meet current costs.

General Fund Budgeting Highlights

The Hudson County Schools of Technology’s budget is prepared according to New Jersey statutes. The District’s budget is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2018, the Hudson County Schools of Technology amended its General Fund budget as needed.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

General Fund Budgeting Highlights (Continued)

For the General Fund, final budgeted revenues and other financing sources in the amount of \$51,857,243 were \$1,789,825 greater than original budgeted revenues and other financing sources due to an increase anticipated in Equalization Aid of \$89,265 and Adult Education Program Aid of \$903,222. Final budgeted expenditures and other financing uses in the amount of \$0 were \$0 greater than original budgeted expenditures and other financing uses because of an increase in appropriations when anticipated revenues increased. Significant budgetary variations throughout the General Fund budget for salaries of teachers are attributed to the transfers of teachers to different programs throughout the year and reallocation of those budgetary funds are not made unless necessary.

General Fund revenues and other financing sources were less than expenditures and other financing uses. This (deficiency) of revenues and other financing sources reduced surplus by approximately \$0. At June 30, 2018 there was \$269,934 in unrestricted fund balance. The surplus reflects \$0 final state aid payments for June 30, 2018, however this amount is not reflected in the District Intergovernmental Receivable Account.

Capital Assets and Depreciation

At the end of fiscal years 2018 and 2017, the District had \$202,380,904 and \$29,411,512, respectively invested in capital assets (net of depreciation), for governmental activities. More information on capital assets and depreciation is represented in Note 4 to the basic financial statements.

Table 5
Capital Assets and Depreciation

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2018</u>
Governmental Activities:				
Non-depreciable	\$ 1,533,490	\$ 174,016,368	\$ -	\$ 175,549,858
Depreciable	<u>56,084,712</u>	<u>839,795</u>	<u>-</u>	<u>56,924,507</u>
Total at historical cost	<u>57,618,202</u>	<u>174,856,163</u>	<u>-</u>	<u>232,474,365</u>
Less accumulated depreciation	<u>(28,206,690)</u>	<u>(1,886,771)</u>	<u>-</u>	<u>(30,093,461)</u>
Capital assets, net	<u>\$ 29,411,512</u>	<u>\$ 172,969,392</u>	<u>\$ -</u>	<u>\$ 202,380,904</u>
Business-Type Activity:				
Depreciable	\$ 965,975	\$ -	\$ -	\$ 965,975
Less accumulated depreciation	<u>(273,074)</u>	<u>(64,285)</u>	<u>-</u>	<u>(337,359)</u>
Capital assets, net	<u>\$ 692,901</u>	<u>\$ (64,285)</u>	<u>\$ -</u>	<u>\$ 628,616</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Debt

The District does not have any outstanding bond issues. All debt administration, obligations and issuance are the responsibility of the County of Hudson.

However, the District has long-term obligations for compensated absences in the amount of \$13,492,036 and \$12,395,389 at June 30, 2018 and 2017, respectively.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Hudson County Schools of Technology District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Nicholas Fargo, the Office of the Business Administrator, Hudson County Schools of Technology, North Bergen, New Jersey.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of New Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 615,600	\$ -	\$ 615,600
Receivables, net	6,459,086	118,537	6,577,623
Internal balances	117,540	(117,540)	-
Restricted assets:			
Cash and cash equivalents	3,900	-	3,900
Capital assets, net			
Non-depreciable	175,549,858	-	175,549,858
Depreciable	26,831,046	628,616	27,459,662
Total assets	<u>209,577,030</u>	<u>629,613</u>	<u>210,206,643</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	<u>11,447,783</u>	<u>-</u>	<u>11,447,783</u>
LIABILITIES			
Cash overdraft	207,147	-	207,147
Accounts payable	6,145,888	-	6,145,888
Due to grantors	23,010	-	23,010
Unearned revenue	1,860,000	-	1,860,000
Noncurrent liabilities:			
Due within one year	687,145	-	687,145
Due beyond one year	12,804,891	-	12,804,891
Net pension liability	<u>37,759,684</u>	<u>-</u>	<u>37,759,684</u>
Total liabilities	<u>59,487,765</u>	<u>-</u>	<u>59,487,765</u>
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	<u>7,687,765</u>	<u>-</u>	<u>7,687,765</u>
NET POSITION			
Net investment in capital assets	202,380,904	628,616	203,009,520
Restricted for:			
Capital projects	2,842,529	-	2,842,529
Unrestricted	<u>(51,374,150)</u>	<u>997</u>	<u>(51,373,153)</u>
Total net position	<u>\$ 153,849,283</u>	<u>\$ 629,613</u>	<u>\$ 154,478,896</u>

The accompanying notes to financial statements are an integral part of this statement.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 12,336,156	\$ 729,045	\$ 885,347	\$ -	\$ (10,721,764)	\$ -	\$ (10,721,764)
Vocational education	4,254,965	-	-	-	(4,254,965)	-	(4,254,965)
Vocational education - special	1,408,957	-	-	-	(1,408,957)	-	(1,408,957)
School sponsored cocurricular activities	415,023	-	-	-	(415,023)	-	(415,023)
Support services:							
Student and instruction related services	9,260,448	-	4,366,082	-	(4,894,366)	-	(4,894,366)
School administrative services	1,291,737	-	-	-	(1,291,737)	-	(1,291,737)
General and business administrative services	3,570,891	-	-	-	(3,570,891)	-	(3,570,891)
Plant operations and maintenance	5,918,598	-	839,795	163,156,294	158,077,491	-	158,077,491
Pupil transportation	7,590,516	4,141,864	-	-	(3,448,652)	-	(3,448,652)
Unallocated benefits	29,941,585	-	17,249,878	-	(12,691,707)	-	(12,691,707)
Special schools	7,831,190	2,499,999	-	-	(5,331,191)	-	(5,331,191)
Unallocated depreciation	1,886,771	-	-	-	(1,886,771)	-	(1,886,771)
Total governmental activities	85,706,837	7,370,908	23,341,102	163,156,294	108,161,467	-	108,161,467
Business-type activities:							
Food service	1,706,623	944,337	698,998	-	-	(63,288)	(63,288)
Total business-type activities	1,706,623	944,337	698,998	-	-	(63,288)	(63,288)
Total primary government	\$ 87,413,460	\$ 8,315,245	\$ 24,040,100	\$ 163,156,294	\$ 108,161,467	\$ (63,288)	\$ 108,098,179
General revenues, transfers and special item:							
County tax levy					\$ 28,560,000	\$ -	\$ 28,560,000
State aid not restricted					22,097,410	-	22,097,410
Miscellaneous income					649,372	-	649,372
Special item - cancellation of prior year receivable					(146,191)	-	(146,191)
Total general revenues and special item					51,160,591	-	51,160,591
Change in net position					159,322,058	(63,288)	159,258,770
Net position, July 1					(5,472,775)	692,901	(4,779,874)
Net position, June 30					\$ 153,849,283	\$ 629,613	\$ 154,478,896

The accompanying notes to financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 329,188	\$ 25,156	\$ 261,256	\$ 615,600
Interfund receivable	1,951,380	-	-	1,951,380
Receivables from other governments:				
Federal	-	391,406	-	391,406
State	66,086	101,784	-	167,870
Local	-	903,147	3,837,373	4,740,520
Restricted assets:				
Restricted cash and cash equivalents	3,900	-	-	3,900
Total assets	<u>\$ 2,350,554</u>	<u>\$ 1,421,493</u>	<u>\$ 4,098,629</u>	<u>\$ 7,870,676</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraft	\$ -	\$ 207,147	\$ -	\$ 207,147
Accounts payable	2,599,368	666,786	1,106,100	4,372,254
Payable to federal government	-	23,010	-	23,010
Interfund payable	-	524,550	150,000	674,550
Unearned revenue	1,860,000	-	-	1,860,000
Total liabilities	<u>4,459,368</u>	<u>1,421,493</u>	<u>1,256,100</u>	<u>7,136,961</u>
Fund balances:				
Restricted For:				
Capital projects	-	-	2,842,529	2,842,529
Unassigned fund balance:				
General fund	(2,108,814)	-	-	(2,108,814)
Total fund balances	<u>(2,108,814)</u>	<u>-</u>	<u>2,842,529</u>	<u>733,715</u>
Total liabilities and fund balances	<u>\$ 2,350,554</u>	<u>\$ 1,421,493</u>	<u>\$ 4,098,629</u>	
Reconciliation of balance sheet to statement of net position				
Amounts reported for governmental activities in the statement of net position (A-1) are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$232,668,795 and the accumulated depreciation is \$30,093,461.				
				202,380,904
Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.				
			\$ 11,447,783	
			(7,687,765)	3,760,018
Additional accounts payable for pension contribution offset by deferred outflow for pension liabilities.				
				(1,773,634)
Liabilities for compensated absences and pension are not due and payable in the current period and therefore are not reported as liabilities in the funds:				
			(13,492,036)	
			(37,759,684)	(51,251,720)
Net position of governmental activities				<u>\$ 153,849,283</u>

The accompanying notes to financial statements are an integral part of this statement.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Federal sources	\$ 6,431	\$ 5,715,331	\$ -	\$ 5,721,762
State sources	28,558,281	369,462	-	28,927,743
Local sources:				
County tax levy	28,560,000	-	-	28,560,000
Tuition charges	729,045	-	-	729,045
Miscellaneous	649,372	-	-	649,372
Total - Local Sources	<u>29,938,417</u>	<u>-</u>	<u>-</u>	<u>29,938,417</u>
Total revenues	<u>58,503,129</u>	<u>6,084,793</u>	<u>-</u>	<u>64,587,922</u>
EXPENDITURES				
Instruction:				
Regular instruction	11,450,809	885,347	-	12,336,156
Vocational education	4,254,965	-	-	4,254,965
Vocational education - special	1,408,957	-	-	1,408,957
School sponsored cocurricular activities	415,023	-	-	415,023
Support services and undistributed costs:				
Student and instruction related services	4,900,797	4,359,651	-	9,260,448
School administrative services	1,291,737	-	-	1,291,737
Other administrative services	3,570,891	-	-	3,570,891
Operation and maintenance of plant services	5,918,598	-	-	5,918,598
Student transportation	3,122,825	-	-	3,122,825
Employee benefits	16,624,025	-	-	16,624,025
Special schools	5,219,866	-	-	5,219,866
Capital outlay	-	839,795	174,016,368	174,856,163
Total expenditures	<u>58,178,493</u>	<u>6,084,793</u>	<u>174,016,368</u>	<u>238,279,654</u>
(Deficiency) of revenues (under) expenditures	<u>324,636</u>	<u>-</u>	<u>(174,016,368)</u>	<u>(173,691,732)</u>
OTHER FINANCING SOURCES (USES)				
Transfer (out) - contributions to internal service funds	(583,343)	-	-	(583,343)
County capital contributions	-	-	163,156,294	163,156,294
Total other financing sources and (uses)	<u>(583,343)</u>	<u>-</u>	<u>163,156,294</u>	<u>162,572,951</u>
Net change in fund balance	(258,707)	-	(10,860,074)	(11,118,781)
Fund balance, July 1	(1,850,107)	-	13,702,603	11,852,496
Fund balance, June 30	<u>\$ (2,108,814)</u>	<u>\$ -</u>	<u>\$ 2,842,529</u>	<u>\$ 733,715</u>

The accompanying notes to financial statements are an integral part of this statement.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended June 30, 2018**

Total net change in fund balances - governmental funds (from Exhibit B-2) \$ (11,118,781)

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (1,886,771)	
Capital outlays	174,856,163	172,969,392

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

Change in compensated absences	(1,096,647)	
Additional PERS pension expense recognized	(1,431,906)	
Additional on-behalf TPAF pension expense	(6,935,246)	
Additional on-behalf TPAF pension contribution	6,935,246	
Additional on-behalf OPEB expense	(3,853,761)	
Additional on-behalf OPEB contribution	3,853,761	(2,528,553)

Change in net position of governmental activities (to Exhibit A-2) \$ 159,322,058

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activity - Enterprise Fund	Governmental Activities - Internal Service Funds			Total Internal Service Funds
	Food Service	Transportation Consortium	Career Development Center	Youth House	
ASSETS					
Current Assets:					
Intergovernmental accounts receivable:					
Federal	\$ 116,855	\$ -	\$ -	\$ -	\$ -
State	1,682	-	-	-	-
Local	-	471,128	-	-	471,128
Other accounts receivable	-	-	622,248	-	622,248
Total current assets	<u>118,537</u>	<u>471,128</u>	<u>622,248</u>	<u>-</u>	<u>1,093,376</u>
Capital assets:					
Furniture, machinery and equipment	965,975	-	-	106,113	106,113
Less: accumulated depreciation	<u>(337,359)</u>	<u>-</u>	<u>-</u>	<u>(106,113)</u>	<u>(106,113)</u>
Total capital assets	<u>628,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>747,153</u>	<u>471,128</u>	<u>622,248</u>	<u>-</u>	<u>1,093,376</u>
LIABILITIES					
Current liabilities:					
Interfund payable	<u>117,540</u>	<u>471,128</u>	<u>622,248</u>	<u>-</u>	<u>1,093,376</u>
Total current liabilities	<u>117,540</u>	<u>471,128</u>	<u>622,248</u>	<u>-</u>	<u>1,093,376</u>
Total liabilities	<u>117,540</u>	<u>471,128</u>	<u>622,248</u>	<u>-</u>	<u>1,093,376</u>
NET POSITION					
Net investment in capital assets	628,616				
Unrestricted	<u>997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 629,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Business-type Activity - Enterprise Fund	Governmental Activities - Internal Service Funds			Total Internal Service Funds
	Food Service	Transportation Consortium	Career Development Center	Youth House	
OPERATING REVENUES					
Charges for services:					
Daily sales	\$ 944,337	\$ -	\$ -	\$ -	\$ -
Transportation fees from other local education agencies	-	4,141,864	-	-	4,141,864
Career development programs and fees	-	-	2,499,999	-	2,499,999
Total operating revenues	<u>944,337</u>	<u>4,141,864</u>	<u>2,499,999</u>	<u>-</u>	<u>6,641,863</u>
OPERATING EXPENSES					
Cost of sales	1,642,338	-	-	-	-
Salaries	-	3,249,421	1,691,969	-	4,941,390
Other purchased services	-	1,218,270	919,355	-	2,137,625
Depreciation	64,285	-	-	-	-
Total operating expenses	<u>1,706,623</u>	<u>4,467,691</u>	<u>2,611,324</u>	<u>-</u>	<u>7,079,015</u>
Operating (loss)	(762,286)	(325,827)	(111,325)	-	(437,152)
Nonoperating revenues:					
State sources:					
State school lunch program	9,718	-	-	-	-
Federal sources:					
National school lunch program	462,248	-	-	-	-
National school breakfast program	179,062	-	-	-	-
Food distribution program	47,970	-	-	-	-
Total nonoperating revenues	<u>698,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss) before transfers and special item	(63,288)	(325,827)	(111,325)	-	(437,152)
Transfer in - general fund contribution	-	325,827	257,516	-	583,343
Special item - cancellation of prior year receivable	-	-	(146,191)	-	(146,191)
Change in net position	(63,288)	-	-	-	-
Net position, July 1	692,901	-	-	-	-
Net position, June 30	<u>\$ 629,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Business-type Activity - Enterprise Fund	Governmental Activities - Internal Service Funds			Total Internal Service Funds
	Food Service	Transportation Consortium	Career Development Center	Youth House	
Cash flows from operating activities:					
Receipts from customers	\$ 944,337	\$ 3,974,502	\$ 2,376,795	\$ 366,500	\$ 6,717,797
Payment for salaries and benefits	-	(3,249,421)	(1,691,969)	-	(4,941,390)
Payments to suppliers	(1,642,338)	(1,218,270)	(919,355)	-	(2,137,625)
Net cash (used) provided by operating activities	<u>(698,001)</u>	<u>(493,189)</u>	<u>(234,529)</u>	<u>366,500</u>	<u>(361,218)</u>
Cash flows from non-capital financing activities:					
State sources	8,575	-	-	-	-
Federal sources	614,380	-	-	-	-
(Payment of interfund payable)/Interfund advanced	75,046	493,189	380,720	(366,500)	507,409
Cancellation of prior year accounts receivable	-	-	(146,191)	-	(146,191)
Net cash provided (used) by non-capital financing activities	<u>698,001</u>	<u>493,189</u>	<u>234,529</u>	<u>(366,500)</u>	<u>361,218</u>
Net change in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents, July 1	-	-	-	-	-
Cash and cash equivalents, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating (loss) income	\$ (762,286)	\$ (325,827)	\$ (111,325)	\$ -	\$ (437,152)
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:					
Depreciation	64,285	-	-	-	-
(Increase) decrease in accounts receivable	-	(167,362)	(123,204)	366,500	75,934
Total adjustments	<u>64,285</u>	<u>(167,362)</u>	<u>(123,204)</u>	<u>366,500</u>	<u>75,934</u>
Net cash (used) provided by operating activities	<u>\$ (698,001)</u>	<u>\$ (493,189)</u>	<u>\$ (234,529)</u>	<u>\$ 366,500</u>	<u>\$ (361,218)</u>
Noncash capital financing activities:					
Food distribution program	\$ 47,970	\$ -	\$ -	\$ -	\$ -

The accompanying notes to financial statements are an integral part of this statement.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 29,745	\$ 590,315
Total Assets	29,745	590,315
LIABILITIES		
Payable to student groups	-	372,543
Interfund payable	-	65,914
Payroll deductions and withholdings	-	151,858
Total liabilities	-	\$ 590,315
NET POSITION		
Held in trust for unemployment claims	29,745	
Total net position	\$ 29,745	

The accompanying notes to financial statements are an integral part of this statement.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	<u>Trust Fund</u>
ADDITIONS	
Contributions	\$ 74,673
Total additions	<u>74,673</u>
DEDUCTIONS	
Unemployment claims	<u>68,039</u>
Total deductions	<u>68,039</u>
Change in net position	6,634
Net position, July 1	23,111
Net position, June 30	<u><u>\$ 29,745</u></u>

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the “Board”) of the Hudson County Schools of Technology (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

A. Reporting Entity:

The reporting entity is composed of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The Hudson County Schools of Technology is a Type I district located in the County of Hudson, State of New Jersey. As a Type I district, the School District functions independently through a Board of Education. The Board of Education of Hudson County Schools of Technology (the “Board”) is comprised of nine members appointed to three-year terms. The purpose of the District is to educate students in grades 9-12 and to provide adult and alternative education. The District had an approximate enrollment at June 30, 2018 of 3,418 students, excluding its post-secondary enrollment.

Component units are legally separate organizations for which the District is financially accountable. Based on the aforementioned criteria, the District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of GASB Codification of Governmental Accounting and Financial Reporting Standards. The District is a component unit of the County of Hudson. The District would be a discretely presented component unit of the County of Hudson, however the County of Hudson reports in accordance with financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that do not require such presentation.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued):

Hudson County Career Development Center

The County of Hudson has also designated the Hudson County Schools of Technology to operate the “One-Stop Career Center” for the Workforce Development Board Area of Hudson County as the Career Development Center (CDC). The CDC administers career counseling and job placement programs funded through the New Jersey Department of Labor with federal funds from the Workforce Innovation Opportunity Act (WIOA) and with various other funding from federal and state sources. These programs operate with an annual plan and budget under a contract approved by the County Executive, the Workforce Investment Board (WIB), and the New Jersey Department of Labor’s Commission. The CDC is not a separate legal entity and employees of CDC are District employees. The Hudson County Schools of Technology is the sub-recipient of the funds passing through the County of Hudson for the Workforce Development Board Area of Hudson County. The activity is reported in the District financial statements through the special revenue fund.

B. Basic Financial Statements - Government-wide Statements:

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District’s general operating services, special revenue, capital projects, and trust funds are classified as governmental activities. The District’s food service operations are classified as business-type activities.

The Statement of Net Position and Statement of Activities display information about the reporting district as a whole. They include all funds of the reporting entity except for fiduciary funds and component units that are fiduciary in nature.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions and business-type activities. The functions are also supported by general government revenues (property and certain intergovernmental revenues). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements - Government-wide Statements:

The net costs (by function or business-type activity) are normally covered by general revenue (county appropriations, intergovernmental revenues, interest income, etc.)

The District does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

C. Basic Financial Statements - Fund Financial Statements:

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

GOVERNMENTAL FUNDS

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, County of Hudson appropriations and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by District resolution.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements (Continued)

GOVERNMENTAL FUNDS (Continued)

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government (other than major capital projects or the Enterprise Funds) and County of Hudson appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the County of Hudson. In the case of a Type I school district, authorization and issuance of bonds is a function of the County District of Freeholders.

PROPRIETARY FUND

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Fund of the District:

Enterprise Fund - The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District's Enterprise Fund is comprised of the Food Service Fund.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by an activity to other departments or funds on a cost-reimbursement basis. The Internal Service Fund has been established to account for the financing of educational services for the youth house, educational services for career development/ employment training and for transportation services provided by the District for use by various other school districts within the County of Hudson. Services are provided on a cost-reimbursement basis, and for the youth house, a majority of the cost is provided by the New Jersey Juvenile Justice Commission, with the County providing additional funds on behalf of the other school districts.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements (Continued)

PROPRIETARY FUND (Continued)

The Proprietary Fund is accounted for on a cost of services or “economic resource” measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported net position (total net position) is segregated into invested in capital assets, net of related debt, restricted for capital projects or unrestricted, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Depreciation of all exhaustive capital assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

<u>Food Service Fund:</u>	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds and therefore are not available to support District programs. The reporting focus is on net-position and changes in net-position and are reported using accounting principles similar to proprietary funds.

Trust Funds - A Trust Fund is accounted for in essentially the same manner as the Governmental Fund types, using the same measurement focus and basis of accounting. Trust Funds account for assets where both the principal and interest may be spent. Trust Funds include Unemployment Compensation Insurance

Agency Funds - Agency Funds are used to account for the assets that the District holds on behalf of others as their agent. Agency Funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include payroll, student activities funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The District considers all governmental and business-type activities to be major.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements (Continued)

FIDUCIARY FUNDS (Continued)

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and trust). Since by definition these assets are being held for the benefit of a third party (other local governments, students, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Measurement Focus and Basis of Accounting:

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, however, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include 1) fees charged to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District enterprise funds are charges for sales of food, tuition, and program fees. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports unearned revenue on its balance sheets and statements of net position. Unearned revenue arises when resources are received by the District before revenue recognition criteria are met, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, the liability for unearned revenue is removed from the balance sheet and statement of net position and revenue is recognized.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued):

Ad Valorem (Property) Taxes are susceptible to accrual. The District records the entire approved county tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable."

All proprietary funds and trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are approved by the Board of school estimates. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item units are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments and transfers must be approved by School Board Resolution. The District did make transfers during the year which are identified on exhibits C-1 and C-2. Some of the transfers made were in significant amounts, but all were in the normal course of operations and properly approved. Budgetary transfers were made during the current year in accordance with statutory guidelines.

Due to the inclusion of the non-budgeted on-behalf payment made by the State of New Jersey as District expenditures, the District shows an over-expenditure in the General Fund. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States with the exception of the legally mandated revenue recognition of the last two state aid payments for budgetary purposes only and the accounting for the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets/Budgetary Control: (Continued)

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types:

	2017-2018
Total Revenues (Budgetary Basis)	\$ 5,767,412
Adjustments:	
Add: Prior Year Encumbrances	906,239
Less: Current Year Encumbrances	(588,858)
Total Revenues (GAAP) Basis	\$ 6,084,793
Total Expenditures (Budgetary Basis)	\$ 5,767,412
Adjustments:	
Add: Prior Year Encumbrances	906,239
Less: Current Year Encumbrances	(588,858)
Total Expenditures (GAAP Basis)	\$ 6,084,793

F. Encumbrances:

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in Governmental Funds, other than the Special Revenue Fund, are reported as committed fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the Special Revenue Fund, for which the District has received advances, are reflected in the balance sheet as deferred revenues at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash, Cash Equivalents and Investments:

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost.

Investments are stated at fair value in accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and Statement No. 72, "*Fair Value Measurement and Application*." The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

H. Interfund Receivables/Payables:

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

I. Receivables

Tuition Receivable – The District receives tuition from some students. Tuition charges for the fiscal years 2017- 2018 were based on rates established by the District and are subject to change when the actual costs have been determined and certified by the State Department of Education. For the year ending June 30, 2018, there was no tuition receivable.

J. Inventories:

Inventories, which benefit future periods, other than those recorded in the Proprietary Funds are recorded as an expenditure during the year of purchase.

Inventories in the Proprietary Funds, exclusive of the federal commodities, are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Inventories of the enterprise funds are recorded as expenses when consumed rather than when purchased.

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

K. Restricted Assets:

Restricted assets include cash balance requirements for credit card merchant account and cash held for capital projects.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets:

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. The District considers all property, plant and equipment with a cost over \$2,000 and an estimated useful life in excess of two years to be a capital asset. Land and construction in progress are not depreciated.

Government-wide Statements

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. All reported capital assets except land and construction in process are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Estimated Life</u>	<u>Business Type Estimated Life</u>
Land	N/A	N/A
Land Improvements	50 Years	N/A
Building and Improvements	20-50 Years	N/A
Furniture and Equipment	8-20 Years	8-20 Years
Vehicles	8 Years	N/A
Textbooks	5 Years	N/A

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

M. Unearned Revenue:

Unearned revenue in the special revenue fund and capital projects funds represent cash that has been received but not yet earned. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as unearned revenue.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards District Statement No. 16, "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.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District'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 District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the government-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due in more than one year.

The liability for these compensated absences recorded as liabilities in the governmental activities in the government-wide financial statements amounted to \$13,492,036 at June 30, 2018, representing the District's commitment to fund such costs from future operations. The current portion of this liability is based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources only to the amount actually due at year end as a result of employee resignations and retirements. The general fund typically has been used in prior years to liquidate the liability for compensated absences.

O. Long-Term Debt:

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be paid from governmental and business-type resources is reported as liabilities in the government-wide statement. The long-term debt consists primarily of accrued compensated absences, early retirement incentives and obligations under capital leases.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Pensions:

In the government-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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 the retirement systems. 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.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

Q. Deferred Outflows 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 outflow of resources (revenue) until then. The District 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 government-wide 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 SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Equity Classifications:

Government-wide Statements

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.

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

Governmental Fund Statements

Governmental fund equity is classified as fund balance. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (“GASB 54”) established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balance is further categorized as restricted, committed, assigned or unassigned fund balance.

Restricted Fund Balance - Amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Excess Surplus - This reserve was created to represent the June 30, 2018 audited excess surplus that is required to be appropriated in the 2019-2020 original budget approved by Board of School Estimates.

Excess Surplus – Prior Year – Designated for Subsequent Year’s Budget - This reserve was created to represent the June 30, 2017 audited excess surplus that will be appropriated in the 2018-2019 original budget approved by Board of School Estimates.

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects fund.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

Committed Fund Balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned Fund Balance – This designation is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent is expressed by either the Superintendent or Business Administrator.

Year-End Encumbrances – Represents encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the 2018-2019 original budget approved by Board of School Estimates.

Unassigned Fund Balance – All other fund balance that did not meet the definition of restricted, committed, or assigned.

Fund Balance Policies

In the general operating fund and other governmental funds (capital projects fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Operating and Nonoperating Revenue:

Operating revenues for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue not related to capital and related financing, noncapital financing, or investing activities. Nonoperating revenues include reimbursements by the State for school breakfast, lunch and food distribution programs.

T. Expenditures/Expenses:

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function)
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. The proprietary fund reports expenses relating to use of economic resources.

U. On-Behalf Payments:

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security contributions and pension benefits for members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension and post-retirement medical benefits contributions in the government-wide financial statements have been increased \$10,789,007 to adjust to the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

V. Use of Estimates:

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

W. GASB Pronouncements:

GASB Pronouncements Implemented in the 2018 Fiscal Year

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

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

GASB Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Recently Issued Accounting Pronouncements to be implemented in future years

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

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

W. GASB Pronouncements (Continued):

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

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

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

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

N.J.S.A. 17:9-41 et.seq. establishes the requirements for the security of deposits of governmental units. The Statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

GASB Statement No. 40 requires that the District disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the District would not be able to recover the value of its deposit or investment). 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 District's name.

The District does not have a policy for management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$100,000 for each failed brokerage firm. As of June 30, 2018, none of the District's bank balances totaling \$1,855,410 was exposed to custodial credit risk as follows:

Insured - FDIC	\$ 500,000
Insured - GUDPA	1,355,410
	\$ 1,855,410

As of June 30, 2018, the District's deposits which are displayed on the balance sheets and statements of net position as "cash and cash equivalents" are summarized as follows:

Reconciliation to Government-wide Statement of	
Net Assets:	
Unrestricted Cash	\$ 615,600
Restricted Cash	3,900
Trust and Agency Fund Cash (Not Included in Government-Wide Statement)	620,060
Cash overdraft	(207,147)
	\$ 1,032,413

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments

The District is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute. At of June 30, 2018, the District did not hold any investments.

NOTE 3. DEPOSIT AND INVESTMENT RISK

Credit Risk – The District does not have an investment policy regarding the management of credit risk. GASB Statement No. 40 requires that the District disclose the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The District is exempt from this requirement because it does not hold any debt securities.

Concentration of Credit Risk – State law limits as noted above (NJ.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices. The District places no formal limits on the amount they may invest in any one issue.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the District's name, and are held by either:

- a. The counterparty or
- b. The counterparty's trust department or agent but not in the District's name

The District does not have a policy for custodial credit risk other than to maintain safekeeping account for the securities at a financial institution.

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

Foreign currency risk is the risk that changes in exchange rates will adversely affect investments. The District does not have investments denominated in foreign currency.

At June 30, 2018, the District did not hold any investments.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4. CAPITAL ASSETS AND DEPRECIATION

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 years; equipment, 5 to 10 years.

The following is a summarization of the governmental activities in capital assets for the year fiscal year ended June 30, 2018:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2018</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,533,490	\$ -	\$ -	\$ 1,533,490
Construction in progress	-	174,016,368	-	174,016,368
Total capital assets not being depreciated	<u>1,533,490</u>	<u>174,016,368</u>	<u>-</u>	<u>175,549,858</u>
Capital assets being depreciated:				
Buildings and improvements	45,755,772	-	-	45,755,772
Machinery and equipment	10,328,940	839,795	-	11,168,735
Total capital assets being depreciated	<u>56,084,712</u>	<u>839,795</u>	<u>-</u>	<u>56,924,507</u>
Less accumulated depreciation for:				
Buildings and improvements	(22,987,145)	(902,254)	-	(23,889,399)
Machinery and other equipment	(5,219,545)	(984,517)	-	(6,204,062)
Total accumulated depreciation	<u>(28,206,690)</u>	<u>(1,886,771)</u>	<u>-</u>	<u>(30,093,461)</u>
Total capital assets being depreciated, net	<u>27,878,022</u>	<u>(1,046,976)</u>	<u>-</u>	<u>26,831,046</u>
Governmental activities capital assets, net	<u>\$ 29,411,512</u>	<u>\$172,969,392</u>	<u>\$ -</u>	<u>\$202,380,904</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4. CAPITAL ASSETS AND DEPRECIATION (Continued)

Capital asset activity for business-type activity for the year ended June 30, 2018, was as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2018</u>
Business-type activity:				
Capital assets being depreciated:				
Machinery and equipment	\$ 965,975	\$ -	\$ -	\$ 965,975
Less accumulated depreciation for:				
Machinery and equipment	<u>(273,074)</u>	<u>(64,285)</u>	<u>-</u>	<u>(337,359)</u>
Business-type activity capital assets, net	<u>\$ 692,901</u>	<u>\$ (64,285)</u>	<u>\$ -</u>	<u>\$ 628,616</u>

NOTE 5. LONG-TERM DEBT

The District's long-term debt is summarized as follows:

Governmental Activities

As of June 30, 2018, the governmental long-term debt of the District consisted of the following:

Accrued Compensation Absences:	
Current Portion	\$ 687,145
Noncurrent Portion	<u>12,804,891</u>
Total Governmental Activity Debt	<u>\$ 13,492,036</u>

Business-type Activity

As of June 30, 2018, there was no long-term debt payable from proprietary fund resources.

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>	<u>Long-Term Portion</u>
Governmental activities:						
Compensated absences	<u>\$ 12,395,389</u>	<u>\$ 765,897</u>	<u>\$ (330,750)</u>	<u>\$ 13,492,036</u>	<u>\$ 687,145</u>	<u>\$ 12,804,891</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5. LONG-TERM DEBT (Continued)

County of Hudson Debt Authorized

Bonds Payable - Bonds are authorized in accordance with State law by the County of Hudson on behalf of the Hudson County Schools of Technology. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the County are general obligation bonds. As of June 30, 2018, the County of Hudson on behalf of District’s projects had outstanding bonds in the amount of \$55,925,000. These bonds are paid by the County of Hudson.

Bonds Authorized But Not Issued - The County of Hudson in a resolution dated May 14, 2018 authorized \$8,000,000 in bonds for the purpose of purchasing vehicles, equipment and building improvements.

Capital Lease Payable – On April 27, 2016, the County of Hudson entered into a lease agreement with the Hudson County Improvement Authority (HCIA), a component unit of the County of Hudson, for the lease of a new Hudson County Vocational-Technical School (the “School”). The design, construction, furnishing, and equipping of the School is being financed by the \$160,000,000 Series 2016 Lease Revenue Bonds issued by the HCIA on the same day. The Series 2016 Lease Revenue Bonds are guaranteed by the County and secured by the lease revenues from the County. Under the lease agreement, the County’s rental payments are equal to the debt service requirements of the Series 2016 Lease Revenue Bonds. As of June 30, 2018, the County of Hudson on behalf of the District’s School project had an outstanding capital lease in the amount of \$160,000,000, which is equal to the amount outstanding for the HCIA Series 2016 Lease Revenue Bonds.

NOTE 6. OPERATING LEASES

The District has commitments to lease copiers under operating leases that expire through the year 2021. Total operating lease payments made during the year ended June 30, 2018 were \$148,466. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2019	\$ 147,216
June 30, 2020	128,022
June 30, 2021	114,792

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Description of Plans and Benefits Provided

Substantially all required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be accessed via the New Jersey Division of Pension and Benefits website at www.state.nj.us/treasury/pensions.

Public Employees' Retirement System (PERS) - established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability, and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Teachers' Pension and Annuity Fund (TPAF) - established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability, and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey is responsible to fund 100% of the employer contributions, excluding any local employer retirement incentive (ERI) contributions. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional, and certified.

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service or under the disability provision. Members are always fully vested for their own contributions and after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Description of Plans and Benefits Provided (Continued)

The following represents the membership tiers for PERS and TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 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 service credit available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for their respective tier. With PERS, 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 the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those District employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) - established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain District employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Plan Amendments

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 33% with an unfunded actuarial accrued liability of \$90.9 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 25.41% and \$67.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10% and \$23.3 billion, respectively.

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

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

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

Employer and Employee Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contribution by the State of New Jersey contingent upon the Annual Appropriations Act. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate for PERS and TPAF increased from 5.5% of annual compensation to 6.5 plus an additional 1% phased-in over seven years beginning July 2012. The member contribution for PERS and TPAF was 7.34% in fiscal year 2018. The final phase-in of the additional incremental member contribution rate took place on July 1, 2018, reaching 7.5%. The member contribution for DCRP was 5.5% the fiscal year 2018.

Employers' contribution amounts for PERS are based on an actuarially determined rate. The annual employer contributions for PERS include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. Under current Statute, the District is a non-contributing employer of the TPAF.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

Annual Pension Costs (APC)

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the District. PERS employer contributions are made annually by the District to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended June 30, 2018, 2017 and 2016 the District paid the required contributions to PERS of \$1,502,694, \$1,420,694 and \$1,287,395, respectively.

During the year ended June 30, 2018 the District paid the required contributions to DCRP of \$92,648.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85, Omnibus 2017 (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the government-wide financial statements (accrual basis) as an expense.

Reimbursed TPAF Social Security Contributions

In accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$3,013,802 during the year ended June 30, 2018, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been recognized in the Government-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pension* (GASB No. 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB No. 68* require participating employers in pension plans to recognize their proportionate share of their collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

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

At June 30, 2018 the District reported in the statement of net position (accrual basis) a liability of \$37,759,684 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's PERS proportion was .1622%, which was an increase of 0.0023% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized in the government-wide statement of activities (accrual basis) pension expense of \$2,934,600 for PERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and accrual experience	\$ 889,110	\$ -
Changes in assumptions	7,607,275	7,579,385
Net differences between projected and actual		
investment earnings on pension plan investments	257,118	-
Changes in proportion	920,646	108,380
District contributions subsequent to		
measurement date	<u>1,773,634</u>	<u>-</u>
Total	<u>\$ 11,447,783</u>	<u>\$ 7,687,765</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

\$1,773,634 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	
June 30, 2019	\$ 1,093,463
June 30, 2020	1,506,739
June 30, 2021	1,038,420
June 30, 2022	(920,260)
June 30, 2022	<u>(731,978)</u>
	<u>\$ 1,986,384</u>

Actuarial Assumptions

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

Inflation rate	2.25%
Salary increases: Through 2026	1.65 – 4.15% Based on age
Thereafter	2.65 – 5.15% Based on age
Investment rate of return	7.00%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2016 valuation was based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. 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 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability as of June 30, 2017, 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% point lower or 1% point higher than the current rate:

	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
District's proportionate share of PERS net pension liability	\$ 46,843,450	\$ 37,759,684	\$ 30,191,781

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

Pension Plan fiduciary net position

Detailed information about the PERS 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

Payable to the pension plan

At June 30, 2018 the District reported accounts payable to the PERS of \$1,773,634 for the required actuarially determined contribution to PERS for the year ended June 30, 2018.

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

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

At June 30, 2018 the State’s net pension liability for TPAF associated with the District was \$131,797,773. The nonemployer allocation percentages are based on the ratio of the State’s contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. At June 30, 2017 the State’s proportionate share of the TPAF net pension liability associated with the District was .0015%, which was an increase of .0015% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018 the District recognized in the government-wide statement of activities (accrual basis) pension expense of \$9,130,282 for TPAF. This amount has been included in the government-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

Actuarial Assumptions

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

Inflation rate	2.25%
Salary increases: 2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017.) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
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NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

Discount Rate

The discount rate used to measure the total pension liability for TPAF was 4.25% as of June 30, 2017. 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 3.58% as of June 30, 2017, 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 contributions rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the 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 plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the State's proportionate share of the net pension liability attributable to the District as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the State's proportionate share of the TPAF net pension liability attributable to the District would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's proportionate share of			
District's TPAF net pension liability	\$ 156,579,888	\$ 131,797,773	\$ 111,382,158

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
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NOTE 7. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

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

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS

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

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

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those District employees and retirees eligible for coverage.

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

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

Plan Membership

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

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress

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

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

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

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

Post-Retirement Medical Benefits Contributions

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

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contributions (continued)

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the years ended June 30, 2018, 2017, and 2016 were \$1,946,551, \$1,832,046, and \$1,849,157, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

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

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

Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan

For the fiscal year ended June 30, 2018, the District recognized in the government-wide statement of activities (accrual basis) OPEB expense of \$5,800,312. This amount has been included in the government-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

At June 30, 2018 the State's proportionate share of the OPEB liability attributable to the District is \$90,553,269. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 2017, the State's share of the OPEB liability attributable to the District was .1688% which was an increase of .0010% from its proportion measured as of June 30, 2016 of .1678%.

Actuarial Assumptions

The OPEB liability for the June 30, 2017, measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The 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%

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

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

The actuarial assumptions used in the June 30, 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Health Care Trend Assumptions

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

Long-Term Expected Rate of Return

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

Discount Rate

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Change in the Total OPEB Liability

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

	Total OPEB Liability <u>(State Share 100%)</u>
Balance, June 30, 2016 measurement date	\$ 97,055,980
Changes reconized for the fiscal year:	
Service cost	4,132,276
Interest on the total OPEB liability	2,855,280
Changes in assumptions	(11,470,093)
Gross benefit payments	(2,097,406)
Contributions from the member	77,232
Net changes	<u>(6,502,711)</u>
Balance, June 30, 2017 measurement date	<u>\$ 90,553,269</u>

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Sensitivity of OPEB Liability

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

	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 District	\$ 107,493,263	\$ 90,553,269	\$ 77,116,304

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 District as of June 30, 2017, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1% point lower or 1% point higher than the current rate:

	1 % Decrease	Healthcare Cost Trend Rate	1% Increase
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 74,471,310	\$ 90,553,269	\$ 111,909,921

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet of the governmental fund financial statement at June 30, 2018:

	Interfund Receivable	Interfund Payable
General	\$ 1,951,380	\$ -
Special Revenue	-	524,550
Capital Projects	-	150,000
Enterprise Fund:		
Food Service Fund	-	117,541
Internal Service Funds:		
Transportation	-	471,128
Career Development Center	-	622,248
Fiduciary Funds		
Student Activity Fund	-	65,913
Total	\$ 1,951,380	\$ 1,951,380

The above balances are the result of revenues earned in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in a cash overdraft position. The District expects to liquidate all interfund balances within one year. The general fund operating interfund payable resulted from blended resource fund encumbrances open at year end.

NOTE 10. INTERFUND TRANSFERS

The District general fund contributed \$325,827 to the transportation internal service fund and \$257,516 to the Career Development Center internal service fund to prevent deficits in net position.

NOTE 11. ECONOMIC DEPENDENCY

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the District's programs and activities.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12. CONTINGENT LIABILITIES

A. Federal Awards and State Financial Assistance

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government.

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school District of its size and scope of operation. In the opinion of the District's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

There is a pending Internal Revenue Service (IRS) lien asserted against the District business administrator and former superintendent in the amount of \$330,000, resulting from a previous audit assessing penalties and fees for failure to provide IRS Form W-9 for contractors who performed services for the District. This matter is being actively contested since the District was not advised of the determination by the IRS of a deficiency.

C. Facility Lease

As noted in note 5, on April 27, 2016, the County of Hudson entered into a lease agreement with the Hudson County Improvement Authority (HCIA), a component unit of the County of Hudson, for the lease of a new Hudson County Vocational-Technical School (the "School"). The design, construction, furnishing, and equipping of the School is being financed by the \$160,000,000 Series 2016 Lease Revenue Bonds issued by the HCIA on the same day. The Series 2016 Lease Revenue Bonds are guaranteed by the County and secured by the lease revenues from the County. Under the lease agreement, the County's rental payments are equal to the debt service requirements of the Series 2016 Lease Revenue Bonds. The District intends to enter into a formal lease agreement with the County of Hudson for use of School, however as of June 30, 2018, no official lease has been entered.

NOTE 13. RISK MANAGEMENT

The District 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 disaster. The District did not significantly reduce insurance coverage during fiscal year 2018.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 13. RISK MANAGEMENT (Continued)

A. Property and Liability Insurance:

The District maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

B. New Jersey Unemployment Compensation Insurance:

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

NOTE 14. DEFERRED COMPENSATION

The District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Fidelity
AXA Equitable
Metropolitan Life
Lincoln Investment Planning, Inc.

NOTE 15. FUND BALANCE APPROPRIATED

Fund Statements:

General Fund – The General Fund had a deficit fund balance of (\$2,108,814).

Special Revenue Fund – The Special Revenue Fund has a zero fund balance at June 30, 2018.

Capital Projects Fund – The \$2,842,529 Capital Projects Fund balance at June 30, 2018 is fully restricted for ongoing capital projects.

The total Governmental Funds fund balance is \$733,715.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 15. FUND BALANCE APPROPRIATED (Continued)

Government-wide Statements:

The following is a summary of adjustments made to the fund statements to arrive at the total net position per the Government-wide Statement of Net Position:

	Governmental Activities	Business-Type Activity	Total
Total Fund Balance/Net Position	\$ 733,715	\$ 629,613	\$ 1,363,328
Add:			
Capital Assets, Net of			
Accumulated Depreciation	202,380,904	-	202,380,904
Deferred Outflows of Pension Resources	11,447,783	-	11,447,783
Less:			
Additional Accounts Payable	(1,773,634)	-	(1,773,634)
Compensated Absences Liability	(13,492,036)	-	(13,492,036)
Net Pension Liability	(37,759,684)	-	(37,759,684)
Deferred Inflows of Pension Resources	(7,687,765)	-	(7,687,765)
Total Net Position	\$153,849,283	\$ 629,613	\$154,478,896

NOTE 16. DEFICIT FUND BALANCES

The District has a deficit fund balance of (2,108,814) in the General Fund as of June 30, 2018 as reported in the fund statements (modified accrual basis). P.L. 2003, c. 97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the General Fund deficit balance does not alone indicate that the district is facing financial difficulties.

Pursuant to P.L. 2003, c. 97 any negative unassigned fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District's deficit in the GAAP funds statements of (\$2,108,814) is less than the last two state aid payments.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 17. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance – Reserved Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey Vocational School Districts are required to reserve General Fund balance in excess of 6% of the modified general fund final appropriations for year ended of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year’s budget. The District did not have excess fund balance for the years ended June 30, 2018 and 2017.

NOTE 18. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2018 through February 28 2019, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items, other than those already included in Note 12, contingent liabilities, have come to the attention of the District that would require disclosure except for the following:

On September 13, 2018, the County adopted an ordinance appropriating \$8,000,000 for various 2018-2019 capital improvements at, and the acquisition and installation of, as applicable, equipment and buses for the Hudson County Schools of Technology. Bonds and notes are authorized in the amount of \$8,000,000 to finance said improvements and acquisitions.

On September 20, 2018, the Board of Education of the District adopted a resolution to ratify, confirm and approve a lease, sublease and re-payment agreement between the County of Hudson and Hudson County Improvement Authority for the purchase, improvement and construction of the new high school. The terms of the lease have not been prepared as of the date of the audit.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES					
Local sources:					
County tax levy	\$ 28,560,000	\$ -	\$ 28,560,000	\$ 28,560,000	\$ -
Tuition	200,000	529,045	729,045	729,045	-
Miscellaneous	77,502	268,293	345,795	649,372	303,577
Total - local sources	<u>28,837,502</u>	<u>797,338</u>	<u>29,634,840</u>	<u>29,938,417</u>	<u>303,577</u>
Federal sources:					
Special Education Medicare Reimbursement Initiative	25,737	-	25,737	6,431	(19,306)
Total - federal sources	<u>25,737</u>	<u>-</u>	<u>25,737</u>	<u>6,431</u>	<u>(19,306)</u>
State sources:					
Equalization aid	19,323,431	89,265	19,412,696	19,412,696	-
Transportation aid	150,846	-	150,846	150,846	-
Special education aid	1,494,362	-	1,494,362	1,494,362	-
Security aid	172,099	-	172,099	172,099	-
PARCC readiness	21,310	-	21,310	21,310	-
Per pupil growth aid	21,310	-	21,310	21,310	-
Professional learning community aid	20,821	-	20,821	20,820	(1)
Adult education program aid	-	903,222	903,222	903,222	-
On-behalf TPAF contribution (non-budgeted)					
Pension	-	-	-	3,013,802	3,013,802
Post-retirement medical	-	-	-	1,946,551	1,946,551
Long-term disability insurance	-	-	-	3,014	3,014
Reimbursed TPAF Social Security contributions (non-budgeted)	-	-	-	1,497,504	1,497,504
Total - state sources	<u>21,204,179</u>	<u>992,487</u>	<u>22,196,666</u>	<u>28,657,536</u>	<u>6,460,870</u>
Total revenues	<u>50,067,418</u>	<u>1,789,825</u>	<u>51,857,243</u>	<u>58,602,384</u>	<u>6,745,141</u>
EXPENDITURES -					
CURRENT EXPENSE					
Regular programs - instruction:					
Salaries of teachers:					
Grades 9-12	9,925,000	1,202,558	11,127,558	11,127,558	-
Total regular programs - instruction	<u>9,925,000</u>	<u>1,202,558</u>	<u>11,127,558</u>	<u>11,127,558</u>	<u>-</u>
Regular programs - undistributed instruction:					
Other purchased services	-	8,956	8,956	8,956	-
Tuition reimbursement	-	65,429	65,429	65,429	-
General supplies	135,000	(46,754)	88,246	87,944	302
Textbooks	35,000	87,895	122,895	111,665	11,230
Other objects	35,000	20,410	55,410	49,257	6,153
Total regular programs - undistributed instruction	<u>205,000</u>	<u>135,936</u>	<u>340,936</u>	<u>323,251</u>	<u>17,685</u>
Total regular programs	<u>10,130,000</u>	<u>1,338,494</u>	<u>11,468,494</u>	<u>11,450,809</u>	<u>17,685</u>
Regular vocational programs - instruction:					
Regular vocational programs - instructional					
Salaries of teachers	3,510,000	464,237	3,974,237	3,974,237	-
Other salaries for instruction	122,000	67,350	189,350	189,350	-
General supplies	75,000	(28,259)	46,741	45,378	1,363
Textbooks	25,000	6,500	31,500	31,294	206
Other objects	35,000	(19,725)	15,275	14,706	569
Total regular vocational programs - instruction	<u>3,767,000</u>	<u>490,103</u>	<u>4,257,103</u>	<u>4,254,965</u>	<u>2,138</u>
Special vocational programs - instruction:					
Salaries of teachers	1,425,000	(68,000)	1,357,000	1,356,920	80
Other salaries for instruction	68,000	(26,000)	42,000	41,525	475
Purchased professional- educational services	35,000	(35,000)	-	-	-
General supplies	25,000	(22,011)	2,989	2,989	-
Textbooks	10,000	(9,425)	575	575	-
Other objects	5,000	1,948	6,948	6,948	-
Total special vocational programs - instruction	<u>1,568,000</u>	<u>(158,488)</u>	<u>1,409,512</u>	<u>1,408,957</u>	<u>555</u>
Total vocational programs - instruction	<u>5,335,000</u>	<u>331,615</u>	<u>5,666,615</u>	<u>5,663,922</u>	<u>2,693</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Other instructional:					
School-sponsored cocurricular activities:					
Salaries	\$ 250,000	\$ 136,902	\$ 386,902	\$ 386,902	\$ -
School-sponsored athletics:					
Supplies and materials	15,000	-	15,000	14,048	952
Other objects	15,000	-	15,000	14,073	927
Total other instructional	<u>280,000</u>	<u>136,902</u>	<u>416,902</u>	<u>415,023</u>	<u>1,879</u>
Total instruction expenditures	<u>15,745,000</u>	<u>1,807,011</u>	<u>17,552,011</u>	<u>17,529,754</u>	<u>22,257</u>
Attendance and social work service:					
Salaries	240,000	18,839	258,839	258,839	-
Supplies and materials	2,000	(2,000)	-	-	-
Other objects	3,000	(3,000)	-	-	-
Total attendance and social work service	<u>245,000</u>	<u>13,839</u>	<u>258,839</u>	<u>258,839</u>	<u>-</u>
Health services:					
Salaries	315,000	104,250	419,250	419,250	-
Supplies and materials	3,000	26,184	29,184	29,184	-
Other objects	8,000	(1,178)	6,822	5,922	900
Total health services	<u>326,000</u>	<u>129,256</u>	<u>455,256</u>	<u>454,356</u>	<u>900</u>
Other support services - students-related services:					
Salaries of other professional staff	950,000	112,793	1,062,793	1,062,793	-
Salaries of secretarial and clerical assistants	677,000	112,608	789,608	789,608	-
Supplies and materials	5,000	(5,000)	-	-	-
Other objects	5,000	(5,000)	-	-	-
Total other support services - students-related services	<u>1,637,000</u>	<u>215,401</u>	<u>1,852,401</u>	<u>1,852,401</u>	<u>-</u>
Other support services - students - special services:					
Salaries of other professional staff	750,000	221,324	971,324	971,324	-
Salaries of secretarial and clerical assistants	82,000	16,545	98,545	98,545	-
Supplies and materials	7,000	47	7,047	6,580	467
Other objects	7,000	(1,285)	5,715	4,630	1,085
Total other support services - students - special services	<u>846,000</u>	<u>236,631</u>	<u>1,082,631</u>	<u>1,081,079</u>	<u>1,552</u>
Improvement of instructional services:					
Salaries of supervisor of instruction	75,000	67,358	142,358	142,358	-
Salaries of other professional staff	63,000	(3,781)	59,219	59,219	-
Salaries of secretarial and clerical assistants	-	14,492	14,492	14,492	-
Supplies and materials	1,000	-	1,000	1,000	-
Other objects	1,000	855	1,855	1,855	-
Total improvement of instructional services	<u>140,000</u>	<u>78,924</u>	<u>218,924</u>	<u>218,924</u>	<u>-</u>
Educational media services/school library:					
Salaries	775,000	260,198	1,035,198	1,035,198	-
Supplies and materials	3,000	(3,000)	-	-	-
Other objects	3,000	(3,000)	-	-	-
Total educational media services/school library	<u>781,000</u>	<u>254,198</u>	<u>1,035,198</u>	<u>1,035,198</u>	<u>-</u>
General administration:					
Salaries	980,000	138,998	1,118,998	1,118,998	-
Legal services	175,000	(70,277)	104,723	103,331	1,392
Audit	80,000	7,000	87,000	87,000	-
Other purchased professional services	40,000	138,702	178,702	176,602	2,100
Purchased professional and technical services	20,000	(20,000)	-	-	-
Communications/telephone	350,000	9,486	359,486	359,486	-
Other purchased services	8,000	(1,033)	6,967	6,824	143
Supplies and materials	15,000	(7,961)	7,039	7,039	-
Board of Education in-house training/meeting supplies	15,000	(15,000)	-	-	-
Judgments	5,000	-	5,000	5,000	-
Miscellaneous expenditures	20,000	(9,546)	10,454	10,454	-
Board of education membership dues and fees	30,000	20,896	50,896	50,206	690
Total general administration	<u>1,738,000</u>	<u>191,265</u>	<u>1,929,265</u>	<u>1,924,940</u>	<u>4,325</u>
School administration:					
Salaries of principals/assistant principals	535,000	245,253	780,253	780,253	-
Salaries of secretarial and clerical assistants	340,000	97,235	437,235	415,037	22,198
Supplies and materials	20,000	1,337	21,337	18,541	2,796
Other objects	25,000	60,060	85,060	77,906	7,154
Total school administration	<u>920,000</u>	<u>403,885</u>	<u>1,323,885</u>	<u>1,291,737</u>	<u>32,148</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Central services:					
Salaries	\$ 1,050,000	\$ 382,886	\$ 1,432,886	\$ 1,392,886	\$ 40,000
Supplies and materials	20,000	5,073	25,073	25,073	-
Other objects	10,000	(9,000)	1,000	1,000	-
Total central services	<u>1,080,000</u>	<u>378,959</u>	<u>1,458,959</u>	<u>1,418,959</u>	<u>40,000</u>
Information technology administration:					
Other purchased services	-	1,464	1,464	1,464	-
Supplies and materials	40,000	111,734	151,734	151,734	-
Other objects	90,000	(16,206)	73,794	73,794	-
Total information technology administration	<u>130,000</u>	<u>96,992</u>	<u>226,992</u>	<u>226,992</u>	<u>-</u>
Required maintenance for school facilities:					
Salaries	250,000	171,550	421,550	421,550	-
Cleaning, repair, and maintenance services	83,000	242,765	325,765	325,765	-
General supplies	65,000	27,843	92,843	89,961	2,882
Other objects	170,000	109,262	279,262	277,183	2,079
Total required maintenance for school facilities	<u>568,000</u>	<u>551,420</u>	<u>1,119,420</u>	<u>1,114,459</u>	<u>4,961</u>
Other operating and maintenance of plant services:					
Salaries	2,000,000	443,376	2,443,376	2,423,376	20,000
Cleaning, repair and maintenance services	250,000	(203,526)	46,474	46,474	-
Rental of land, building & other than lease purchases	50,000	(50,000)	-	-	-
Other purchased property services	20,000	(20,000)	-	-	-
Insurance	925,000	120,697	1,045,697	1,045,697	-
General supplies	80,000	(30,694)	49,306	45,969	3,337
Energy (energy and electricity, natural gas)	1,275,000	(47,180)	1,227,820	1,227,820	-
Other objects	45,000	(28,897)	16,103	14,803	1,300
Total other operating and maintenance of plant services	<u>4,645,000</u>	<u>183,776</u>	<u>4,828,776</u>	<u>4,804,139</u>	<u>24,637</u>
Student transportation services:					
Salaries for pupil transportation - (between home and school) - regular	1,750,000	514,997	2,264,997	2,264,997	-
Salaries for pupil transportation - (between home and school) - special	675,000	57,155	732,155	732,155	-
Salaries for pupil transportation - (other than between home and school)	100,000	(100,000)	-	-	-
Misc. purchased serv. - transportation	75,000	(30,541)	44,459	44,459	-
Supplies and materials	40,000	(12,666)	27,334	27,334	-
Miscellaneous expenditures	65,000	(10,642)	54,358	53,880	478
Total student transportation services	<u>2,705,000</u>	<u>418,303</u>	<u>3,123,303</u>	<u>3,122,825</u>	<u>478</u>
Unallocated employee benefits:					
Social Security contributions	1,300,000	-	1,300,000	1,300,000	-
TPAF contribution - ERIP	360,000	(43,499)	316,501	316,501	-
Other retirement - regular	1,490,000	43,499	1,533,499	1,533,499	-
Other contribution - ERIP	60,000	(58,000)	2,000	1,320	680
Unemployment compensation	75,000	(73,000)	2,000	1,700	300
Health benefits	9,925,000	(2,914,866)	7,010,134	7,010,134	-
Total unallocated employee benefits	<u>13,210,000</u>	<u>(3,045,866)</u>	<u>10,164,134</u>	<u>10,163,154</u>	<u>980</u>
On-behalf TPAF contribution (non-budgeted)					
Pension	-	-	-	3,013,802	(3,013,802)
Post-retirement medical	-	-	-	1,946,551	(1,946,551)
Long-term disability insurance	-	-	-	3,014	(3,014)
Reimbursed TPAF Social Security contributions (non-budgeted)	-	-	-	1,497,504	(1,497,504)
Total on-behalf contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,460,871</u>	<u>(6,460,871)</u>
Total undistributed expenditures	<u>28,971,000</u>	<u>106,983</u>	<u>29,077,983</u>	<u>35,428,873</u>	<u>(6,350,890)</u>
Total general current expense	<u>44,716,000</u>	<u>1,913,994</u>	<u>46,629,994</u>	<u>52,958,627</u>	<u>(6,328,633)</u>
CAPITAL OUTLAY					
Facilities acquisition and construction services:					
Assessment for debt service on SDA funding	3,778	(3,778)	-	-	-
Total facilities acquisition and construction services	<u>3,778</u>	<u>(3,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital outlay	<u>3,778</u>	<u>(3,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
SPECIAL SCHOOLS					
Post-secondary programs - instruction:					
Salaries of teachers	\$ 80,000	\$ -	\$ 80,000	\$ 80,000	\$ -
Other salaries for instruction	250,000	-	250,000	250,000	-
General supplies	30,000	1,108	31,108	28,968	2,140
Textbooks	45,000	-	45,000	44,294	706
Other objects	25,000	-	25,000	23,414	1,586
Total post-secondary programs - instruction	<u>430,000</u>	<u>1,108</u>	<u>431,108</u>	<u>426,676</u>	<u>4,432</u>
Accredited evening/adult high school/post-graduate - instruction:					
Salaries of teachers	2,200,000	(125,000)	2,075,000	2,074,213	787
Other salaries for instruction	800,000	(23,000)	777,000	776,587	413
Purchased professional and technical services	100,000	24,900	124,900	124,837	63
General supplies	45,000	(13,400)	31,600	31,228	372
Textbooks	45,000	(4,500)	40,500	40,340	160
Other objects	40,000	1,611	41,611	41,180	431
Total accredited evening/adult high school/ post-graduate - instruction	<u>3,230,000</u>	<u>(139,389)</u>	<u>3,090,611</u>	<u>3,088,385</u>	<u>2,226</u>
Accredited evening/adult high school/post-graduate - support services:					
Salaries	1,651,640	23,546	1,675,186	1,675,186	-
Supplies and materials	18,000	(6,000)	12,000	11,661	339
Other objects	18,000	344	18,344	17,958	386
Total accredited evening/adult high school/ post-graduate - support services	<u>1,687,640</u>	<u>17,890</u>	<u>1,705,530</u>	<u>1,704,805</u>	<u>725</u>
Total accredited evening/adult high school/post-graduate	<u>4,917,640</u>	<u>(121,499)</u>	<u>4,796,141</u>	<u>4,793,190</u>	<u>2,951</u>
Total special schools	<u>5,347,640</u>	<u>(120,391)</u>	<u>5,227,249</u>	<u>5,219,866</u>	<u>7,383</u>
Total expenditures	<u>50,067,418</u>	<u>1,789,825</u>	<u>51,857,243</u>	<u>58,178,493</u>	<u>(6,321,250)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>423,891</u>	<u>423,891</u>
OTHER FINANCING SOURCES (USES)					
Transfer (out) -contributions to internal service funds	-	-	-	(583,343)	583,343
Total other financing sources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>(583,343)</u>	<u>583,343</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(159,452)</u>	<u>(159,452)</u>
Fund balance, July 1	-	-	-	269,934	269,934
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,482</u>	<u>\$ 110,482</u>
Recapitulation:					
Unrestricted fund balance				\$ 110,482	
Reconciliation to governmental funds statements (GAAP)					
Last two state aid payments not recognized on GAAP basis				<u>(2,219,296)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ (2,108,814)</u>	

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES					
Federal sources	\$ 5,397,950	\$ -	\$ 5,397,950	\$ 5,397,950	\$ -
State sources	369,462	-	369,462	369,462	-
Total Revenues	<u>5,767,412</u>	<u>-</u>	<u>5,767,412</u>	<u>5,767,412</u>	<u>-</u>
EXPENDITURES					
Instruction:					
Salaries of teachers	836,392	-	836,392	836,392	-
General supplies	48,955	-	48,955	48,955	-
Total Instruction	<u>885,347</u>	<u>-</u>	<u>885,347</u>	<u>885,347</u>	<u>-</u>
Support services:					
Salaries of other professional staff	283,024	-	283,024	283,024	-
Personal services - employee benefits	309,302	-	309,302	309,302	-
Purchased professional - educational services	3,380,176	-	3,380,176	3,380,176	-
Other purchased professional services	64,851	-	64,851	64,851	-
Travel	1,727	-	1,727	1,727	-
Other purchased services (400-500 series)	2,690	-	2,690	2,690	-
Other objects	500	-	500	500	-
Total support services	<u>4,042,270</u>	<u>-</u>	<u>4,042,270</u>	<u>4,042,270</u>	<u>-</u>
Facilities acquisition and construction services:					
Instructional equipment	839,795	-	839,795	839,795	-
Total facilities acquisition and construction services	<u>839,795</u>	<u>-</u>	<u>839,795</u>	<u>839,795</u>	<u>-</u>
Total expenditures	<u>5,767,412</u>	<u>-</u>	<u>5,767,412</u>	<u>5,767,412</u>	<u>-</u>
(Deficiency) of revenues (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PART II**

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Required Supplementary Information
Budget to GAAP Reconciliation
Note to RSI
For the Fiscal Year Ended June 30, 2018

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 58,602,384	[C-2] \$ 5,767,412
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current	-	(588,858)
Prior	-	906,239
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	2,120,041	-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements	(2,219,296)	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 58,503,129	[B-2] \$ 6,084,793
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 58,178,493	[C-2] \$ 5,767,412
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		
Current	-	(588,858)
Prior	-	906,239
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] \$ 58,178,493	[B-2] \$ 6,084,793

REQUIRED SUPPLEMENTARY INFORMATION

PART III

**PENSION AND POST-RETIREMENT MEDICAL BENEFITS
INFORMATION SCHEDULES**

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST FIVE FISCAL YEARS

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.1622090920%	0.1599185600%	0.1577611755%	0.1551639228%	0.1566660650%
District's proportionate share of the net pension liability	\$ 37,759,684	\$ 47,363,302	\$ 35,414,223	\$ 29,050,930	\$ 29,940,963
District's covered-employee payroll	\$ 11,313,105	\$ 11,542,903	\$ 11,213,123	\$ 10,942,211	\$ 10,734,252
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	333.77%	410.32%	315.83%	265.49%	278.93%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	48.10%	40.14%	47.93%	52.08%	48.72%

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 District will only present information for those years for which information is available.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST FIVE FISCAL YEARS**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 1,502,694	\$ 1,420,694	\$ 1,356,323	\$ 1,279,149	\$ 1,180,406
Contributions in relation to the contractually required contribution	<u>1,502,694</u>	<u>1,420,694</u>	<u>1,356,323</u>	<u>1,279,149</u>	<u>1,180,406</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 11,313,105	\$ 11,542,903	\$ 11,213,123	\$ 10,942,211	\$ 10,734,252
Contributions as a percentage of covered-employee payroll	13.28%	12.31%	12.10%	11.69%	11.00%

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 District will only present information for those years for which information is available.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION ANNUITY FUND (TPAF)
LAST FIVE FISCAL YEARS

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.000%	0.000%	0.000%	0.000%	0.000%
State's proportion of the net pension liability associated with the District	1.954%	1.939%	1.905%	1.928%	1.907%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>1,322,275,887</u>	<u>1,532,370,507</u>	<u>1,211,158,318</u>	<u>1,025,369,542</u>	<u>963,604,153</u>
Total proportionate share of the net pension liability associated with the District	<u>\$ 1,322,275,887</u>	<u>\$ 1,532,370,507</u>	<u>\$ 1,211,158,318</u>	<u>\$ 1,025,369,542</u>	<u>\$ 963,604,153</u>
District proportion share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%	33.76%

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 District will only present information for those years for which information is available.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF CHANGES IN THE STATE PROPORTIONATE SHARE OF OPEB LIABILITY
ATTRIBUTABLE TO THE DISTRICT AND RELATED RATIOS
STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN
LAST FISCAL YEAR*

	<u>June 30, 2018</u>
OPEB liability, July 1	\$ 97,055,980
Changes reconized for the fiscal year:	
Service cost	4,132,276
Interest on the total OPEB liability	2,855,280
Changes in assumptions	(11,470,093)
Gross benefit payments	(2,097,406)
Contributions from the member	77,232
Net changes	<u>(6,502,711)</u>
OPEB liability, June 30	<u>\$ 90,553,269</u>
District's proportionate share of OPEB liability	\$ -
State's proportionate share of OPEB liability	<u>90,553,269</u>
Total OPEB liability	<u>\$ 90,553,269</u>
District's covered employee payroll	\$ 35,648,741
Total OPEB Liability as a percentage of covered employee payroll	0.000%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

* 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. 75. However, until a 10-year trend is compiled, the District will only present information for those years for which information is available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PART III**

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Notes to the Required Supplementary Information
for the Fiscal Year Ended June 30, 2018

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Special Revenue Fund
Combining Schedules of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2018

	Total Brought Forward (Ex.E-1a)	Elementary and Secondary Education Act (ESEA)		I.D.E.A. Part B Basic	Career and Technical Education - Perkins		Totals
		Title I - Part A	Title II - Part A		Title IV - Part A	Secondary	
REVENUES							
Federal Sources	\$ 2,976,256	\$ 1,015,411	\$ 127,804	\$ 463,254	\$ 695,203	\$ 107,467	\$ 5,397,950
State Sources	369,462	-	-	-	-	-	369,462
Total revenues	3,345,718	1,015,411	127,804	463,254	695,203	107,467	5,767,412
EXPENDITURES							
Instruction:							
Salaries of Teachers	-	752,000	-	84,392	-	-	836,392
General Supplies	-	48,955	-	-	-	-	48,955
Total Instruction	-	800,955	-	84,392	-	-	885,347
Support services:							
Salaries of Other Professional Staff	15,000	-	-	268,024	-	-	283,024
Personal Services - Employee Benefits	2,000	211,956	-	95,346	-	-	309,302
Purchased Professional - Educational Services	3,286,676	2,500	80,000	11,000	-	-	3,380,176
Other Purchased Professional Services	-	-	47,804	4,492	-	-	64,851
Travel	1,727	-	-	-	-	-	1,727
Other Purchased Services (400-500 series)	2,690	-	-	-	-	-	2,690
Other Objects	500	-	-	-	-	-	500
Total support services	3,308,593	214,456	127,804	378,862	-	-	4,042,270
Facilities acquisition and construction services:							
Instructional Equipment	37,125	-	-	-	695,203	107,467	839,795
Total facilities acquisition and construction services	37,125	-	-	-	695,203	107,467	839,795
Total expenditures	3,345,718	1,015,411	127,804	463,254	695,203	107,467	5,767,412
(Deficiency) of revenues (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Special Revenue Fund
Combining Schedules of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2018

	Workforce Investment Opportunity Act (WIOA)		Dislocated Worker	Apprenticeship Coordinator	County Vocational Partnership	Smart Steps	Workforce Learning Link	Total Carried Forward
	Adult	Youth						
REVENUES								
Federal Sources	\$ 951,427	\$ 733,878	\$ 1,290,951	\$ 20,000	\$ 39,042	\$ 6,420	\$ 304,000	\$ 2,976,256
State Sources	-	-	-	-	-	-	-	369,462
Total revenues	951,427	733,878	1,290,951	20,000	39,042	6,420	304,000	3,345,718
EXPENDITURES								
Instruction:								
Salaries of Teachers	-	-	-	-	-	-	-	-
General Supplies	-	-	-	-	-	-	-	-
Total Instruction	-	-	-	-	-	-	-	-
Support services:								
Salaries of Other Professional Staff	-	-	-	15,000	-	-	-	15,000
Personal Services - Employee Benefits	-	-	-	2,000	-	-	-	2,000
Purchased Professional - Educational Services	951,427	733,878	1,290,951	-	-	6,420	304,000	3,286,676
Other Purchased Professional Services	-	-	-	-	-	-	-	-
Travel	-	-	-	325	1,402	-	-	1,727
Other Purchased Services (400-500 series)	-	-	-	2,175	515	-	-	2,690
Other Objects	-	-	-	500	-	-	-	500
Total support services	951,427	733,878	1,290,951	20,000	1,917	6,420	304,000	3,308,593
Facilities acquisition and construction services:								
Instructional Equipment	-	-	-	-	37,125	-	-	37,125
Total facilities acquisition and construction services	-	-	-	-	37,125	-	-	37,125
Total expenditures	951,427	733,878	1,290,951	20,000	39,042	6,420	304,000	3,345,718
(Deficiency) of revenues (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAPITAL PROJECTS FUND

The capital projects fund is used to account for the acquisition and construction of major facilities and equipment purchases other than those financed by proprietary funds.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Capital Projects Fund
Summary Statement of Project Expenditures
For the Fiscal Year Ended June 30, 2018

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Balance June 30, 2018
			Prior Years	Current Year	
County of Hudson Improvement Authorizations: Improvements, Roof Replacement, and Construction:					
HVAC Systems, Interior, Exterior Renovations and Refurbishing (354-07-1997 as Amended)	04/27/93	\$ 3,622,269	\$ 3,545,409	\$ 76,860	\$ -
Improvements and Renovations of Various Facilities and Acquisitions (331-06-1998)	06/25/98	719,733	699,733	20,000	-
Improvements and Acquisition of Various Equipment (271-05-2014)	05/22/14	10,146,014	10,073,007	73,007	-
Improvements and Acquisition of Various Equipment (490-8-2016)	07/19/16	8,000,000	2,217,397	5,622,612	159,991
Improvements and Acquisition of Various Equipment (534-8-2017)	08/10/17	7,920,000	-	5,237,462	2,682,538
County of Hudson Capital Lease: Design, Construction, Furnishing, and Equipping of New High School	04/27/16	160,000,000	-	160,000,000	-
County of Hudson Direct: Construction of New High School Various Costs	04/27/16	4,495,701	1,509,274	2,986,427	-
		<u>\$ 194,903,717</u>	<u>\$ 18,044,820</u>	<u>\$ 174,016,368</u>	<u>\$ 2,842,529</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Capital Projects Fund
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2018

Revenues and other financing sources:

County capital contributions:	
Improvement authorizations	\$ 169,867
On-behalf capital lease	160,000,000
Current appropriations	<u>2,986,427</u>
Total County capital contributions	<u>163,156,294</u>
Total revenues and other financing sources	<u>163,156,294</u>

Expenditures and other financing uses:

Building improvements and equipment purchases	<u>174,016,368</u>
Total expenditures and other financing uses	<u>174,016,368</u>

Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(10,860,074)
---	--------------

Fund balance, July 1	<u>13,702,603</u>
Fund balance, June 30	<u><u>\$ 2,842,529</u></u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Capital Projects Fund
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
Improvements, Roof Replacement, and Construction:
HVAC Systems, Interior, Exterior Renovations and Refurbishing
For the Fiscal Year Ended June 30, 2018

	Prior Years	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources:				
County capital contributions:				
Improvement authorizations	\$ 3,545,409	\$ 76,860	\$ 3,622,269	\$ 3,622,269
Total revenues and other financing sources	3,545,409	76,860	3,622,269	3,622,269
Expenditures and other financing uses:				
Building improvements and equipment purchases	3,545,409	76,860	3,622,269	3,622,269
Total expenditures and other financing uses	3,545,409	76,860	3,622,269	3,622,269
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -
Additional project information:				
Project number	354-07-1997			
Grant date/letter of notification	04/27/93			
Original authorized cost	\$ 3,600,000			
Additional authorized cost	\$ 22,269			
Revised authorized cost	\$ 3,622,269			
Percentage increase over original authorized cost	0.62%			
Percentage completion	100.00%			
Original target completion date	*			
Revised target completion date	*			

* - Information not available

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Capital Projects Fund
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
Improvements and Renovations of Various Facilities and Acquisitions
For the Fiscal Year Ended June 30, 2018

	Prior Years	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources:				
County capital contributions:				
Improvement authorizations	\$ 699,733	\$ 20,000	\$ 719,733	\$ 719,733
Total revenues and other financing sources	699,733	20,000	719,733	719,733
Expenditures and other financing uses:				
Building improvements and equipment purchases	699,733	20,000	719,733	719,733
Total expenditures and other financing uses	699,733	20,000	719,733	719,733
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -
Additional project information:				
Project number	331-06-1998			
Grant date/letter of notification	06/25/98			
Original authorized cost	\$ 700,000			
Additional authorized cost	\$ 19,733			
Revised authorized cost	\$ 719,733			
Percentage increase over original authorized cost	3%			
Percentage completion	100%			
Original target completion date	*			
Revised target completion date	*			

* - Information not available

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Capital Projects Fund
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
Improvements and Acquisition of Various Equipment
For the Fiscal Year Ended June 30, 2018

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and other financing sources:				
County capital contributions:				
Improvement authorizations	\$ 10,073,007	\$ 73,007	\$ 10,146,014	\$ 10,146,014
Total revenues and other financing sources	<u>10,073,007</u>	<u>73,007</u>	<u>10,146,014</u>	<u>10,146,014</u>
Expenditures and other financing uses:				
Building improvements and equipment purchases	10,073,007	73,007	10,146,014	10,146,014
Total expenditures and other financing uses	<u>10,073,007</u>	<u>73,007</u>	<u>10,146,014</u>	<u>10,146,014</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional project information:

Project number	271-05-2014
Grant date/letter of notification	05/22/14
Original authorized cost	\$ 10,100,000
Additional authorized cost	\$ 46,014
Revised authorized cost	\$ 10,146,014

Percentage increase over original authorized cost	0%
Percentage completion	100%
Original target completion date	*
Revised target completion date	*

* - Information not available

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Capital Projects Fund
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
Improvements and Acquisition of Various Equipment
For the Fiscal Year Ended June 30, 2018

	Prior Years	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources:				
County capital contributions:				
Improvement authorizations	\$ 8,000,000	\$ -	\$ 8,000,000	\$ 8,000,000
Total revenues and other financing sources	8,000,000	-	8,000,000	8,000,000
Expenditures and other financing uses:				
Building improvements and equipment purchases	2,217,397	5,622,612	7,840,009	8,000,000
Total expenditures and other financing uses	2,217,397	5,622,612	7,840,009	8,000,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 5,782,603	\$ (5,622,612)	\$ 159,991	\$ -

Additional project information:

Project number	490-8-2016
Grant date/letter of notification	07/19/16
Original authorized cost	\$ 8,000,000
Additional authorized cost	\$ -
Revised authorized cost	\$ 8,000,000
Percentage increase over original authorized cost	0%
Percentage completion	98%
Original target completion date	*
Revised target completion date	*

* - Information not available

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Capital Projects Fund
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
Improvements and Acquisition of Various Equipment
For the Fiscal Year Ended June 30, 2018

	Prior Years	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources:				
County capital contributions:				
Improvement authorizations	\$ 7,920,000	\$ -	\$ 7,920,000	\$ 7,920,000
Total revenues and other financing sources	7,920,000	-	7,920,000	7,920,000
Expenditures and other financing uses:				
Building improvements and equipment purchases	-	5,237,462	5,237,462	7,920,000
Total expenditures and other financing uses	-	5,237,462	5,237,462	7,920,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 7,920,000	\$ (5,237,462)	\$ 2,682,538	\$ -

Additional project information:

Project number	534-8-2017
Grant date/letter of notification	08/10/17
Original authorized cost	\$ 8,000,000
Additional authorized cost	\$ (80,000)
Revised authorized cost	\$ 7,920,000

Percentage increase over original authorized cost	-1%
Percentage completion	66%
Original target completion date	*
Revised target completion date	*

* - Information not available

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Capital Projects Fund
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
Design, Construction, Furnishing, and Equiping of New High School
For the Fiscal Year Ended June 30, 2018

	<u>Prior Years</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and other financing sources:				
County capital contributions:				
On-behalf capital lease	\$ -	\$ 160,000,000	\$ 160,000,000	\$ 160,000,000
Total revenues and other financing sources	<u>-</u>	<u>160,000,000</u>	<u>160,000,000</u>	<u>160,000,000</u>
Expenditures and other financing uses:				
Building improvements and equipment purchases	-	160,000,000	160,000,000	160,000,000
Total expenditures and other financing uses	<u>-</u>	<u>160,000,000</u>	<u>160,000,000</u>	<u>160,000,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional project information:

Project number	N/A
Grant date/letter of notification	04/27/16
Original authorized cost	\$ 160,000,000
Additional authorized cost	\$ -
Revised authorized cost	\$ 160,000,000
Percentage increase over original authorized cost	0%
Percentage completion	100%
Original target completion date	*
Revised target completion date	*

* - Information not available

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Capital Projects Fund
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
Construction of New High School Various Costs
For the Fiscal Year Ended June 30, 2018

	Prior Years	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources:				
County capital contributions:				
Current appropriations	\$ 1,509,274	\$ 2,986,427	\$ 4,495,701	\$ 4,495,701
Total revenues and other financing sources	1,509,274	2,986,427	4,495,701	4,495,701
Expenditures and other financing uses:				
Building improvements and equipment purchases	1,509,274	2,986,427	4,495,701	4,495,701
Total expenditures and other financing uses	1,509,274	2,986,427	4,495,701	4,495,701
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -

Additional project information:

Project number	N/A
Grant date/letter of notification	04/27/16
Original authorized cost	\$ 1,509,274
Additional authorized cost	\$ 2,986,427
Revised authorized cost	\$ 4,495,701
Percentage increase over original authorized cost	198%
Percentage completion	100%
Original target completion date	*
Revised target completion date	*

* - Information not available

PROPRIETARY FUND

Proprietary funds are used to account for District activities that are similar to business operations in the private sector. There are two categories of proprietary funds – enterprise and internal service funds.

Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises – where the intent of the District is that the costs of providing goods or services be financed through user charges. The major funds are:

Food Services Fund - This fund provides for the operation of food services in all schools within the school district.

Internal service funds are used to account for the financing of goods or services provided by one department or office to other departments or offices of the district board of education, or to other district boards of education and governmental units, on a cost-reimbursement basis.

Transportation Consortium -

This fund provides transportation to other departments or agencies of the District and other New Jersey school districts with special education programs, on a cost reimbursement basis.

Career Development Center -

This fund provides adult educational services to other departments or agencies of the District and other New Jersey school districts, on a cost reimbursement basis.

Youth House Services -

This fund provides youth educational services to other departments or agencies of the District and other New Jersey school districts, on a cost reimbursement basis.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Net Position
Proprietary Funds
June 30, 2018

	Food Service
ASSETS	
Current assets:	
Intergovernmental accounts receivable:	
Federal	\$ 116,855
State	1,682
Total current assets	118,537
Capital assets:	
Furniture, machinery and equipment	965,975
Less: accumulated depreciation	(337,359)
Total capital assets	628,616
Total assets	747,153
LIABILITIES	
Current liabilities:	
Interfund payable	117,540
Total current liabilities	117,540
Total liabilities	117,540
NET POSITION	
Net investment in capital assets	628,616
Unrestricted	997
Total net position	\$ 629,613

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Food Service
OPERATING REVENUES	
Charges for services:	
Daily sales	\$ 944,337
Total operating revenues	944,337
OPERATING EXPENSES	
Cost of sales	1,642,338
Depreciation	64,285
Total operating expenses	1,706,623
Operating (loss)	(762,286)
Nonoperating revenues:	
State sources:	
State school lunch program	9,718
Federal sources:	
National school lunch program	462,248
National school breakfast program	179,062
Food distribution program	47,970
Total nonoperating revenues	698,998
Change in Net Position	(63,288)
Net position, July 1	692,901
Net position, June 30	\$ 629,613

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Food Service
Cash flows from operating activities:	
Receipts from customers	\$ 944,337
Payments to suppliers and employees	(1,642,338)
Net cash (used) by operating activities	(698,001)
Cash flows from non-capital financing activities:	
State sources	8,575
Federal sources	614,380
Interfund advanced	75,046
Net cash provided by non-capital financing activities	698,001
Net change in cash and cash equivalents	-
Cash and cash equivalents, July 1	-
Cash and cash equivalents, June 30	\$ -
Reconciliation of operating (loss) to net cash (used) for operating activities:	
Operating (loss)	\$ (762,286)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	64,285
Total adjustments	64,285
Net cash (used) by operating activities	\$ (698,001)
Noncash capital financing activities:	
Food distribution program	\$ 47,970

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Internal Service Funds
Combining Statement of Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Transportation Consortium</u>	<u>Career Development Center</u>	<u>Youth House Services</u>	<u>Total Internal Service Fund</u>
ASSETS				
Current assets:				
Intergovernmental accounts receivable:				
Local	\$ 471,128	\$ -	\$ -	\$ 471,128
Other accounts receivable	-	622,248	-	622,248
Total current assets	<u>471,128</u>	<u>622,248</u>	<u>-</u>	<u>1,093,376</u>
Capital assets:				
Equipment	-	-	106,113	106,113
Less: Accumulated depreciation	<u>-</u>	<u>-</u>	<u>(106,113)</u>	<u>(106,113)</u>
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>471,128</u>	<u>622,248</u>	<u>-</u>	<u>1,093,376</u>
LIABILITIES				
Current liabilities:				
Interfund payable	<u>471,128</u>	<u>622,248</u>	<u>-</u>	<u>1,093,376</u>
Total current liabilities	<u>471,128</u>	<u>622,248</u>	<u>-</u>	<u>1,093,376</u>
Total liabilities	<u>471,128</u>	<u>622,248</u>	<u>-</u>	<u>1,093,376</u>
NET POSITION				
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Transportation Consortium</u>	<u>Career Development Center</u>	<u>Youth House Services</u>	<u>Total Internal Service Fund</u>
OPERATING REVENUES				
Charges for services:				
Transportation fees from other local education agencies	\$ 4,141,864	\$ -	\$ -	\$ 4,141,864
Career development programs and fees	-	2,499,999	-	2,499,999
Total operating revenues	<u>4,141,864</u>	<u>2,499,999</u>	<u>-</u>	<u>6,641,863</u>
OPERATING EXPENSES				
Salaries	3,249,421	1,691,969	-	4,941,390
Other purchased services	<u>1,218,270</u>	<u>919,355</u>	<u>-</u>	<u>2,137,625</u>
Total operating expenses	<u>4,467,691</u>	<u>2,611,324</u>	<u>-</u>	<u>7,079,015</u>
(Loss) before transfers and special item	(325,827)	(111,325)	-	(437,152)
Transfer in - general fund contribution	325,827	257,516	-	583,343
Special item - cancellation of prior year receivable	<u>-</u>	<u>(146,191)</u>	<u>-</u>	<u>(146,191)</u>
Change in net position	-	-	-	-
Net position, July 1	-	-	-	-
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2018

	<u>Transportation Consortium</u>	<u>Career Development Center</u>	<u>Youth House Services</u>	<u>Total Internal Service Fund</u>
Cash flows from operating activities:				
Receipts from customers	\$ 3,974,502	\$ 2,376,795	\$ 366,500	\$ 6,717,797
Payment for salaries and benefits	(3,249,421)	(1,691,969)	-	(4,941,390)
Payments to suppliers	(1,218,270)	(919,355)	-	(2,137,625)
Net cash (used) provided by operating activities	<u>(493,189)</u>	<u>(234,529)</u>	<u>366,500</u>	<u>(361,218)</u>
Cash Flows from Non-capital Financing				
(Payment of interfund)/interfund advanced	493,189	380,720	(366,500)	507,409
Cancellation of prior year accounts receivable	-	(146,191)	-	(146,191)
Net cash provided (used) by non-capital financing activities	<u>493,189</u>	<u>234,529</u>	<u>(366,500)</u>	<u>361,218</u>
Net change in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, July 1	-	-	-	-
Cash and cash equivalents, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ (325,827)	\$ (111,325)	\$ -	\$ (437,152)
Adjustments to reconcile operating income to net cash provided by operating activities:				
(Increase) decrease in accounts receivable	(167,362)	(123,204)	366,500	75,934
Total adjustments	<u>(167,362)</u>	<u>(123,204)</u>	<u>366,500</u>	<u>75,934</u>
Net cash provided by operating activities	<u>\$ (493,189)</u>	<u>\$ (234,529)</u>	<u>\$ 366,500</u>	<u>\$ (361,218)</u>

FIDUCIARY FUNDS

Fiduciary funds report assets that are held in a trustee or agency capacity for external parties and that cannot be used to support the government's own programs.

Trust and agency funds are used to account for resources held and administered by the District when it acts in a fiduciary capacity. Trust funds are used to account for assets held by the District in a trustee capacity. Agency funds are utilized to account for assets held by the District as an agent for individuals or other funds.

Unemployment Compensation

Insurance Trust Fund -

This is a trust fund where both principal and interest may be spent for unemployment compensation claims.

Payroll Agency Fund -

This agency fund is used to account for the payroll transactions of the District.

Student Activity Fund -

This agency fund is used to account for assets being maintained by the District for a student type of organization.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Unemployment Compensation Insurance Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 29,745	\$ 590,315
Total assets	29,745	590,315
LIABILITIES		
Payable to student groups	-	372,543
Interfund payable	-	65,914
Payroll deductions and withholdings	-	151,858
Total liabilities	-	\$ 590,315
NET POSITION		
Held in trust for unemployment claims	29,745	
Total net position	\$ 29,745	

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	Unemployment Compensation Insurance Trust Fund
ADDITIONS	
Contributions	\$ 74,673
Total additions	74,673
 DEDUCTIONS	
Unemployment claims	68,039
Total deductions	68,039
 Change in net position	6,634
 Net position, July 1	23,111
Net position, June 30	\$ 29,745

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2018

	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
All Locations	\$ 480,584	\$ 986,413	\$ 1,028,540	\$ 438,457
	<u>\$ 480,584</u>	<u>\$ 986,413</u>	<u>\$ 1,028,540</u>	<u>\$ 438,457</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance 42916	Cash Receipts	Cash Disbursements	Balance 43281
Payroll agency fund:				
Net payroll	\$ 7,817	\$ 25,967,610	\$ 25,964,555	\$ 10,872
Payroll agency	353,858	21,848,414	22,061,286	140,986
Total payroll agency fund	\$ 361,675	\$ 47,816,024	\$ 48,025,841	\$ 151,858

STATISTICAL SECTION
(Unaudited)

JERSEY CITY PUBLIC SCHOOLS

**INTRODUCTION TO THE STATISTICAL SECTION
(UNAUDITED)**

<u>CONTENTS:</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	309 - 314
Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	315 - 318
Debt Capacity These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	319 - 322
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	323 - 324
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	325 - 331

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.

FINANCIAL TRENDS

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Net Position by Component
Last Ten Fiscal Years
(Unaudited)
(accrual basis of accounting)

	for the Fiscal Year ended June 30,									
	2018	2017	2016	2015 ⁽²⁾	2014	2013 ⁽¹⁾	2012	2011	2010	2009
Governmental activities:										
Net investment in capital assets	\$ 202,380,904	\$ 29,411,512	\$ 57,978,754	\$ 54,113,387	\$ 46,048,092	\$ -	\$ 14,307,328	\$ 13,555,843	\$ 12,878,704	\$ 12,946,705
Restricted	2,842,529	13,702,603	1,414,328	2,514,575	976,747	187,378	187,378	200,741	228,867	223,809
Unrestricted	(51,374,150)	(48,586,890)	(41,235,718)	(41,294,673)	(10,498,643)	59,487,765	(9,247,787)	(8,763,162)	(5,395,401)	1,421,021
Total governmental activities net position	\$ 153,849,283	\$ (5,472,775)	\$ 18,157,364	\$ 15,333,289	\$ 36,526,196	\$ 59,675,143	\$ 5,246,919	\$ 4,993,422	\$ 7,712,170	\$ 14,591,535
Business-type activity:										
Net investment in capital assets	\$ 628,616	\$ 692,901	\$ 35,151	\$ 50,151	\$ 65,151	\$ 80,151	\$ 95,151	\$ 110,151	\$ 125,151	\$ 144,926
Unrestricted	997	-	(35,151)	(50,151)	(65,151)	(80,151)	(95,151)	(181,217)	(125,151)	(144,926)
Total business-type activity net position	\$ 629,613	\$ 692,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (71,066)	\$ -	\$ -
Government-wide:										
Net investment in capital assets	\$ 203,009,520	\$ 30,104,413	\$ 58,013,905	\$ 54,163,538	\$ 46,113,243	\$ 80,151	\$ 14,402,479	\$ 13,665,994	\$ 13,003,855	\$ 13,091,631
Restricted	2,842,529	13,702,603	1,414,328	2,514,575	976,747	187,378	187,378	200,741	228,867	223,809
Unrestricted	(51,373,153)	(48,586,890)	(41,270,869)	(41,344,824)	(10,563,794)	59,407,614	(9,342,938)	(8,944,379)	(5,520,552)	1,276,095
Total government-wide net position	\$ 154,478,896	\$ (4,779,874)	\$ 18,157,364	\$ 15,333,289	\$ 36,526,196	\$ 59,675,143	\$ 5,246,919	\$ 4,922,356	\$ 7,712,170	\$ 14,591,535

Source: School records

Note: (1) GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.

(2) GASB 68 was implemented during the 2015 fiscal year, which required the restatement of beginning net position in the amount of \$29,050,938. The amount is not reflected in the June 30, 2014 net position, above.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Changes in Net Position
Last Ten Fiscal Years
(Unaudited)
(accrual basis of accounting)

	2018 ⁽⁴⁾	2017	2016	2015 ⁽³⁾	2014	2013 ⁽²⁾	2012	2011	2010 ⁽¹⁾	2009
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 12,336,156	\$ 12,500,829	\$ 12,132,562	\$ 13,279,126	\$ 12,817,822	\$ 10,214,336	\$ 8,699,108	\$ 10,009,042	\$ 11,705,331	\$ 9,310,802
Vocational	5,663,922	6,121,259	6,124,066	5,776,504	5,840,705	5,392,858	5,209,591	4,701,861	5,206,508	6,051,171
School sponsored cocurricular activities	415,023	651,546	401,329	468,942	396,935	279,165	236,252	254,089	738,806	786,307
Support services:										
Student and instruction related services	9,260,448	7,612,807	7,906,758	4,622,168	4,461,589	6,064,268	6,466,809	6,122,044	7,031,470	6,244,167
School administrative services	1,291,737	3,033,343	1,023,735	3,117,769	3,009,309	4,207,108	4,615,864	4,246,780	5,957,117	3,933,502
General and business administration services	3,570,891	1,617,169	2,944,832	1,163,027	1,116,577	1,506,667	1,565,874	1,699,080	1,798,313	1,664,102
Plant operations and maintenance	5,918,598	7,204,260	6,208,735	5,773,926	5,491,370	5,384,231	5,098,731	5,054,828	4,796,216	5,742,214
Pupil transportation	7,590,516	7,069,989	6,900,460	6,694,904	5,922,433	5,717,771	5,869,297	5,942,977	6,387,673	6,743,450
Special Schools	7,831,190	6,833,969	6,588,467	6,835,411	6,722,010	7,191,508	6,490,405	6,117,631	7,367,120	7,416,664
Unallocated depreciation	1,886,771	1,834,284	3,627,858	1,454,799	1,822,526	1,427,776	1,359,034	1,256,166	1,148,363	1,022,243
Capital expenditures not capitalized	29,941,585	28,895,602	15,450,324	9,021,524	12,493,644	13,194,821	12,205,336	13,132,405	2,681,128	1,566,994
Unallocated Benefits	85,706,837	83,375,057	69,959,268	58,208,100	60,094,920	61,306,415	58,866,425	60,530,418	68,781,100	63,572,089
Total governmental activities expenses	1,706,623	1,660,697	1,350,157	1,066,714	1,091,204	1,046,082	1,077,059	739,280	776,102	865,249
Business-type Activity:										
Food service	1,706,623	1,660,697	1,350,157	1,066,714	1,091,204	1,046,082	1,077,059	739,280	776,102	865,249
Total business-type activity expense	1,706,623	1,660,697	1,350,157	1,066,714	1,091,204	1,046,082	1,077,059	739,280	776,102	865,249
Total expenses	87,413,460	85,035,754	71,309,425	59,274,814	61,186,124	62,352,497	59,943,484	61,269,698	69,557,202	64,437,338
Program Revenues:										
Governmental activities:										
Charges for services:										
Instruction (tuition)	729,045	944,955	771,775	-	569,000	681,376	968,110	953,254	1,288,934	1,689,564
Pupil transportation	4,141,864	3,475,503	3,723,919	3,499,974	3,045,791	2,962,830	3,504,493	3,211,056	3,465,601	4,194,601
Special schools	2,499,999	852,364	-	-	-	-	-	-	-	-
Operating grants and contributions	23,341,102	20,033,122	6,047,679	542,000	7,411,632	8,346,469	8,398,373	9,435,227	10,104,461	7,335,326
Capital grants and contributions	163,156,294	9,783,321	8,000,000	9,000,000	10,199,148	-	-	-	140,225	284,095
Governmental activities program revenues	193,868,304	35,089,265	18,543,373	13,041,974	21,225,571	11,990,675	12,870,976	13,599,537	14,999,221	13,503,586
Business-type activities										
Charges for services:										
Food service	944,337	667,334	384,709	270,468	287,417	289,413	289,413	264,359	319,125	334,612
Operating grants and contributions	698,998	643,542	539,250	438,848	450,780	278,448	278,448	403,855	439,687	362,249
Total Business-type Activities Program Revenues	1,643,335	1,310,876	923,959	709,316	738,197	567,861	567,861	668,214	758,812	696,861
Total program revenues	195,511,639	36,400,141	19,467,332	13,751,290	21,963,768	12,558,536	13,438,837	14,267,751	15,758,033	14,200,447
Net (expense)/operating revenues:										
Governmental activities	108,161,467	(48,285,792)	(51,415,895)	(45,166,126)	(38,869,349)	(49,315,740)	(45,995,449)	(46,930,881)	(53,781,879)	(50,068,503)
Business-type activity	(63,288)	(349,821)	(426,198)	(357,398)	(353,007)	(478,221)	(509,198)	(71,066)	(17,290)	(168,388)
Total net (expense) operating revenues	\$ 108,098,179	\$ (48,635,613)	\$ (51,842,093)	\$ (45,523,524)	\$ (39,222,356)	\$ (49,793,961)	\$ (46,504,647)	\$ (47,001,947)	\$ (53,799,169)	\$ (50,236,891)

HUDSON COUNTY SCHOOLS OF TECHNOLOGY

Changes in Net Position
Last Ten Fiscal Years
(Unaudited)
(accrual basis of accounting)

	2018 ⁽⁴⁾	2017	2016	2015 ⁽³⁾	2014	2013 ⁽²⁾	2012	2011	2010 ⁽¹⁾	2009
for the Fiscal Year ended June 30,										
General Revenues, Transfers and Special Items:										
Governmental activities:										
Property taxes, contributed by										
County of Hudson - net	\$ 28,560,000	\$ 27,060,000	\$ 26,530,000	\$ 26,010,000	\$ 25,500,000	\$ 24,990,000	\$ 24,990,000	\$ 24,150,000	\$ 23,514,000	\$ 23,514,000
Unrestricted grants and contributions	22,097,410	21,268,832	26,818,334	26,799,213	21,882,206	22,121,943	22,121,943	19,244,871	22,572,967	20,318,626
Tuition received	-	-	-	670,751	652,219	607,625	607,625	729,528	397,509	302,363
Interest earnings	-	-	5,590	6,785	4,669	5,275	5,275	5,417	15,057	35,485
Miscellaneous income	649,372	650,679	412,244	784,831	210,185	269,126	269,126	419,264	356,238	234,841
Transfers	-	(320,585)	(426,198)	(357,398)	(353,007)	(478,221)	(478,221)	-	(17,290)	(38,113)
Special items	(146,191)	(24,003,273)	-	-	-	-	-	-	64,033	212,253
Total Governmental Activities	51,160,591	24,655,653	53,339,970	53,914,182	47,896,272	47,515,748	47,515,748	44,549,080	46,902,514	44,579,455
Business-type activities:										
Miscellaneous income	-	102	-	-	-	-	-	-	-	-
Transfers	-	320,585	426,198	357,398	353,007	478,221	404,258	-	17,290	38,113
Special items	-	722,035	-	-	-	-	-	-	-	-
Total business-type activities	-	1,042,722	426,198	357,398	353,007	478,221	404,258	-	17,290	38,113
Total general revenues, transfers and special items	51,160,591	25,698,375	53,766,168	54,271,580	48,249,279	47,993,969	47,920,006	44,549,080	46,919,804	44,617,568
Change in net position:										
Governmental activities	159,322,058	(23,630,139)	1,924,075	8,748,056	9,026,923	(1,799,992)	1,520,299	(2,381,801)	(6,879,365)	(5,489,048)
Business-type activities	(63,288)	692,901	-	-	-	-	(104,940)	(71,066)	-	(130,275)
Total change in net position	\$ 159,258,770	\$ (22,937,238)	\$ 1,924,075	\$ 8,748,056	\$ 9,026,923	\$ (1,799,992)	\$ 1,415,359	\$ (2,452,867)	\$ (6,879,365)	\$ (5,619,323)

Source: School records

- Note: (1) As recommended by the NJ Department of Education, beginning with year ended June 30, 2010:
- Tuition, Special Schools and Charter Schools expenses are no longer allocated amongst other District expenses.
 - Central services and administrative information technology expenses were not combined as business and central services expenses.
- (2) GASB 63 was implemented in the 2013 fiscal year, which required the reclassification of balances previously reported as net assets to net position.
- (3) GASB 68 was implemented in the 2015 fiscal year where additional on-behalf TPAF pension expense and offsetting contribution is reported.
- (4) GASB 75 was implemented in the 2018 fiscal year, where additional on-behalf OPEB expense and offsetting contribution is reported.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Fund Balance - Governmental Funds
 Last Ten Fiscal Years
 (Unaudited)
 (modified accrual basis of accounting)

	for the Fiscal Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund:										
Committed	\$ -	\$ -	\$ 1,300,623	\$ 2,400,221	\$ 849,723	\$ 41,800	\$ 85,383	\$ 62,729	\$ 205,130	\$ 85,452
Unassigned	(2,108,814)	(1,850,107)	131,422	695,577	631,076	(33,232)	(415,703)	(2,139,121)	(3,407,210)	(1,332,738)
Total general fund	<u>\$ (2,108,814)</u>	<u>\$ (1,850,107)</u>	<u>\$ 1,432,045</u>	<u>\$ 3,095,798</u>	<u>\$ 1,480,799</u>	<u>\$ 8,568</u>	<u>\$ (330,320)</u>	<u>\$ (2,076,392)</u>	<u>\$ (3,202,080)</u>	<u>\$ (1,247,286)</u>
All other governmental funds:										
Committed:										
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ 4,678,399	\$ 2,103,000	\$ 666,629	\$ 592,620	\$ 984,556	\$ 230,078
Restricted:										
Capital projects fund	2,842,529	13,702,603	14,915,094	21,298,961	18,253,731	18,633,312	733,375	3,843,849	7,555,046	11,874,158
Total all other governmental funds	<u>2,842,529</u>	<u>13,702,603</u>	<u>14,915,094</u>	<u>21,298,961</u>	<u>22,932,130</u>	<u>20,736,312</u>	<u>1,400,004</u>	<u>4,436,469</u>	<u>8,539,602</u>	<u>12,104,236</u>

Source: School records

Note: In 2011 the District implemented GASB Statement 54 which requires fund balance to be reported as restricted, committed, assigned and unassigned.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (Unaudited)
 (modified accrual basis of accounting)

	for the Fiscal Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010 ⁽¹⁾	2009
REVENUES										
County tax levy	\$ 28,560,000	\$ 27,060,000	\$ 26,530,000	\$ 26,010,000	\$ 25,500,000	\$ 24,990,000	\$ 24,500,000	\$ 24,150,000	\$ 23,514,000	\$ 23,514,000
Tuition charges	729,045	944,955	771,775	670,751	652,219	607,625	529,350	729,528	397,509	302,363
Interest earnings	-	-	5,590	6,785	4,669	5,275	4,475	4,171	15,057	35,485
Miscellaneous	649,372	650,679	455,547	784,831	210,185	269,126	496,083	419,264	356,238	234,841
State sources	28,927,743	26,984,469	26,988,474	25,733,835	24,918,073	25,972,329	24,647,393	23,139,448	23,033,668	24,099,341
Federal sources	5,721,762	5,051,479	5,877,539	5,242,225	4,478,176	4,496,083	4,874,276	5,540,650	9,693,650	3,804,750
Private Sources	-	-	-	-	-	-	-	-	90,335	33,956
Total Revenues	64,587,922	60,691,582	60,628,925	58,448,427	55,763,322	56,340,438	55,051,577	53,984,307	57,100,457	52,024,736
EXPENDITURES										
Instruction:										
Regular instruction	12,336,156	12,500,829	11,678,124	13,279,126	11,593,621	9,019,226	8,522,120	8,878,447	9,100,911	7,546,910
Vocational education	5,663,922	6,121,259	6,124,068	5,707,619	5,840,705	5,392,858	5,209,591	4,701,861	5,206,508	6,051,171
School sponsored cocurricular activities	415,023	651,546	401,329	468,942	396,935	279,165	236,252	254,089	738,806	786,307
Support services:										
Student and instruction related services	9,260,448	7,612,807	7,906,756	4,622,168	4,262,441	6,064,268	6,466,809	6,122,044	7,031,470	6,244,167
School administrative services	1,291,737	3,033,343	2,944,832	3,117,769	3,009,309	4,196,792	4,615,864	4,246,780	5,957,117	3,933,502
Other administrative services	3,570,891	1,617,169	1,023,735	1,163,027	1,116,577	5,384,231	1,565,874	1,699,080	1,798,313	1,664,102
Plant operations and maintenance	5,918,598	6,419,171	6,208,735	5,773,926	5,491,370	2,738,954	5,098,731	5,054,828	4,852,847	5,961,600
Pupil transportation	3,122,825	3,669,468	2,846,665	2,947,438	2,812,324	1,506,667	2,366,087	2,490,820	2,945,622	2,778,995
Unallocated benefits	16,624,025	15,983,250	15,450,324	12,966,357	12,493,644	13,194,821	12,205,336	13,132,405	13,963,055	13,090,473
Special Schools	5,219,866	5,981,605	6,588,467	6,360,773	6,722,010	7,191,308	6,490,405	6,117,631	7,367,120	7,416,664
Capital outlay	174,856,163	11,780,901	15,934,009	10,702,054	8,003,330	5,318,731	3,160,643	3,926,825	3,704,859	1,594,469
Total Expenditures	238,279,654	75,371,348	77,107,044	67,109,199	61,742,266	60,287,021	55,937,712	56,624,810	62,666,628	57,068,560
Excess (deficiency) of revenues over (under) expenditures	(173,691,732)	(14,679,766)	(16,478,119)	(8,660,772)	(5,978,944)	(3,946,583)	(886,135)	(2,640,503)	(5,566,171)	(5,043,624)
OTHER FINANCING SOURCES (USES)										
County capital contributions	163,156,294	9,783,321	8,900,000	9,000,000	10,000,000	24,100,000	-	-	-	-
Transfers in	-	722,387	-	-	-	-	-	-	-	-
Transfers out	(583,343)	(320,585)	(469,501)	(357,398)	(353,007)	(478,221)	(404,258)	-	(17,290)	(38,113)
Write off (recovery) of receivables	-	-	-	-	-	-	-	-	64,033	212,253
Total other financing sources (uses)	162,572,951	10,185,123	8,430,499	8,642,602	9,646,993	23,621,779	(404,258)	-	46,743	174,140
Net change in fund balances	\$ (11,118,781)	\$ (4,494,643)	\$ (8,047,620)	\$ (18,170)	\$ 3,668,049	\$ 19,675,196	\$ (1,290,393)	\$ (2,640,503)	\$ (5,519,428)	\$ (4,869,484)

Source: School records (GAAP Basis)

Note: Noncapital expenditures are total expenditures less capital outlay.

(1) As recommended by the NJ Department of Education, beginning with year ended June 30, 2010:

- Tuition, Special Schools and Charter Schools expenses are no longer allocated amongst other District expenses.
- Central services and administrative information technology expenses were not combined as business and central services expenses.
- Under the modified accrual basis, debt service for capital leases directly funded by the District are not segregated from their original expense classifications.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
General Fund - Miscellaneous Revenue by Source
 Last Ten Fiscal Years
 (Unaudited)

Description	for the Fiscal Year ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund:										
Interest on investments	\$ 13,438	\$ 10,473	\$ 5,590	\$ 6,785	\$ 4,669	\$ 5,275	\$ 4,475	\$ 5,417	\$ 15,057	\$ 35,485
Book sales/rentals	-	-	-	-	-	-	-	-	-	41,821
Health benefits refunds	-	-	31,582	72,077	-	-	-	-	32,191	49,557
Tuition	729,045	944,955	771,775	670,751	652,219	607,625	529,350	729,528	397,509	302,363
Local revenue for In and Out of School programs	-	-	129,000	-	-	-	-	-	-	-
Reimbursements	-	-	-	187,820	-	-	-	-	-	9,927
E-Rate vendors refund	-	-	-	-	17,292	28,500	47,256	53,684	61,290	28,350
State check cancellations	-	-	9,107	99,945	-	-	-	-	-	-
Refunds	-	-	-	-	-	-	-	-	-	-
Other	635,933	649,954	285,858	424,989	192,893	240,626	448,827	365,580	262,757	85
Total General Fund	\$ 1,378,416	\$ 1,605,382	\$ 1,232,912	\$ 1,462,367	\$ 867,073	\$ 882,026	\$ 1,029,908	\$ 1,154,209	\$ 768,804	\$ 572,689

Source: School records

REVENUE CAPACITY

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Assessed Value and Actual Value of Taxable Property
(Unaudited)**

Not Applicable

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Direct and Overlapping Property Tax Rates
(Unaudited)**

Not Applicable

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Schedule of Principal Property Taxpayers
(Unaudited)**

Not Applicable

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Municipal Property Tax Levies and Collections
(Unaudited)**

Not Applicable

DEBT CAPACITY

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Schedule of Ratios of Outstanding Debt by Type
(Unaudited)**

Not Applicable

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Ratios of Net General Bonded Debt Outstanding
(Unaudited)**

Not Applicable

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Direct and Overlapping Governmental Activities Debt
(Unaudited)**

Not Applicable

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Computation of Legal Debt Margin
(Unaudited)

Not Applicable

DEMOGRAPHIC AND ECONOMIC INFORMATION

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

Year Ended June 30,	Hudson County Population	Hudson County Personal Income	Total Per Capita Income	Unemployment Rate
2009	597,924	\$ 21,950,387,964	\$ 36,711	10.70%
2010	634,266	21,294,846,684	33,574	10.80%
2011	645,000	21,568,155,000	33,439	10.30%
2012	652,302	22,347,866,520	34,260	10.50%
2013	660,282	22,365,071,904	33,872	9.10%
2014	669,115	22,427,396,570	33,518	5.90%
2015	674,836	23,753,552,364	35,199	4.70%
2016	677,983	25,839,288,096	38,112	4.80%
2017	691,643	26,305,949,862	38,034	3.90%
2018	744,899	N/A	N/A	4.20%

Sources: Population and per capita information is provided by the American Community Survey data published by the U.S. Bureau of Economic Analysis. Unemployment information proved by the NJ Department of Labor and Workforce Development. Personal income has been estimated based upon the municipal population and per capita personal income presented.

N/A – Information was not available at time of audit.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Principal Employers Current Year and Nine Years Ago
(Unaudited)**

Not Available

OPERATING INFORMATION

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Full-Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

	for the Fiscal Year ended June 30,									
Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	147	147	147	137	138	134	138	148	150	152
Regular	54	54	54	52	48	45	45	42	44	46
Vocational										
Support services:	38	38	38	37	37	37	35	39	41	42
Student and instruction related services	10	10	10	10	10	11	9	9	10	10
General administration	10	10	10	10	10	10	8	9	9	9
School administrative services										
Central services	20	20	20	20	20	20	17	16	16	17
Administrative information technology	-	-	-	-	-	-	1	1	2	2
Plant operations and maintenance	44	44	44	36	39	40	39	39	41	43
Pupil transportation	63	63	63	55	53	55	55	60	60	64
Other support services	30	30	30	27	27	27	25	19	19	19
Media services technology	16	16	16	16	12	8	5	5	5	5
Total	432	432	432	400	394	387	377	387	397	409

Source: School records

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Enrollment		Operating Expenditures	Cost per Pupil	Percentage Change	Teaching Staff		Pupil/Teacher Ratio	Average Daily Enrollment		Average Daily Attendance		% Change in Average Daily Enrollment		Student Attendance Percentage
	Enrollment	Change				Staff	Ratio		Enrollment	Attendance	Enrollment	Attendance	Enrollment	Attendance	
2009	2,746		55,473,891	20,202	1.78%	198	14	2,646	2,533	3.52%	2,533	95.73%	3.52%	95.73%	
2010	2,985		58,961,769	19,753	-2.22%	194	15	2,656	2,516	0.38%	2,516	94.73%	0.38%	94.73%	
2011	3,041		54,968,290	18,076	-8.49%	183	17	2,722	2,566	2.48%	2,566	94.27%	2.48%	94.27%	
2012	3,141		53,738,936	17,109	-5.35%	179	18	2,851	2,658	4.74%	2,658	93.23%	4.74%	93.23%	
2013	3,218		56,407,145	17,529	2.45%	186	17	2,975	2,715	4.35%	2,715	91.26%	4.35%	91.26%	
2014	3,171		53,938,084	17,010	-2.96%	186	17	2,960	2,827	-0.50%	2,827	95.51%	-0.50%	95.51%	
2015	3,170		56,476,030	17,816	4.74%	189	17	3,170	2,985	7.09%	2,985	94.16%	7.09%	94.16%	
2016	3,188		55,775,498	17,495	-1.80%	204	16	3,021	3,017	-4.70%	3,017	99.87%	-4.70%	99.87%	
2017	3,421		59,114,955	17,280	-1.23%	201	17	3,188	3,006	5.53%	3,006	94.29%	5.53%	94.29%	
2018	3,471		58,178,493	16,761	-3.00%	201	17	3,234	3,049	1.44%	3,049	94.28%	1.44%	94.28%	

Source: School records

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
School Building Information
Last Ten Fiscal Years
(Unaudited)

School Buildings	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
North Hudson Campus										
Square feet	91,500	91,500	91,500	91,500	91,500	91,500	91,500	91,500	91,500	91,500
Capacity (students)	3,519	3,519	3,519	3,519	3,519	3,519	3,519	3,519	3,519	3,519
Enrollment	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985
Jersey City Campus										
Square feet	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000
Capacity (students)	3,384	3,384	3,384	3,384	3,384	3,384	3,384	3,384	3,384	3,384
Enrollment	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233

Source: School Records

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
 Schedule of Required Maintenance Expenditures by School Facility
 Last Ten Fiscal Years
 (Unaudited)

Location	Building Code	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
North Hudson Campus	050	\$ 579,519	\$ 612,974	\$ 291,318	\$ 379,411	\$ 413,556	\$ 238,453	\$ 389,389	\$ 329,373	\$ 326,477	\$ 315,778
Jersey City Campus	030	\$ 534,940	\$ 589,527	\$ 419,310	\$ 338,178	\$ 397,736	\$ 244,324	\$ 276,554	\$ 279,199	\$ 273,004	\$ 281,914
		\$ 1,114,459	\$ 1,202,501	\$ 710,628	\$ 717,589	\$ 811,292	\$ 482,777	\$ 665,943	\$ 608,572	\$ 599,481	\$ 597,692

Source: School Records

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Insurance Schedule
June 30, 2018
(Unaudited)

Coverage	Limit	Insurer	Policy #	Effective date	Expiration date
PROPERTY :			P309AF	7/1/2017	7/1/2018
Blanket Real & Personal Property	\$350,000,000				
Blanket Extra Expense	\$50,000,000				
Blanket valuable Papers	\$10,000,000				
Terrorism	\$1,000,000	per occurrence/annual NJSBAIG aggregate			
Deductible	\$5,000				
Flood	Flood Zones A & V \$ 15,000,000 per occurrence/ \$ 15,000,000 NJSBAIG annual Aggregate All Other Flood Zones \$75,000,000 per occurrence / \$ 75,000,000 NJSBAIG Annual Aggregate				
Earthquake	\$50,000,000 per occurrence / \$ 50,000,000 NJSBAIG Annual Aggregate				
Deductible	Zones A & V \$ 500,000 per building \$ 500,000 per building contents All other zones \$ 10,000 per occurrence subject to a maximum retained deductible of \$ 1,000,000 to NJSBAIG				
ELECTRONIC DATA PROCESSING					
EDP Hardware /Software	\$5,000,000	NJSBAIG			
Deductible	\$1,000				
EQUIPMENT BREAKDOWN	\$100,000,000	NJSBAIG			
Deductible	\$5,000				
CRIME		NJSBAIG			
Public Employee Dishonesty with Faithful Performance deductible	\$100,000				
Moneys & Securities Deductible	\$500				
Forgery or Alteration Deductible	\$100,000				
Money Orders & Counterfeit Deductible	\$500				
Computer Fraud Deductible	\$100,000				
	\$500				
BONDS					
Board Administrator Deductible	\$150,000				
Board Secretary Deductible	\$1,000				
Board Treasurer Deductible	\$150,000				
	\$1,000				
	\$300,000				
	\$1,000				

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Insurance Schedule
June 30, 2018
(Unaudited)

Coverage	Limit	Insurer	Policy #	Effective date	Expiration date
COMPREHENSIVE GENERAL LIABILITY					
General Aggregate , Products / Completed Operation	\$16,000,000	NJSBAIG			
Bodily Injury/Property damage each claim	\$16,000,000				
Products Completed Operations	\$16,000,000				
Personal Injury & Advertising Injury	\$16,000,000				
Employee Benefits Liability	\$16,000,000				
Premises Medical per person	\$1,000				
occurrence limit	\$10,000				
Group Blanket Health and Accident	\$5,000,000	Berkeley Life and Health Ins. C	US407635		
	\$25,000	deductible			
AUTOMOBILE					
Combined Single Limit	\$16,000,000	NJSBAIG			
Uninsured/Underinsured Motorist	\$ 1,000,000	Combined Single Limit Private Passenger Auto			
	\$ 15,000	Bodily Injury per Person/\$ 30,000 Bodily Injury Per Accident			All Other vehicles
Personal Injury Protection (Including pedestri	\$250,000				
Medical Payments	\$ 10,000	Private Passenger Vehicles/\$ 5,000 All others			
Physical Damage					
Comprehensive	\$ 1,000	deductible			
Collision	\$ 1,000	deductible			
WORKERS COMPENSATION					
PART I	STATUTORY LIMITS	NJSBAIG	W309AA-01	7/1/2017	7/1/2018
PART II	Bodily Injury by Accider	\$2,000,000	EACH ACCIDENT		
	Bodily Injury by Disease	\$2,000,000	EACH EMPLOYEE		
	Bodily Injury by Disease	\$2,000,000	AGGREGATE LIMIT		
ERRORS & OMISSIONS					
Coverage A	\$16,000,000	NJSBAIG	E309AA-01	7/1/2017	7/1/2018
deductible	\$15,000	Each policy period			
		each claim			
Coverage B	\$100,000	each claim			
	\$300,000	each policy period			
deductible	\$15,000	each claim			

SINGLE AUDIT SECTION

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

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EXHIBIT K-1

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 Honorable President and
Members of the Board of Education
Hudson County Schools of Technology
Secaucus, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hudson County Schools of Technology, in the County of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise of the Hudson County Schools of Technology's basic financial statements, and have issued our report thereon dated February 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hudson County Schools of Technology'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 Hudson County Schools of Technology's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hudson County Schools of Technology's internal control.

EXHIBIT K-1

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 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. 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 may not have been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hudson County Schools of Technology'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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to management of the Hudson County Schools of Technology in a separate auditor's management report dated February 28, 2019 as required by the Division of Finance, Department of Education, State of New Jersey.

The District's Response to Findings

The Hudson County Schools of Technology responses to the findings identified in our audit are described in the accompanying schedules of findings and questioned costs. The Hudson County Schools of Technology responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 results 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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MAURICIO CANTO
Certified Public Accountant
Licensed Public School Accountant
No. 2541



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

Bayonne, New Jersey
February 28, 2019

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

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EXHIBIT K-2

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

The Honorable President and
Members of the Board of Education
Hudson County Schools of Technology
Secaucus, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Hudson County Schools of Technology, in the County of Hudson, State of New Jersey 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 Hudson County Schools of Technology's major federal and state programs for the year ended June 30, 2018. The Hudson County Schools of Technology'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 Hudson County Schools of Technology'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 Hudson County Schools of Technology'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 Hudson County Schools of Technology's compliance.

Opinion on Each of the Major Federal and State Programs

In our opinion, the Hudson County Schools of Technology 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

The Hudson County Schools of Technology response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Hudson County Schools of Technology response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Hudson County Schools of Technology 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 Hudson County Schools of Technology'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 Hudson County Schools of Technology'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as findings 2018-001 and 2018-002, that we consider to be significant deficiencies.

The Hudson County Schools of Technology responses to the internal control over compliance findings identified in our audit are described in the accompanying schedules of findings and questioned costs. The Hudson County Schools of Technology responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

EXHIBIT K-2

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 Uniform Guidance and New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.



MAURICIO CANTO
Certified Public Accountant
Licensed Public School Accountant
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DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants

Bayonne, New Jersey
February 28, 2019

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

FEDERAL CFDA NUMBER	FEDERAL FAIN NUMBER	AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2017	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	BALANCE AT JUNE 30, 2018 (ACCOMPTS RECEIVABLE)	DUE TO GRANTOR	CUMULATIVE EXPENDITURES
ENTERPRISE FUND										
U.S. DEPARTMENT OF AGRICULTURE										
PASSED THROUGH STATE OF NEW JERSEY										
DEPARTMENT OF AGRICULTURE:										
Child Nutrition Cluster:										
10.553	18INJ304N1099	\$ 157,177	07/01/17 06/30/18	\$ -	\$ 141,909	\$ (179,062)	\$ -	\$ (37,153)	\$ -	\$ (157,177)
10.553	17INJ304N1099	142,198	07/01/16 06/30/17	(13,724)	13,724	-	-	-	-	(142,198)
10.555	18INJ304N1099	590,186	07/01/17 06/30/18	-	382,546	(462,248)	-	(79,702)	-	(590,186)
10.555	17INJ304N1099	357,713	07/01/16 06/30/17	(28,232)	28,232	-	-	-	-	(357,713)
	Total Child Nutrition Cluster			(41,956)	566,411	(641,310)	-	(116,855)	-	-
10.565	18INJ304N1099	47,970	07/01/17 06/30/18	-	47,970	(47,970)	-	-	-	(47,970)
	Commodity Supplemental Food Program			(41,956)	614,381	(689,280)	-	(116,855)	-	-
				(41,956)	614,381	(689,280)	-	(116,855)	-	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE										
TOTAL ENTERPRISE FUND										
SPECIAL REVENUE FUND										
U.S. DEPARTMENT OF EDUCATION										
PASSED THROUGH STATE OF NEW JERSEY										
DEPARTMENT OF EDUCATION:										
Elementary and Secondary Education Act (ESEA):										
84.010A	S010A170030	1,005,934	07/01/17 06/30/18	-	1,005,934	(1,005,934)	-	-	-	(1,005,934)
84.010A	S010A170030	27,717	07/01/17 06/30/18	-	-	(9,477)	-	(9,477)	-	(9,477)
84.010A	S010A160030	974,223	07/01/16 06/30/17	500	1,005,934	(1,015,411)	-	(9,477)	500	(973,723)
	Title I - Part A Basic			500	-	-	-	-	500	-
	Title I - Part A Basic			-	-	(9,477)	-	(9,477)	-	-
84.367A	S367A180029	127,804	07/01/17 06/30/18	-	120,395	(127,804)	-	(7,409)	-	(127,804)
84.424A	S424A180031	12,555	07/01/17 06/30/18	-	12,555	(12,555)	-	-	-	(12,555)
84.027	H027A170100	463,254	07/01/17 06/30/18	-	463,254	(463,254)	-	-	-	(463,254)
84.027	H027A150100	535,617	07/01/15 06/30/16	8,045	-	-	-	-	8,045	(527,572)
84.027	*	457,919	07/01/13 06/30/14	32	-	-	-	-	32	(457,887)
	Title II - Part A Improving Teacher Quality			8,077	463,254	(463,254)	-	-	8,077	-
84.048A	V048A170030	702,981	07/01/17 06/30/18	-	677,494	(691,514)	-	(14,020)	-	(702,981)
84.048A	V048A160030	114,027	07/01/16 06/30/17	(43,589)	43,589	(3,689)	-	-	3,689	(106,946)
84.048A	V048A150030	68,328	07/01/15 06/30/16	2,865	-	-	-	-	2,865	(65,463)
84.048A	V048A140030	584,877	07/01/14 06/30/15	3,534	106,707	(107,467)	-	(760)	3,534	(581,343)
84.048A	V048A170030	111,352	07/01/17 06/30/18	-	-	-	-	-	-	(107,467)
84.048A	V048A140030	117,019	07/01/14 06/30/15	2,083	-	-	-	-	2,083	(114,936)
84.048A	*	68,328	07/01/13 06/30/14	14	-	-	-	-	14	(68,314)
	Title IV - Part A			(35,093)	827,790	(802,670)	-	(14,780)	12,185	-
				(26,516)	2,429,928	(2,421,694)	-	(31,666)	20,762	-
TOTAL U.S. DEPARTMENT OF EDUCATION										

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

FEDERAL CFDA NUMBER	FEDERAL FAIN NUMBER	FEDERAL GRANTOR/PROGRAM TITLE	AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2017	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	BALANCE AT JUNE 30, 2018		CUMULATIVE EXPENDITURES
									(ACCOMPTS RECEIVABLE)	DUE TO GRANTOR	
17.258	*	SPECIAL REVENUE FUND (Continued)	\$	07/01/17	\$	\$ 403,911	\$ (389,338)	\$ (148,748) (A)	\$ (134,175)	\$ -	\$ (389,338)
17.258	*	U.S. DEPARTMENT OF LABOR	937,187	07/01/16	(46,374)	505,128	(562,089)	-	(105,335)	-	(944,231)
17.258	*	PASSED THROUGH COUNTY OF HUDSON	1,031,009	07/01/15	(137,873)	137,871	-	2 (B)	-	-	(1,051,009)
17.258	*	Workforce Investment Opportunity Act (WIOA) Cluster:	1,144,767	07/01/14	(22,508)	-	-	22,508 (B)	-	-	(1,144,767)
17.258	*	Adult	1,144,767	07/01/13	2,248	-	-	-	-	2,248	(1,142,519)
		Youth	-	07/01/13	(204,307)	1,046,910	(951,427)	(126,238)	(237,510)	2,248	-
17.259	*	U.S. DEPARTMENT OF LABOR	761,655	07/01/17	-	384,963	(733,878)	-	(348,915)	-	(733,878)
17.259	*	PASSED THROUGH COUNTY OF HUDSON	908,434	07/01/16	(467,383)	352,402	-	-	(115,181)	-	(854,554)
17.259	*	Workforce Investment Opportunity Act (WIOA) Cluster:	987,726	07/01/15	(70,267)	70,267	-	-	-	-	(987,726)
		Youth	-	07/01/15	(537,850)	807,632	(733,878)	-	(464,096)	-	-
17.278	*	U.S. DEPARTMENT OF LABOR	817,415	07/01/17	-	817,414	(1,196,029)	148,748 (A)	(229,867)	-	(1,196,029)
17.278	*	PASSED THROUGH STATE OF NEW JERSEY	910,508	07/01/16	(145,307)	232,104	(94,922)	-	(8,125)	-	(918,533)
17.278	*	Department of Human Services	878,076	07/01/15	(76,522)	76,522	-	-	-	-	(878,076)
		Dislocated Worker	-	07/01/15	(221,829)	1,126,040	(1,290,951)	148,748	(237,992)	-	-
		Dislocated Worker	-	07/01/15	-	-	-	-	-	-	-
		Total Workforce Investment Opportunity Act (WIOA) Cluster	-	(964,186)	(964,186)	2,980,582	(2,976,256)	22,510	(939,598)	2,248	-
		TOTAL U.S. DEPARTMENT OF LABOR	-	(964,186)	(964,186)	2,980,582	(2,976,256)	22,510	(939,598)	2,248	-
		TOTAL SPECIAL REVENUE FUND	-	(990,702)	(990,702)	5,410,510	(5,397,950)	22,510	(971,264)	23,010	-
93.778	1805NJ5MAP	GENERAL FUND	\$ 6,431	07/01/17	-	6,431	(6,431)	-	-	-	(6,431)
		U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	-	-	-	-	-	-	-	-	-
		PASSED THROUGH STATE OF NEW JERSEY	-	-	-	-	-	-	-	-	-
		DEPARTMENT OF HUMAN SERVICES	-	-	-	-	-	-	-	-	-
		Special Education Medicaid Initiative ("SEMI")	-	-	-	-	-	-	-	-	-
		TOTAL U.S. DEPARTMENT OF LABOR	-	-	-	6,431	(6,431)	-	-	-	-
		TOTAL FEDERAL AWARDS	-	-	(1,032,658)	6,031,322	(6,093,661)	22,510	(1,088,119)	23,010	-

* - Not Available
(A) - Reprogramming of funds
(B) - Cancellation of prior year encumbrances

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2018

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD		BALANCE AT JUNE 30, 2017	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	BALANCE AT JUNE 30, 2018 (ACCOUNTS RECEIVABLE)	MEMO		
			FROM	TO						BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
GENERAL FUND												
STATE DEPARTMENT OF EDUCATION												
Equalization Aid	18-495-034-5120-078	\$ 19,412,696	07/01/17	06/30/18	\$ -	\$ 19,412,696	\$ -	\$ -	\$ (1,940,899)	\$ (19,412,696)		
Transportation Aid	18-495-034-5120-014	150,846	07/01/17	06/30/18	-	150,846	-	-	(15,085)	(150,846)		
Special Education Aid	18-495-034-5120-089	1,494,362	07/01/17	06/30/18	-	1,494,362	-	-	(149,436)	(1,494,362)		
Security Aid	18-495-034-5120-084	172,099	07/01/17	06/30/18	-	172,099	-	-	(17,210)	(172,099)		
PARCC Readiness Aid	18-495-034-5120-098	21,310	07/01/17	06/30/18	-	21,310	-	-	(2,131)	(21,310)		
Per Pupil Growth Aid	18-495-034-5120-097	21,310	07/01/17	06/30/18	-	21,310	-	-	(2,131)	(21,310)		
Professional Learning Community Aid	18-495-034-5120-101	20,820	07/01/17	06/30/18	-	20,820	-	-	(2,082)	(20,820)		
Adult Education Program Aid	18-100-034-5120-510	903,222	07/01/17	06/30/18	-	903,222	-	-	(90,322)	(903,222)		
On-behalf TPAF Pension Contribution	18-495-034-5094-002	3,013,802	07/01/17	06/30/18	-	3,013,802	-	-	-	(3,013,802)		
On-behalf TPAF Post Retirement Medical Contribution	18-495-034-5094-001	1,946,551	07/01/17	06/30/18	-	1,946,551	-	-	-	(1,946,551)		
On-behalf TPAF Long Term Disability Insurance Contribution	18-495-034-5094-004	3,014	07/01/17	06/30/18	-	3,014	-	-	-	(3,014)		
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	1,497,504	07/01/17	06/30/18	-	1,431,418	-	(66,086)	-	(1,497,504)		
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	1,526,108	07/01/16	06/30/17	(65,117)	65,117	-	-	-	(1,526,108)		
TOTAL GENERAL FUND					(65,117)	28,656,567	(28,657,556)	-	(66,086)	(2,219,296)		
SPECIAL REVENUE FUND												
Apprenticeship Coordinator	18-100-034-5062-032	20,000	07/01/17	06/30/18	(5,665)	20,810	(20,000)	10	(4,845)	(20,000)		
County Vocational Partnership	18 E90138	175,780	07/01/17	06/30/18	-	-	(39,042)	-	(39,042)	(39,042)		
TOTAL STATE DEPARTMENT OF EDUCATION					(70,782)	28,677,377	(28,716,578)	10	(109,973)	(2,219,296)		
STATE DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT												
PASSED-THROUGH COUNTY OF HUDSON												
High School Proficiency Assessment	18-062-4545-100-322	130,000	07/01/14	06/30/15	(3,418)	-	-	(10)	(3,428)	(130,000)		
Smart Steps	*	8,025	07/01/17	06/30/18	-	6,420	(6,420)	-	-	(8,025)		
Smart Steps	*	11,235	07/01/13	06/30/14	(2,407)	-	-	-	(2,407)	(11,235)		
Smart Steps	*	5,890	07/01/12	06/30/13	(10)	-	-	-	(10)	(5,890)		
Workforce Learning Link - Literacy	18-062-4545-767-003	304,000	07/01/17	06/30/18	-	241,002	(304,000)	1,946 (A)	(61,052)	(304,000)		
Workforce Learning Link - Literacy	17-062-4545-767-003	173,000	07/01/16	06/30/17	(33,431)	27,717	-	5,714 (A)	-	(173,000)		
Workforce Learning Link - Literacy	16-062-4545-767-003	154,000	07/01/15	06/30/16	(51,657)	18,226	(304,000)	7,660	(61,052)	(154,000)		
TOTAL SPECIAL REVENUE FUND					(63,157)	314,175	(369,462)	7,660	(110,784)	(304,000)		
TOTAL STATE DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT					(57,492)	293,365	(310,420)	7,650	(66,897)	(304,000)		
ENTERPRISE FUND												
STATE DEPARTMENT OF AGRICULTURE												
National School Lunch Program (State Share)	18-100-010-3360-067	9,718	07/01/17	06/30/18	-	8,036	(9,718)	-	(1,682)	(9,718)		
National School Lunch Program (State Share)	17-100-010-3360-067	8,233	07/01/16	06/30/17	(539)	539	-	-	-	(8,233)		
TOTAL ENTERPRISE FUND					(539)	8,575	(9,718)	-	(1,682)	(9,718)		
TOTAL STATE DEPARTMENT OF AGRICULTURE					(539)	8,575	(9,718)	-	(1,682)	(9,718)		
TOTAL STATE FINANCIAL ASSISTANCE					\$ (128,813)	\$ 28,979,317	(29,036,716)	\$ 7,660	\$ (178,552)	\$ (2,219,296)		
LESS:												
On-behalf TPAF Pension Contribution						3,013,802						
On-behalf TPAF Post Retirement Medical Contribution						1,946,551						
On-behalf TPAF Long Term Disability Insurance Contribution						3,014						
TOTAL STATE FINANCIAL ASSISTANCE SUBJECT TO SINGLE AUDIT						\$ (24,073,349)						

* - Not Available
(A) - Cancellation of prior year encumbrances

The Accompanying Notes to the Schedule of Awards and Financial Assistance are an integral part of this schedule.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO THE SCHEDULES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the Hudson County Schools of Technology (the "District"). The District is defined in Note 1 to the District's basic financial statements. All federal awards and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards and State Financial Assistance. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Financial Assistance and State Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in this schedule is presented in accordance with the 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 Circular 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the General Fund and Special Revenue Fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO THE SCHEDULES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Continued)

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes the payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The Special Revenue Fund also recognizes the last State aid payment in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$99,255) for the General Fund and \$317,381 for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds. Awards and financial assistance revenues are reported in the District’s basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 6,431	\$ 28,558,281	\$ 28,564,712
Special Revenue Fund	5,715,331	369,462	6,084,793
Food Service Fund	<u>689,280</u>	<u>9,718</u>	<u>698,998</u>
Total Awards and Financial Assistance	<u>\$ 6,411,042</u>	<u>\$ 28,937,461</u>	<u>\$ 35,348,503</u>

NOTE 4 - 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO THE SCHEDULES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 - OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions, respectively. The amount of \$3,013,802 reported as TPAF pension contribution, \$3,014 reported as TPAF Long-Term Disability Insurance, and \$1,946,551 reported as TPAF Pension and Medical Contributions represent the amount paid by the State on behalf of the District for the year ended June 30, 2018. TPAF Social Security Contributions in the amount of \$1,497,504 represent the amount reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the year ended June 30, 2018.

NOTE 6 – ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf expenditures for the District 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 District's basic financial statements and the amount subject to the State single audit and major program determination.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditors' Results

Financial Statement Section

A) Type of Auditors Report Issued: Unmodified

B) Internal Control over Financial Reporting:

 1) Material weakness(es) identified? _____ Yes No

 2) Significant deficiency(ies) identified? _____ Yes None reported

C) Noncompliance material to basic financial statements noted? _____ Yes No

Federal Awards Section

D) Internal Control over major programs:

 1) Material weakness(es) identified? _____ Yes No

 2) Significant deficiency(ies) identified? _____ Yes 2018-001, 2018-002 None reported

E) Type of auditor's report on compliance for major program Unmodified

F) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes 2018-001, 2018-002 No

G) Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	181NJ304N1099	Child Nutrition Cluster: School Breakfast Program National School Lunch Program
17.258	Not Applicable	Workforce Investment Opportunity Act (WIOA) Cluster: WIOA - Adult
17.259	Not Applicable	WIOA - Youth
17.278	Not Applicable	WIOA - Dislocated Worker

H) Dollar threshold used to distinguish between Type A and Type B Programs. \$750,000

I) Auditee qualified as low-risk auditee? _____ Yes No

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section I - Summary of Auditors' Results

State Awards 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 major programs:
- 1) Material weakness(es) identified? _____ Yes No
- 2) Significant deficiency(ies) identified? _____ Yes None reported
- M) Type of auditor's report on compliance for major programs: Unmodified
-
- N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular Letter 15-08 as applicable? _____ Yes No
- O) Identification of major programs:

<u>GMIS/Program Number</u>	<u>Name of State Program or Cluster</u>
495-034-5120-078 495-034-5120-089 495-034-5120-084 495-034-5120-098 495-034-5120-097	General State Aid Cluster: Equalization Aid Special Education Categorical Aid Security Aid PARCC Readiness Aid Per Pupil Growth Aid

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Section II - Financial Statement Findings

(This section identifies the significant deficiencies, material weaknesses, fraud, non-compliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting.)

No matters were reported.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

FEDERAL AWARDS

U.S. Department of Agriculture

Passed-through State of New Jersey, Department of Agriculture:

Child Nutrition Cluster:

School Breakfast Program, CFDA Number: 10.553

National School Lunch Program, CFDA Number: 10.555

FAIN Number: 171NJ304N1099 – Fiscal Year Ended June 30, 2018

Finding 2018-001

Other Reportable Matter of Noncompliance and Significant Deficiency in Internal Control over Compliance of Major Program – Special Provisions Requirement

Condition:

The food service program does not maintain inventory accounting, nor performs an annual physical inventory with a reconciliation to inventory accounting.

Criteria:

Pursuant to 7 CFR section 250.14, recipient agencies of child nutrition programs are required to utilize an inventory management system that includes donated foods and provides safeguards and effective management practice for all foods.

Context:

The food service program received \$54,511 in USDA donated commodities and reported \$1,596,412 in costs of goods for the fiscal year ended June 30, 2018. However, the food service program reported no inventory at year end.

Effect:

Appropriate accounting was not maintained for USDA-donated foods, whereby effectiveness of management practice could not be determined.

Cause:

The District is providing facilities for the proper storage and control of all foods that protect against theft, spoilage, damage, or other loss. However, an inventory management system was not utilized, nor an annual physical inventory performed.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL AWARDS (Continued)

Finding 2018-001 (Continued)

Questioned Costs:

None

Recommendation:

The food service program maintain inventory accounting that includes USDA-donated foods and perform an annual physical inventory with a reconciliation to the inventory accounting.

View of Responsible Official and Planned Corrective Actions:

The food service program will implement a proper inventory management system and will perform an annual physical inventory with a reconciliation to the inventory management system.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL AWARDS (Continued)

U.S. Department of Agriculture

Passed-through State of New Jersey, Department of Agriculture:

Child Nutrition Cluster:

School Breakfast Program, CFDA Number: 10.553

National School Lunch Program, CFDA Number: 10.555

FAIN Number: 171NJ304N1099 – Fiscal Year Ended June 30, 2018

Finding 2018-002

Other Reportable Matter of Noncompliance and Significant Deficiency in Internal Control over Compliance of Major Program – Resource Management

Condition:

The District food service program did not maintain separate accounting of non-reimbursable/nonprogram revenues or costs of goods sold and could not determine whether the revenue generated from the sale of non-program food complies with the resource management requirements established by the New Jersey Department of Agriculture pursuant to 7 CFR section 210.14(f).

Criteria:

The District food service program is required to ensure to the New Jersey Department of Agriculture that the revenue generated from the sale of non-program food complies with the resource management requirements of 7 CFR section 210.14(f). The resource management requirements are that the proportion of total revenue from the sale of nonprogram foods to total revenue of the school food service account must be equal to or greater than the proportion of total food costs associated with obtaining nonprogram foods or the total costs associated with obtaining program and nonprogram foods from the account.

Context:

The food service program had daily sales of _____ and cost of goods sold of _____, of which neither could not be segregated between non-reimbursable/nonprogram activity.

Effect:

The District food service program non-reimbursable/nonprogram revenue could be less than non-reimbursable/nonprogram cost of goods sold, whereby federal program funds are subsidizing nonfederal programs and may be disallowed; or non-reimbursable/nonprogram revenue could be substantially more than non-reimbursable/nonprogram cost of goods sold, whereby compromising the nonprofit status and eligibility of the food service program.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL AWARDS (Continued)

Finding 2018-002 (Continued)

Cause:

The food service program has other sources of revenue outside of the reimbursable federal child nutrition program. However, separate accounting was not maintained nor could be segregated for non-reimbursable/nonprogram revenues or costs of goods sold.

Questioned Costs:

None

Recommendation:

The District food service program maintain separate accounting of non-reimbursable/nonprogram revenues and costs of goods sold to ensure that the revenue generated from the sale of non-program food complies with the resource management requirements established by the New Jersey Department of Agriculture pursuant to 7 CFR section 210.14(f).

View of Responsible Official and Planned Corrective Actions:

The District food service program will maintain separate accounting of non-reimbursable/nonprogram revenues and costs of goods sold.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

STATE FINANCIAL ASSISTANCE

No matters were reported.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

FINANCIAL STATEMENTS

Finding 2017-001

Significant Deficiency in Internal Control over Financial Reporting

Condition:

The Community Development Center (CDC), which administers the Workforce Investment Opportunity Act (WIOA) grants, is not properly preparing grant subsidiary ledgers nor timely reconciling such ledgers to the central administration's general ledger.

Current Status:

This finding has been corrected.

Finding 2017-002

Significant Deficiency in Internal Control over Financial Reporting

Condition:

The Community Development Center (CDC), which administers the Workforce Investment Opportunity Act (WIAO) grants, is not performing monthly bank reconciliations on a timely basis.

Current Status:

This finding has been corrected.

Finding 2017-003

Significant Deficiency in Internal Control over Financial Reporting

Condition:

Food Service program point of sale records were not being reconciled to cash deposits made by the central administration cash deposits.

Current Status:

This finding has been corrected.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL AWARDS

U.S. Department of Labor

Passed-through County of Hudson

Workforce Investment Opportunity Act (WIOA) Cluster:

WIOA - Adult, CFDA Number: 17.258

WIOA - Youth Activities, CFDA Number: 17.259

WIOA - Dislocated Workers, CFDA Number: 17.278

FAIN Number: Not Available – Year Ended June 30, 2017

Finding 2017-004

Significant Deficiency in Internal Control over Compliance of Major Program
– Cash Management

Condition:

The Community Development Center (CDC), which administers the Workforce Investment Opportunity Act (WIOA) grants, is not properly preparing grant subsidiary ledgers nor timely reconciling such ledgers to the central administration’s general ledger.

Current Status:

This finding has been corrected.

Finding 2017-005

Significant Deficiency in Internal Control over Compliance of Major Program
– Cash Management

Condition:

The Community Development Center (CDC), which administers the Workforce Investment Opportunity Act (WIAO) grants, is not performing monthly bank reconciliations on a timely basis.

Current Status:

This finding has been corrected.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

STATE FINANCIAL ASSISTANCE

New Jersey Department of Education:

General State Aid Cluster:

Equalization Aid, State Grant Number: 495-034-5120-078

Special Education Categorical Aid, State Grant Number: 495-034-5120-089

Security Aid, State Grant Number: 495-034-5120-084

PARCC Readiness Aid, State Grant Number: 495-034-5120-098

Per Pupil Growth Aid, State Grant Number: 495-034-5120-097

Year ended June 30, 2017

Finding 2017-006

Other Instance of Noncompliance of Major Program

Condition:

The District did not adopt a resolution establishing the maximum travel expenditure amount for the fiscal year ended June 30, 2017, nor maintain separate accounting records for such travel expenditures. This was a prior year audit finding number 2016-005.

Current Status:

This finding has been corrected.