

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

Hudson County Schools of Technology

Hudson County, New Jersey

For the Fiscal Year Ended June 30, 2019

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INTRODUCTORY SECTION

December 23, 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, 2019, 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 2018-2019 fiscal year with an average daily enrollment of 3,182 students, which is a 17.11% 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>
2018-2019	3,182	17.11%
2017-2018	2,717	24.18%
2016-2017	2,188	8.96%
2015-2016	2,008	1.47%
2014-2015	1,979	

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.

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 now houses the High Tech High School. 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, 2019.

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.

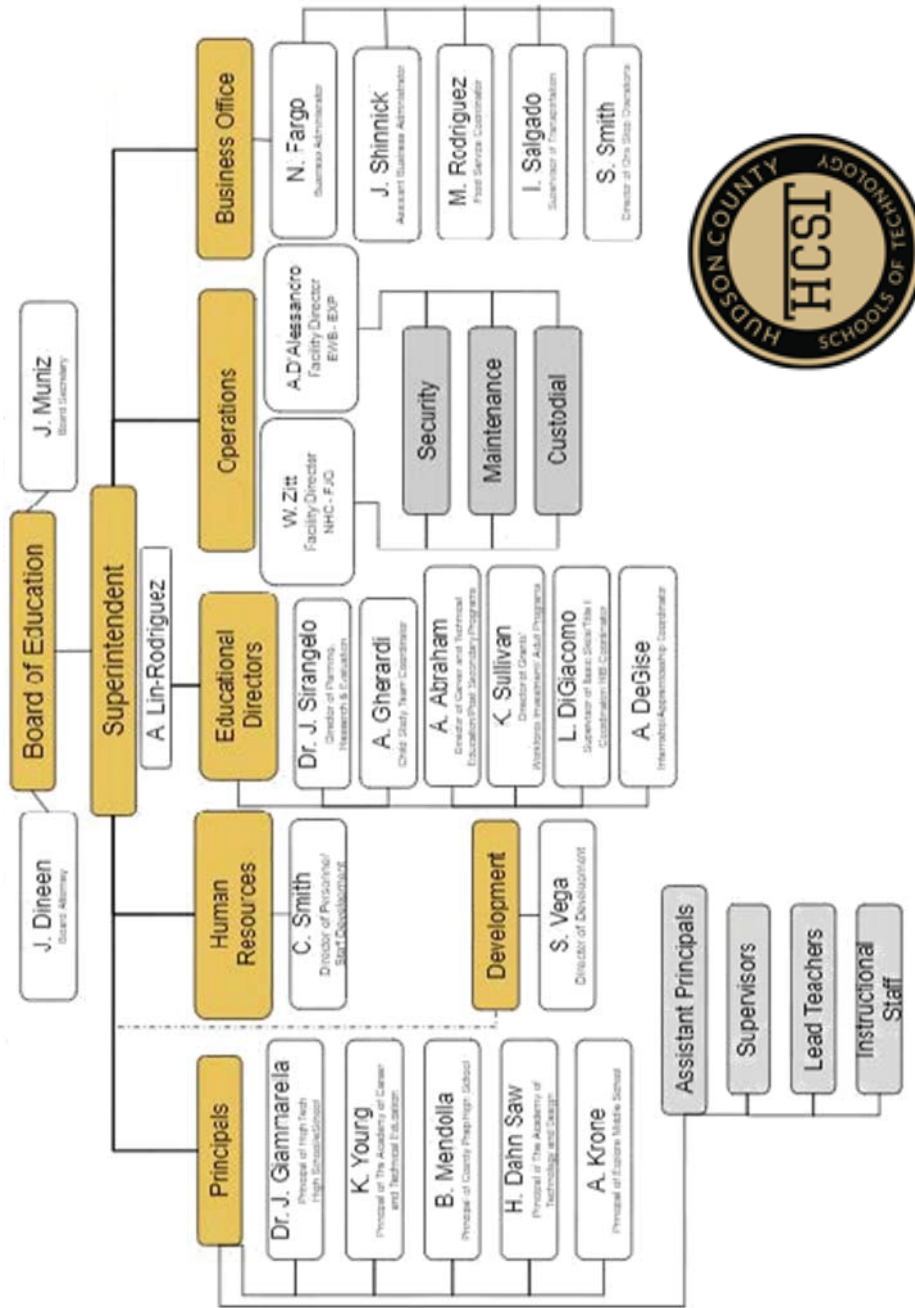
8.) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the District and thereby contributing their full support to the development and maintenance of our financial operation. 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
JUNE 30, 2019**



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
ROSTER OF OFFICIALS
JUNE 30, 2019**

Members of the Board of Education

Craig Guy, President	October 31, 2023
Hugh D. Cabrera, Vice-President	October 31, 2020
Andrew Pettigrew	October 31, 2020
John Minella	October 31, 2021
Monica Fundora	October 31, 2021
Amit S. Jani	October 31, 2022
Geraldine Perez	October 31, 2022
Hector Zulueta	October 31, 2023
Keri Ann Eglentowicz	October 31, 2023

Term Expires

Other Officials

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
CONSULTANTS, INDEPENDENT AUDITORS AND ADVISORS
JUNE 30, 2019**

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Jersey City, NJ 07306

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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, Gironda, Doria & Tomkins, LLC
310 Broadway
Bayonne, NJ 07002

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.)
Frederick J. Tomkins, CPA, RMA
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Mark W. Bednarz, CPA, RMA
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, 2019, 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, 2019, 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 78 through 83, and 84 through 88 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 December 23, 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
December 23, 2019

REQUIRED SUPPLEMENTARY INFORMATION

PART I

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 2019 and 2018 are as follows, respectively:

- In total, net position of governmental activities are \$150,450,291 and \$153,849,283. Net position of the business-type activity, which represents food service, are \$491,957 and \$629,613. This reflects a decrease in net position of governmental activities of (\$3,398,992) and a decrease in net position of the business-type activity of (\$137,656). The decrease in the governmental activities net position was mainly attributed to depreciation of new high school building put into operations during 2019. The decrease in business-type activity net position was mainly attributed to an increase in operating costs.
- Total governmental revenues accounted for \$88,527,346 and \$245,175,086, respectively, which was a (\$156,647,740) or -176.95% decrease. The county tax appropriation increased to \$30,060,000 from \$27,060,000. State aid not restricted increased to \$22,341,979 from \$22,097,410. Capital grants and contributions decreased to \$8,000,000 from \$163,156,294.
- The District continues to experience stability in student enrollment. Average daily enrollment for the year ending June 30, 2019 was 3,182. 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, 2019**

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 2019?” 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, 2019**

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 position 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 2019 and 2018, respectively.

Total assets equal \$210,535,212 and \$210,206,643. Total assets for Governmental Activities are \$209,929,265 and \$209,577,030. Total assets for Business Type Activity are \$605,947 and \$629,613.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The District as a Whole (Continued)

**Table 1
Net Position**

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	\$ 8,696,873	\$ 7,196,126	\$ 41,616	\$ 997	\$ 8,738,489	\$ 7,197,123
Capital assets, net	201,232,392	202,380,904	564,331	628,616	201,796,723	203,009,520
Total assets	209,929,265	209,577,030	605,947	629,613	210,535,212	210,206,643
DEFERRED OUTFLOWS OF RESOURCES	2,532,443	11,447,783	-	-	2,532,443	11,447,783
LIABILITIES						
Current and other liabilities	11,087,831	8,923,190	113,990	-	11,201,821	8,923,190
Long-term liabilities	13,682,006	12,804,891	-	-	13,682,006	12,804,891
Net pension liability	31,985,048	37,759,684	-	-	31,985,048	37,759,684
Total liabilities	56,754,885	59,487,765	113,990	-	56,868,875	59,487,765
DEFERRED INFLOWS OF RESOURCES	5,256,532	7,687,765	-	-	5,256,532	7,687,765
NET POSITION						
Net investment in capital assets	201,232,392	202,380,904	564,331	628,616	201,796,723	203,009,520
Restricted	1,540,869	2,842,529	-	-	1,540,869	2,842,529
Unrestricted	(52,322,970)	(51,374,150)	(72,374)	997	(52,395,344)	(51,373,153)
Total net position	\$ 150,450,291	\$ 153,849,283	\$ 491,957	\$ 629,613	\$ 150,942,248	\$ 154,478,896

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, 2019**

The District as a Whole (Continued)

Table 2 reflects the change in net position for fiscal years 2019 and 2018, respectively.

The total changes in net position for the fiscal years 2019 and 2018 for Governmental Activities are (\$3,398,992) and \$159,322,058. The total changes in net position for the Business-Type Activity are (\$137,656) and(\$63,288). The total changes in net position are (\$3,536,648) and \$159,258,770.

**Table 2
Net Position**

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues:						
Charges for services	\$ 6,835,110	\$ 7,370,908	\$ 1,171,211	\$ 944,337	\$ 8,006,321	\$ 8,315,245
Operating grants and contributions	17,607,736	23,341,102	671,462	698,998	18,279,198	24,040,100
Capital grants and contributions	8,000,000	163,156,294	-	-	8,000,000	163,156,294
Total program revenues	32,442,846	193,868,304	1,842,673	1,643,335	34,285,519	195,511,639
General revenues:						
County appropriation	30,060,000	28,560,000	-	-	30,060,000	28,560,000
State aid not restricted	22,341,979	22,097,410	-	-	22,341,979	22,097,410
Miscellaneous	3,682,521	649,372	-	-	3,682,521	649,372
Total general revenues	56,084,500	51,306,782	-	-	56,084,500	51,306,782
Total revenues	88,527,346	245,175,086	1,842,673	1,643,335	90,370,019	246,818,421
EXPENSES						
Instructional services	19,718,695	18,415,101	-	-	19,718,695	18,415,101
Support services	27,774,220	27,632,190	-	-	27,774,220	27,632,190
Unallocated benefits	26,563,758	29,941,585	-	-	26,563,758	29,941,585
Special schools	6,616,502	7,831,190	-	-	6,616,502	7,831,190
Depreciation	11,155,403	1,886,771	-	-	11,155,403	1,886,771
Service related expenses	-	-	1,980,329	1,706,623	1,980,329	1,706,623
Total expenses	91,828,578	85,706,837	1,980,329	1,706,623	93,808,907	87,413,460
Excess (deficit) before transfers and special items	(3,301,232)	159,468,249	(137,656)	(63,288)	(3,438,888)	159,404,961
Special items:						
Cancellation of prior year receivable	(97,760)	(146,191)	-	-	(97,760)	(146,191)
Change in net position	(3,398,992)	159,322,058	(137,656)	(63,288)	(3,536,648)	159,258,770
Net position, July 1	153,849,283	(5,472,775)	629,613	692,901	154,478,896	(4,779,874)
Net position, June 30	\$ 150,450,291	\$ 153,849,283	\$ 491,957	\$ 629,613	\$ 150,942,248	\$ 154,478,896

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 governmental 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	
	2019	2018	2019	2018
Instructional services	\$ 19,718,695	\$ 18,415,101	21.47%	21.49%
Support services	27,774,220	27,632,190	30.24%	32.24%
Employee benefits	26,563,758	29,941,585	28.93%	34.93%
Special schools	6,616,502	7,831,190	7.21%	9.14%
Depreciation	11,155,403	1,886,771	12.15%	2.20%
Total expenses	\$ 91,828,578	\$ 85,706,837	100.00%	100.00%

Total expenses for governmental activities for fiscal years 2019 and 2018 were \$91,828,578 and \$85,706,837. Total expenses increased mainly because depreciation increased \$9,268,632 during fiscal year 2019 because the District began to depreciate the new high school building. This increase was offset by a decrease of (\$4,573,242) in on-behalf contributions for pension and other post-employment benefits expenses.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Business-Type Activity

**Table 3b.
Business-Type Activity**

	<u>Total Cost of Services</u>		<u>Percent of Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:				
Charges for services	\$ 1,171,211	\$ 944,337	63.56%	57.46%
Operating grants	671,462	698,998	36.44%	42.54%
Total revenues	<u>1,842,673</u>	<u>1,643,335</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses:				
Food service	<u>1,980,329</u>	<u>1,706,623</u>	<u>100.00%</u>	<u>100.00%</u>
Total expenses	<u>1,980,329</u>	<u>1,706,623</u>	<u>100.00%</u>	<u>100.00%</u>
Change in net position	<u>\$ (137,656)</u>	<u>\$ (63,288)</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 2019 and 2018 of \$1,842,673 and \$1,643,335 and expenses of \$1,980,329 and \$1,706,623, respectively. Total revenues were increased by \$199,338 significantly due to an increase in charges for services, however total expenses increased \$273,706 due to increase in cost of goods sold.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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>
2019	\$ 30,060,000	\$ 10,517,631	\$ 17,607,736	\$ 8,000,000	\$ 22,341,979	\$ 88,527,346
2018	28,560,000	8,020,280	23,341,102	163,156,294	22,097,410	245,175,086

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 2018-2019 school year. The District moved to a new facility in late July of 2019. 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 decreased (\$156,647,740) mainly because during fiscal year 2018 County of Hudson capital appropriations were recognized for the on-behalf capital lease of \$160,000,000 for the new high school while during fiscal year 2019 County of Hudson capital appropriations of \$8,000,000 were recognized for the improvements and acquisition of various equipment. On-behalf contributions for pension and other post-employment benefits expenses and revenue for the same amount decreased (\$4,573,242) while the County of Hudson appropriation for operations increased \$1,500,000.

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 \$77,409,852 and expenditures and other financing uses of \$78,372,398. 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 2019, 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, 2019**

General Fund Budgeting Highlights (Continued)

For the General Fund, final budgeted revenues and other financing sources in the amount of \$56,026,015 were \$3,377,816 greater than original budgeted revenues and other financing sources due to an increase in miscellaneous revenues. Final budgeted expenditures and other financing uses in the amount of \$56,026,015 were \$3,377,816 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 slightly more than expenditures and other financing uses. This excess of revenues and other financing sources increased surplus by approximately \$355,251. At June 30, 2019 there was \$465,733 in unrestricted fund balance. The surplus reflects \$2,235,433 final state aid payments for June 30, 2019, however this amount is not reflected in the District Intergovernmental Receivable Account.

Capital Assets and Depreciation

At the end of fiscal years 2019 and 2018, the District had \$201,232,392 and \$202,380,904, 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, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance at June 30, 2019</u>
Governmental Activities:				
Non-depreciable	\$ 175,549,858	\$ 9,301,660	\$ (183,318,028)	\$ 1,533,490
Depreciable	56,924,507	705,231	183,318,028	240,947,766
Total at historical cost	<u>232,474,365</u>	<u>10,006,891</u>	<u>-</u>	<u>242,481,256</u>
Less accumulated depreciation	<u>(30,093,461)</u>	<u>(11,155,403)</u>	<u>-</u>	<u>(41,248,864)</u>
Capital assets, net	<u>\$ 202,380,904</u>	<u>\$ (1,148,512)</u>	<u>\$ -</u>	<u>\$ 201,232,392</u>
Business-Type Activity:				
Depreciable	\$ 965,975	\$ -	\$ -	\$ 965,975
Less accumulated depreciation	<u>(337,359)</u>	<u>(64,285)</u>	<u>-</u>	<u>(401,644)</u>
Capital assets, net	<u>\$ 628,616</u>	<u>\$ (64,285)</u>	<u>\$ -</u>	<u>\$ 564,331</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 \$14,402,112 and \$13,492,036 at June 30, 2019 and 2018, 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, Secaucus, New Jersey.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of New Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,398,573	\$ -	\$ 2,398,573
Receivables, net	5,544,582	41,616	5,586,198
Internal balances	113,990	(113,990)	-
Restricted assets:			
Cash and cash equivalents	639,728	-	639,728
Capital assets, net			
Non-depreciable	1,533,490	-	1,533,490
Depreciable	199,698,902	564,331	200,263,233
Total assets	<u>209,929,265</u>	<u>491,957</u>	<u>210,421,222</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	<u>2,532,443</u>	<u>-</u>	<u>2,532,443</u>
LIABILITIES			
Cash overdraft	168,446	-	168,446
Accounts payable	7,189,476	-	7,189,476
Due to grantors	9,803	-	9,803
Unearned revenue	3,000,000	-	3,000,000
Noncurrent liabilities:			
Due within one year	720,106	-	720,106
Due beyond one year	13,682,006	-	13,682,006
Net pension liability	31,985,048	-	31,985,048
Total liabilities	<u>56,754,885</u>	<u>-</u>	<u>56,754,885</u>
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	<u>5,256,532</u>	<u>-</u>	<u>5,256,532</u>
NET POSITION			
Net investment in capital assets	201,232,392	564,331	201,796,723
Restricted for:			
Capital projects	1,540,869	-	1,540,869
Unrestricted	(52,322,970)	(72,374)	(52,395,344)
Total net position	<u>\$ 150,450,291</u>	<u>\$ 491,957</u>	<u>\$ 150,942,248</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, 2019

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	\$ 12,711,666	\$ 795,836	\$ 853,323	\$ -	\$ (11,062,507)	\$ -	\$ (11,062,507)
Vocational education	5,575,324	-	-	-	(5,575,324)	-	(5,575,324)
Vocational education - special	913,285	-	-	-	(913,285)	-	(913,285)
School sponsored cocurricular activities	518,420	-	-	-	(518,420)	-	(518,420)
Support services:							
Student and instruction related services	8,255,306	-	3,372,546	-	(4,882,760)	-	(4,882,760)
School administrative services	1,644,427	-	-	-	(1,644,427)	-	(1,644,427)
General and business administrative services	3,463,739	-	-	-	(3,463,739)	-	(3,463,739)
Plant operations and maintenance	6,849,369	-	705,231	8,000,000	1,855,862	-	1,855,862
Pupil transportation	7,561,379	3,748,441	-	-	(3,812,938)	-	(3,812,938)
Unallocated benefits	26,563,758	-	12,676,636	-	(13,887,122)	-	(13,887,122)
Special schools	6,616,502	2,290,833	-	-	(4,325,669)	-	(4,325,669)
Unallocated depreciation	11,155,403	-	-	-	(11,155,403)	-	(11,155,403)
Total governmental activities	<u>91,828,578</u>	<u>6,835,110</u>	<u>17,607,736</u>	<u>8,000,000</u>	<u>(59,385,732)</u>	<u>-</u>	<u>(59,385,732)</u>
Business-type activities:							
Food service	1,980,329	1,171,211	671,462	-	-	(137,656)	(137,656)
Total business-type activities	<u>1,980,329</u>	<u>1,171,211</u>	<u>671,462</u>	<u>-</u>	<u>-</u>	<u>(137,656)</u>	<u>(137,656)</u>
Total primary government	<u>\$ 93,808,907</u>	<u>\$ 8,006,321</u>	<u>\$ 18,279,198</u>	<u>\$ 8,000,000</u>	<u>\$ (59,385,732)</u>	<u>\$ (137,656)</u>	<u>\$ (59,523,388)</u>
General revenues, transfers and special item:							
County tax levy					\$ 30,060,000	\$ -	\$ 30,060,000
State aid not restricted					22,341,979	-	22,341,979
Miscellaneous income					3,682,521	-	3,682,521
Special item - cancellation of prior year receivable					(97,760)	-	(97,760)
Total general revenues and special item					<u>55,986,740</u>	<u>-</u>	<u>55,986,740</u>
Change in net position					(3,398,992)	(137,656)	(3,536,648)
Net position, July 1					153,849,283	629,613	154,478,896
Net position, June 30					<u>\$ 150,450,291</u>	<u>\$ 491,957</u>	<u>\$ 150,942,248</u>

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, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,398,573	\$ -	\$ -	\$ 2,398,573
Interfund receivable	2,321,587	-	-	2,321,587
Receivables from other governments:				
Federal	-	271,669	-	271,669
State	68,500	132,681	-	201,181
Local	-	903,147	2,730,862	3,634,009
Restricted assets:				
Restricted cash and cash equivalents	2,149	-	637,579	639,728
Total assets	<u>\$ 4,790,809</u>	<u>\$ 1,307,497</u>	<u>\$ 3,368,441</u>	<u>\$ 9,466,747</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Cash overdraft	\$ -	\$ 168,446	\$ -	\$ 168,446
Accounts payable	3,560,509	509,374	1,677,572	5,747,455
Payable to federal government	-	9,803	-	9,803
Interfund payable	-	619,874	150,000	769,874
Unearned revenue	3,000,000	-	-	3,000,000
Total liabilities	<u>6,560,509</u>	<u>1,307,497</u>	<u>1,827,572</u>	<u>9,695,578</u>
Fund balances:				
Restricted For:				
Capital projects	-	-	1,540,869	1,540,869
Unassigned fund balance:				
General fund	(1,769,700)	-	-	(1,769,700)
Total fund balances	<u>(1,769,700)</u>	<u>-</u>	<u>1,540,869</u>	<u>(228,831)</u>
Total liabilities and fund balances	<u>\$ 4,790,809</u>	<u>\$ 1,307,497</u>	<u>\$ 3,368,441</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 \$242,481,256 and the accumulated depreciation is \$41,248,864.				
				201,232,392
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.				
			\$ 2,532,443	
			(5,256,532)	(2,724,089)
Additional accounts payable for pension contribution offset by deferred outflow for pension liabilities.				
				(1,442,021)
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:				
			(14,402,112)	
			(31,985,048)	(46,387,160)
Net position of governmental activities				<u>\$ 150,450,291</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, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Federal sources	\$ -	\$ 4,567,477	\$ -	\$ 4,567,477
State sources	29,940,395	363,623	-	30,304,018
Local sources:				
County appropriation	30,060,000	-	-	30,060,000
Tuition charges	795,836	-	-	795,836
Miscellaneous	3,682,521	-	-	3,682,521
Total - Local Sources	<u>34,538,357</u>	<u>-</u>	<u>-</u>	<u>34,538,357</u>
Total revenues	<u>64,478,752</u>	<u>4,931,100</u>	<u>-</u>	<u>69,409,852</u>
EXPENDITURES				
Instruction:				
Regular instruction	11,858,343	853,323	-	12,711,666
Vocational education	5,575,324	-	-	5,575,324
Vocational education - special	913,285	-	-	913,285
School sponsored cocurricular activities	518,420	-	-	518,420
Support services and undistributed costs:				
Student and instruction related services	4,882,760	3,372,546	-	8,255,306
School administrative services	1,644,427	-	-	1,644,427
Other administrative services	3,463,739	-	-	3,463,739
Operation and maintenance of plant services	6,845,591	-	-	6,845,591
Student transportation	3,390,077	-	-	3,390,077
Employee benefits	20,197,604	-	-	20,197,604
Special schools	4,325,669	-	-	4,325,669
Capital outlay	3,778	705,231	9,301,660	10,010,669
Total expenditures	<u>63,619,017</u>	<u>4,931,100</u>	<u>9,301,660</u>	<u>77,851,777</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>859,735</u>	<u>-</u>	<u>(9,301,660)</u>	<u>(8,441,925)</u>
OTHER FINANCING SOURCES (USES)				
Transfer (out) - contributions to internal service funds	(520,621)	-	-	(520,621)
County capital contributions	-	-	8,000,000	8,000,000
Total other financing sources and (uses)	<u>(520,621)</u>	<u>-</u>	<u>8,000,000</u>	<u>7,479,379</u>
Net change in fund balance	339,114	-	(1,301,660)	(962,546)
Fund balance, July 1	<u>(2,108,814)</u>	<u>-</u>	<u>2,842,529</u>	<u>733,715</u>
Fund balance, June 30	<u>\$ (1,769,700)</u>	<u>\$ -</u>	<u>\$ 1,540,869</u>	<u>\$ (228,831)</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, 2019

Total net change in fund balances - governmental funds (from Exhibit B-2) \$ (962,546)

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	\$ (11,155,403)	
Capital outlays	<u>10,006,891</u>	(1,148,512)

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	(910,076)	
Additional PERS pension expense recognized	(377,858)	
Additional on-behalf TPAF pension expense	(3,320,255)	
Additional on-behalf TPAF pension contribution	3,320,255	
Additional on-behalf OPEB expense	(1,757,965)	
Additional on-behalf OPEB contribution	<u>1,757,965</u>	(1,287,934)

Internal service funds are used by the District's management to change the costs of various programs/services to other government entities. The net revenue of the internal service funds is reported with governmental activities.

Internal service fund change in net position		<u>-</u>
----------------------------------------------	--	----------

Change in net position of governmental activities (to Exhibit A-2) \$ (3,398,992)

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Net Position
Proprietary Funds
June 30, 2019

	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	\$ 41,057	\$ -	\$ -	\$ -	\$ -
State	559	-	-	-	-
Local	-	782,632	-	-	782,632
Other accounts receivable	-	-	489,177	-	489,177
Total current assets	<u>41,616</u>	<u>782,632</u>	<u>489,177</u>	<u>-</u>	<u>1,271,809</u>
Capital assets:					
Furniture, machinery and equipment	965,975	-	-	106,113	106,113
Less: accumulated depreciation	<u>(401,644)</u>	<u>-</u>	<u>-</u>	<u>(106,113)</u>	<u>(106,113)</u>
Total capital assets	<u>564,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>605,947</u>	<u>782,632</u>	<u>489,177</u>	<u>-</u>	<u>1,271,809</u>
LIABILITIES					
Current liabilities:					
Interfund payable	113,990	782,632	489,177	-	1,271,809
Total current liabilities	<u>113,990</u>	<u>782,632</u>	<u>489,177</u>	<u>-</u>	<u>1,271,809</u>
Total liabilities	<u>113,990</u>	<u>782,632</u>	<u>489,177</u>	<u>-</u>	<u>1,271,809</u>
NET POSITION					
Net investment in capital assets	564,331	-	-	-	-
Unrestricted	<u>(72,374)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 491,957</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, 2019

	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	\$ 1,171,211	\$ -	\$ -	\$ -	\$ -
Transportation fees from other local education agencies	-	3,748,441	-	-	3,748,441
Career development programs and fees	-	-	2,290,833	-	2,290,833
Total operating revenues	<u>1,171,211</u>	<u>3,748,441</u>	<u>2,290,833</u>	<u>-</u>	<u>6,039,274</u>
OPERATING EXPENSES					
Cost of sales	1,916,044	-	-	-	-
Salaries	-	2,550,871	-	-	2,550,871
Other purchased services	-	1,620,431	2,290,833	-	3,911,264
Depreciation	64,285	-	-	-	-
Total operating expenses	<u>1,980,329</u>	<u>4,171,302</u>	<u>2,290,833</u>	<u>-</u>	<u>6,462,135</u>
Operating (loss)	(809,118)	(422,861)	-	-	(422,861)
Nonoperating revenues:					
State sources:					
State school lunch program	9,639	-	-	-	-
Federal sources:					
National school lunch program	460,497	-	-	-	-
National school breakfast program	167,318	-	-	-	-
Food distribution program	34,008	-	-	-	-
Total nonoperating revenues	<u>671,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss) before transfers and special item	(137,656)	(422,861)	-	-	(422,861)
Transfer in - general fund contribution	-	422,861	97,760	-	520,621
Special item - cancellation of prior year receivable	-	-	(97,760)	-	(97,760)
Change in net position	(137,656)	-	-	-	-
Net position, July 1	629,613	-	-	-	-
Net position, June 30	<u>\$ 491,957</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, 2019

	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	\$ 1,171,211	\$ 3,436,937	\$ 2,258,349	\$ -	\$ 5,695,286
Payment for salaries and benefits	-	(3,249,421)	-	-	(3,249,421)
Payments to suppliers	(1,916,044)	(1,620,431)	(2,290,833)	-	(3,911,264)
Net cash (used) provided by operating activities	(744,833)	(1,432,915)	(32,484)	-	(1,465,399)
Cash flows from non-capital financing					
State sources	10,762	-	-	-	-
Federal sources	737,622	-	-	-	-
Payment of interfund	(3,551)	-	-	-	-
Proceeds from interfund	-	734,365	32,484	-	766,849
Net cash provided by non-capital financing activities	744,833	734,365	32,484	-	766,849
Net change in cash and cash equivalents	-	(698,550)	-	-	(698,550)
Cash and cash equivalents, July 1	-	-	-	-	-
Cash and cash equivalents, June 30	<u>\$ -</u>	<u>\$ (698,550)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (698,550)</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating (loss) income	\$ (809,118)	\$ (422,861)	\$ (111,325)	\$ -	\$ (534,186)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:					
Depreciation	64,285	-	-	-	-
(Increase) in accounts receivable	-	(311,504)	-	-	(311,504)
Total adjustments	64,285	(311,504)	-	-	(311,504)
Net cash (used) by operating activities	<u>\$ (744,833)</u>	<u>\$ (734,365)</u>	<u>\$ (111,325)</u>	<u>\$ -</u>	<u>\$ (845,690)</u>
Noncash capital financing activities:					
Food distribution program	\$ 34,008	\$ -	\$ -	\$ -	\$ -

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, 2019

	Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 62,490	\$ 960,026
Total Assets	62,490	960,026
LIABILITIES		
Payable to student groups	-	590,775
Interfund payable	-	165,914
Payroll deductions and withholdings	-	203,337
Total liabilities	-	\$ 960,026
NET POSITION		
Held in trust for unemployment claims	62,490	
Total net position	\$ 62,490	

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, 2019

	Trust Fund
ADDITIONS	
Contributions	\$ 72,234
Total additions	72,234
DEDUCTIONS	
Unemployment claims	39,489
Total deductions	39,489
Change in net position	32,745
Net position, July 1	29,745
Net position, June 30	\$ 62,490

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, 2019**

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, 2019, of 3,217 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, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements - Government-wide Statements (Continued):

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, 2019**

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, 2019**

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, 2019**

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, 2019**

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, 2019**

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:

	2018-2019
Total Revenues (Budgetary Basis)	\$4,755,520
Adjustments:	
Add: Prior Year Encumbrances	588,858
Less: Current Year Encumbrances	(413,278)
Total Revenues (GAAP) Basis	\$4,931,100
Total Expenditures (Budgetary Basis)	\$5,767,412
Adjustments:	
Add: Prior Year Encumbrances	588,858
Less: Current Year Encumbrances	(413,278)
Total Expenditures (GAAP Basis)	\$5,942,992

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, 2019**

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 2018- 2019 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, 2019, 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, 2019**

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 represents cash that has been received but not yet earned. When the general fund receives cash for the following year's appropriation from the County, revenue cannot be recognized as earned until the year the appropriation pertains to commences.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$14,402,112 at June 30, 2019, 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, 2019**

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, 2019**

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, 2019 audited excess surplus that is required to be appropriated in the 2020-2021 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, 2019 audited excess surplus that will be appropriated in the 2019-2020 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, 2019**

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 2019-2020 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, 2019**

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. 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, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

W. GASB Pronouncements:

GASB Pronouncements Implemented in the 2019 Fiscal Year

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. 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 associated with debt will be disclosed.

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.

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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2. DEPOSITS AND INVESTMENTS

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under Federal Deposit Insurance Corporation (“FDIC”), Securities Investor Protection Corporation (“SIPC”) or the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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.

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, 2019, none of the District’s bank balances totaling was exposed to custodial credit risk as follows:

Insured - FDIC	\$ 1,516,278
Insured - GUDPA	3,614,928
	\$ 5,131,206

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

As of June 30, 2019, 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 Position	
Unrestricted Cash	\$ 2,398,573
Restricted Cash	637,579
Trust and Agency Fund Cash (Not Included in Government-Wide Statement)	1,022,516
Cash overdraft	<u>(168,446)</u>
	<u><u>\$ 3,890,222</u></u>

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. As of June 30, 2019, 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3. DEPOSIT AND INVESTMENT RISK (Continued)

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, 2019, the District did not hold any investments.

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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 4. CAPITAL ASSETS AND DEPRECIATION (Continued)

The following is a summarization of the governmental activities in capital assets for the year fiscal year ended June 30, 2019:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance June 30, 2019</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,533,490	\$ -	\$ -	\$ 1,533,490
Construction in progress	<u>174,016,368</u>	<u>9,301,660</u>	<u>(183,318,028)</u>	<u>-</u>
Total capital assets not being depreciated	<u>175,549,858</u>	<u>9,301,660</u>	<u>(183,318,028)</u>	<u>1,533,490</u>
Capital assets being depreciated:				
Buildings and improvements	45,755,772	-	183,318,028	229,073,800
Machinery and equipment	<u>11,168,735</u>	<u>705,231</u>	<u>-</u>	<u>11,873,966</u>
Total capital assets being depreciated	<u>56,924,507</u>	<u>705,231</u>	<u>183,318,028</u>	<u>240,947,766</u>
Less accumulated depreciation for:				
Buildings and improvements	(23,889,399)	(10,068,155)	-	(33,957,554)
Machinery and other equipment	<u>(6,204,062)</u>	<u>(1,087,248)</u>	<u>-</u>	<u>(7,291,310)</u>
Total accumulated depreciation	<u>(30,093,461)</u>	<u>(11,155,403)</u>	<u>-</u>	<u>(41,248,864)</u>
Total capital assets being depreciated, net	<u>26,831,046</u>	<u>(10,450,172)</u>	<u>183,318,028</u>	<u>199,698,902</u>
Governmental activities capital assets, net	<u>\$202,380,904</u>	<u>\$ (1,148,512)</u>	<u>\$ -</u>	<u>\$201,232,392</u>

Capital asset activity for business-type activity for the year ended June 30, 2019, was as follows:

Business-type activity:				
Capital assets being depreciated:				
Machinery and equipment	\$ 965,975	\$ -	\$ -	\$ 965,975
Less accumulated depreciation for:				
Machinery and equipment	<u>(337,359)</u>	<u>(64,285)</u>	<u>-</u>	<u>(401,644)</u>
Business-type activity capital assets, net	<u>\$ 628,616</u>	<u>\$ (64,285)</u>	<u>\$ -</u>	<u>\$ 564,331</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 5. LONG-TERM DEBT

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

Governmental Activities

As of June 30, 2019, the governmental long-term debt of the District consisted of the following:

Accrued Compensation Absences:	
Current Portion	\$ 720,106
Noncurrent Portion	<u>13,682,006</u>
Total Governmental Activity Debt	<u><u>\$ 14,402,112</u></u>

Business-type Activity

As of June 30, 2019, 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, 2019:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019	Amounts Due Within One Year	Long-Term Portion
Governmental activities:						
Compensated absences	<u>\$ 13,492,036</u>	<u>\$ 955,015</u>	<u>\$ 44,939</u>	<u>\$ 14,402,112</u>	<u>\$ 720,106</u>	<u>\$ 13,682,006</u>

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, 2019, 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, 2019, 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019 were \$147,216. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2020	\$ 128,022
June 30, 2021	<u>114,792</u>
	<u>\$ 242,814</u>

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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Description of Plans and Benefits Provided (Continued)

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.

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

Description of Plans and Benefits Provided (Continued)

Other Pension Funds

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

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

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

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).

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Measurement Focus and Basis of Accounting (Continued)

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.

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income are recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2018 is \$19.7 billion and the plan fiduciary net position as a percentage of the total pension liability is 53.60%. The collective net pension liability of the State funded TPAF at June 30, 2018 is \$63.81 billion and the plan fiduciary net position as a percentage of total pension liability is 26.49%.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 which were rolled forward to June 30, 2018.

Actuarial Methods and Assumptions

In the July 1, 2017 PERS and TPAF actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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. As defined, the retirement systems require employee contributions based on 7.50% for PERS, 7.50% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2019.

PERS employers' and TPAF State's non-employer contributions are based on actuarially determined amounts, which include the normal cost and unfunded accrued liability. For the fiscal year ended June 30, 2019 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the State's annual pension contribution was less than this actuarial determined amount. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension contributions were equal to the actuarial determined amounts. TPAF non-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. All PERS and DCRP contributions made by the District for fiscal years 2019, 2018 and 2017 were equal to the required contributions.

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, 2019, 2018 and 2017 the District paid the required contributions to PERS of \$1,615,825, \$1,502,694 and \$1,420,694, respectively.

During the year ended June 30, 2019 the District paid the required contributions to DCRP of \$6,566.

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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Employer and Employee Contribution Requirements (Continued)

Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$1,650,240 during the year ended June 30, 2019, 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, 2018. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits ("Division") administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2018.

At June 30, 2019 the District reported in the statement of net position (accrual basis) a liability of \$31,985,048 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018, the District's PERS proportion was 0.1624%, which was an increase of 0.0002% from its proportion measured as of June 30, 2017.

**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)

For the year ended June 30, 2019, the District recognized in the government-wide statement of activities (accrual basis) pension expense of \$1,993,710 for PERS. At June 30, 2019, 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
Differences between expected and accrual experience	\$ 445,035	\$ -
Changes in assumptions	-	4,956,511
Net differences between projected and actual investment earnings on pension plan investments	-	300,021
Changes in proportion	645,387	-
District contributions subsequent to measurement date	1,442,021	-
Total	\$ 2,532,443	\$ 5,256,532

\$1,442,021 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, 2020. 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>Fiscal Year Ending June 30,</u>	
2020	\$ 420,146
2021	(59,872)
2022	(2,048,636)
2023	(1,860,353)
2024	(617,395)
	\$ (4,166,110)

The PERS pension liability and deferred inflows of resources related to pensions are expected to be paid from budgetary appropriations in the general fund.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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)

Actuarial Assumptions

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

Inflation rate	2.25%
Salary increases:	1.65 – 4.15%
Through 2026	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, 2017 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, 2018) 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, 2018) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Fund	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%

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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 5.66% as of June 30, 2018). This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018), 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 50% 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, 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, 2018), 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:

	<u>At 1% Decrease 4.66%</u>	<u>At Current Discount Rate 5.66%</u>	<u>At 1% Increase 6.66%</u>
District's proportionate share of PERS net pension liability	\$ 40,217,512	\$ 31,985,048	\$ 25,078,537

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2018). 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, 2019 the District reported accounts payable to the PERS of \$1,442,021 for the required actuarially determined contribution to PERS for the year ended June 30, 2019.

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, 2018). 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, 2018), 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 non-employer 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, 2019 the State’s net pension liability for TPAF associated with the District was \$127,110,582. The non-employer allocation percentages are based on the ratio of the State’s contributions made as an employer and non-employer 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, 2018). The net pension liability was measured as of June 30, 2018), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018). At June 30, 2018) the State’s proportionate share of the TPAF net pension liability associated with the District was 0.1998%, which was an increase of 0.0043% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the District recognized in the government-wide statement of activities (accrual basis) pension expense of \$7,410,102 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, 2018), measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018). This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
2011-2026	1.55 – 4.55%
Thereafter	2.00 – 5.45% Based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back three years for males and five years for females, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

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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)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018.) is determined by the State Treasurer, after consultation with the Directors of the Division of 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, 2018) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 4.86% as of June 30, 2018). This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018), 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 50% 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 2050. 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, 2018), 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 3.86%	At Current Discount Rate 4.86%	At 1% Increase 5.86%
State's proportionate share of			
District's TPAF net pension liability	\$ 150,242,294	\$ 127,110,582	\$ 107,934,956

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2018). 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
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)

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

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the State Health Benefit Local Education Retired Employees Plan (Local Education Retired Plan) covering certain local school district employees, including those District employees and retirees eligible for coverage.

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

The employer contributions for the participating local education employers are legally required to be funded by the State in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retired from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postemployment medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

Employees Covered by Benefit Terms

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

Active Plan Members	217,131
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	<u>145,050</u>
Total	<u><u>362,181</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.

Collective Net OPEB Liability

The collective net OPEB liability of the State, as the non-employer contributing entity, of the plan at June 30, 2018 is \$46.1 billion, and the plan fiduciary net position as a percentage of the total OPEB liability is zero percent.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 which were rolled forward to June 30, 2018.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Methods and Assumptions

In the June 30, 2017 OPEB actuarial valuation, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Post-Retirement Medical Benefits Contributions

The funding policy of the OPEB plan is pay as you go basis; therefore, there is no prefunding of the liability. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are made by the State, as a non-employer contributing entity, under a special funding situation in accordance with State statutes as previously disclosed. The State as a non-employer contributing entity made contributions of \$1.23 billion to the OPEB plan in fiscal year 2018.

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, 2019, 2018, and 2017 were \$1,855,148, \$1,946,551, and \$1,832,046, 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 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 to total contributions to the plan during the fiscal year ended June 30, 2018). Non-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, 2019**

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)

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 non-employer 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, 2019, the District recognized in the government-wide statement of activities (accrual basis) OPEB expense of \$3,613,113. 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.

At June 30, 2019, the State's proportionate share of the OPEB liability attributable to the District is \$76,905,172. The non-employer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018) to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2018). At June 2018), the State's share of the OPEB liability attributable to the District was 0.1668% which was a decrease of 0.0020% from its proportion measured as of June 30, 2017 of 0.1688%.

Actuarial Assumptions

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8. POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

Actuarial Assumptions (Continued)

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

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

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the Division. 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019, (measurement date June 30, 2018) is as follows:

	<u>Total OPEB Liability (State Share 100%)</u>
Balance, June 30, 2017 measurement date	\$ 90,553,269
Changes reconized for the fiscal year:	
Service cost	3,446,422
Interest on the total OPEB liability	3,329,964
Changes in assumptions	(8,825,253)
Difference between expected and actual experience	(9,613,886)
Gross benefit payments	(2,056,417)
Contributions from the member	71,073
Net changes	<u>(13,648,097)</u>
Balance, June 30, 2018 measurement date	<u>\$ 76,905,172</u>

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 was not provided by the pension system.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2018, 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 (2.87%)	At Current Discount Rate (3.87%)	At 1% Increase (4.87%)
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 90,917,569	\$ 76,905,172	\$ 65,766,764

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, 2018, calculated using the healthcare trend rate as disclosed above as well as what the total non-employer 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	\$ 63,566,604	\$ 76,905,172	\$ 94,545,939

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2018, were not provided by the pension system.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet of the governmental fund financial statement at June 30, 2019:

	Interfund Receivable	Interfund Payable
General	\$ 2,321,587	\$ -
Special Revenue	-	619,874
Capital Projects	-	150,000
Enterprise Fund:		
Food Service Fund	-	113,990
Internal Service Funds:		
Transportation	-	782,632
Career Development Center	-	489,177
Fiduciary Funds		
Student Activity Fund	-	165,914
Total	<u>\$ 2,321,587</u>	<u>\$ 2,321,587</u>

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 \$422,861 to the transportation internal service fund and \$97,760 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, 2019**

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.

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 2019.

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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 (\$1,769,700).

Special Revenue Fund – The Special Revenue Fund has a zero fund balance at June 30, 2019.

Capital Projects Fund – The \$1,540,869 Capital Projects Fund balance at June 30, 2019, is fully restricted for ongoing capital projects.

The total Governmental Funds fund balance is (\$228,831).

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:

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Total Fund Balance/Net Position	\$ (228,831)	\$ 491,957	\$ 263,126
Add:			
Capital Assets, Net of Accumulated Depreciation	201,232,392	-	201,232,392
Deferred Outflows of Pension Resources	2,532,443	-	2,532,443
Less:			
Additional Accounts Payable	(1,442,021)	-	(1,442,021)
Compensated Absences Liability	(14,402,112)	-	(14,402,112)
Net Pension Liability	(31,985,048)	-	(31,985,048)
Deferred Inflows of Pension Resources	(5,256,532)	-	(5,256,532)
Total Net Position	<u>\$ 150,450,291</u>	<u>\$ 491,957</u>	<u>\$ 150,942,248</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 16. DEFICIT FUND BALANCES

The District has a deficit fund balance of (\$1,769,700) in the General Fund as of June 30, 2019, 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 (\$1,769,700) is less than the last two state aid payments.

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, 2019, and 2018.

NOTE 18. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2019, through December 23, 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.

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, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES					
Local sources:					
County tax levy	\$ 30,060,000	\$ -	\$ 30,060,000	\$ 30,060,000	\$ -
Tuition	225,000	-	225,000	795,836	570,836
Miscellaneous	-	3,377,816	3,377,816	3,682,521	304,705
Total - local sources	<u>30,285,000</u>	<u>3,377,816</u>	<u>33,662,816</u>	<u>34,538,357</u>	<u>875,541</u>
Federal sources:					
Special Education Medicare Reimbursement Initiative	5,083	-	5,083	-	(5,083)
Total - federal sources	<u>5,083</u>	<u>-</u>	<u>5,083</u>	<u>-</u>	<u>(5,083)</u>
State sources:					
Equalization aid	19,412,696	-	19,412,696	19,412,696	-
Transportation aid	818,768	-	818,768	818,768	-
Special education aid	1,494,362	-	1,494,362	1,494,362	-
Security aid	632,290	-	632,290	632,290	-
On-behalf TPAF contribution (non-budgeted)					
Pension	-	-	-	4,089,847	4,089,847
Post-retirement medical	-	-	-	1,855,148	1,855,148
Long-term disability insurance	-	-	-	3,181	3,181
Reimbursed TPAF Social Security contributions (non-budgeted)	-	-	-	1,650,240	1,650,240
Total - state sources	<u>22,358,116</u>	<u>-</u>	<u>22,358,116</u>	<u>29,956,532</u>	<u>7,598,416</u>
Total revenues	<u>52,648,199</u>	<u>3,377,816</u>	<u>56,026,015</u>	<u>64,494,889</u>	<u>8,468,874</u>
EXPENDITURES -					
CURRENT EXPENSE					
Regular programs - instruction:					
Salaries of teachers:					
Grades 9-12	10,675,000	829,200	11,504,200	11,504,191	9
Total regular programs - instruction	<u>10,675,000</u>	<u>829,200</u>	<u>11,504,200</u>	<u>11,504,191</u>	<u>9</u>
Regular programs - undistributed instruction:					
Other purchased services	12,000	(10,007)	1,993	1,993	-
Tuition reimbursement	-	10,237	10,237	10,176	61
General supplies	133,000	(2,592)	130,408	130,320	88
Textbooks	30,000	123,091	153,091	153,042	49
Other objects	30,000	28,662	58,662	58,621	41
Total regular programs - undistributed instruction	<u>205,000</u>	<u>149,391</u>	<u>354,391</u>	<u>354,152</u>	<u>239</u>
Total regular programs	<u>10,880,000</u>	<u>978,591</u>	<u>11,858,591</u>	<u>11,858,343</u>	<u>248</u>
Regular vocational programs - instruction:					
Regular vocational programs - instructional					
Salaries of teachers	3,640,000	1,402,301	5,042,301	5,042,260	41
Other salaries for instruction	240,000	191,500	431,500	431,482	18
General supplies	70,000	(14,276)	55,724	55,245	479
Textbooks	20,000	(3,114)	16,886	16,822	64
Other objects	30,000	(420)	29,580	29,515	65
Total regular vocational programs - instruction	<u>4,000,000</u>	<u>1,575,991</u>	<u>5,575,991</u>	<u>5,575,324</u>	<u>667</u>
Special vocational programs - instruction:					
Salaries of teachers	1,135,000	(294,500)	840,500	840,445	55
Other salaries for instruction	47,000	(2,900)	44,100	44,008	92
Purchased professional- educational services	30,000	(30,000)	-	-	-
General supplies	20,000	(11)	19,989	19,958	31
Textbooks	10,000	(5,365)	4,635	4,635	-
Other objects	5,000	(761)	4,239	4,239	-
Total special vocational programs - instruction	<u>1,247,000</u>	<u>(333,537)</u>	<u>913,463</u>	<u>913,285</u>	<u>178</u>
Total vocational programs - instruction	<u>5,247,000</u>	<u>1,242,454</u>	<u>6,489,454</u>	<u>6,488,609</u>	<u>845</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2019

	<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	\$ 400,000	\$ 97,200	\$ 497,200	\$ 497,116	\$ 84
School-sponsored athletics:					
Salaries	-	20,500	20,500	20,440	60
Supplies and materials	10,000	(10,000)	-	-	-
Other objects	10,000	(9,136)	864	864	-
Total other instructional	<u>420,000</u>	<u>98,564</u>	<u>518,564</u>	<u>518,420</u>	<u>144</u>
Total instruction expenditures	<u>16,547,000</u>	<u>2,319,609</u>	<u>18,866,609</u>	<u>18,865,372</u>	<u>1,237</u>
Attendance and social work service:					
Salaries	278,000	25,600	303,600	303,523	77
Supplies and materials	2,000	(2,000)	-	-	-
Other objects	3,000	(695)	2,305	2,305	-
Total attendance and social work service	<u>283,000</u>	<u>22,905</u>	<u>305,905</u>	<u>305,828</u>	<u>77</u>
Health services:					
Salaries	342,000	82,591	424,591	424,591	-
Supplies and materials	3,000	18,600	21,600	21,554	46
Other objects	8,000	(1,323)	6,677	6,634	43
Total health services	<u>353,000</u>	<u>99,868</u>	<u>452,868</u>	<u>452,779</u>	<u>89</u>
Other support services - students-related services:					
Salaries of other professional staff	1,090,000	98,650	1,188,650	1,188,643	7
Salaries of secretarial and clerical assistants	665,000	57,200	722,200	722,113	87
Supplies and materials	5,000	(5,000)	-	-	-
Other objects	5,000	(5,000)	-	-	-
Total other support services - students-related services	<u>1,765,000</u>	<u>145,850</u>	<u>1,910,850</u>	<u>1,910,756</u>	<u>94</u>
Other support services - students - special services:					
Salaries of other professional staff	795,000	107,100	902,100	902,083	17
Salaries of secretarial and clerical assistants	128,000	(36,200)	91,800	91,778	22
Supplies and materials	5,000	(2,986)	2,014	2,000	14
Other objects	5,000	(3,916)	1,084	1,044	40
Total other support services - students - special services	<u>933,000</u>	<u>63,998</u>	<u>996,998</u>	<u>996,905</u>	<u>93</u>
Improvement of instructional services:					
Salaries of supervisor of instruction	-	53,100	53,100	53,048	52
Salaries of other professional staff	65,000	-	65,000	65,000	-
Salaries of secretarial and clerical assistants	-	11,400	11,400	11,396	4
Supplies and materials	1,000	(1,000)	-	-	-
Other objects	1,000	3,000	4,000	3,892	108
Total improvement of instructional services	<u>67,000</u>	<u>66,500</u>	<u>133,500</u>	<u>133,336</u>	<u>164</u>
Educational media services/school library:					
Salaries	915,000	168,200	1,083,200	1,083,156	44
Supplies and materials	3,000	(3,000)	-	-	-
Other objects	3,000	(3,000)	-	-	-
Total educational media services/school library	<u>921,000</u>	<u>162,200</u>	<u>1,083,200</u>	<u>1,083,156</u>	<u>44</u>
General administration:					
Salaries	920,000	116,520	1,036,520	1,036,422	98
Staff Training	-	1,561	1,561	1,500	61
Legal services	175,000	(71,283)	103,717	103,711	6
Audit	80,000	16,000	96,000	96,000	-
Other purchased professional services	40,000	141,596	181,596	181,560	36
Purchased professional and technical services	20,000	(18,181)	1,819	1,735	84
Communications/telephone	350,000	160,457	510,457	510,353	104
Other purchased services	8,000	(6,930)	1,070	1,070	-
Supplies and materials	15,000	1,985	16,985	16,985	-
Board of Education in-house training/meeting supplies	15,000	(15,000)	-	-	-
Judgments	5,000	(5,000)	-	-	-
Miscellaneous expenditures	20,000	(14,200)	5,800	5,773	27
Board of education membership dues and fees	30,000	(16,044)	13,956	13,880	76
Total general administration	<u>1,678,000</u>	<u>291,481</u>	<u>1,969,481</u>	<u>1,968,989</u>	<u>492</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
School administration:					
Salaries of principals/assistant principals	\$ 1,120,000	\$ 95,400	\$ 1,215,400	\$ 1,215,345	\$ 55
Salaries of other professional staff	375,000	(63,400)	311,600	311,508	92
Salaries of secretarial and clerical assistants	-	38,300	38,300	38,245	55
Supplies and materials	15,000	(1,751)	13,249	13,089	160
Other objects	20,000	46,275	66,275	66,240	35
Total school administration	<u>1,530,000</u>	<u>114,824</u>	<u>1,644,824</u>	<u>1,644,427</u>	<u>397</u>
Central services:					
Salaries	1,325,000	(42,720)	1,282,280	1,282,280	-
Supplies and materials	15,000	1,174	16,174	16,174	-
Miscellaneous expenditures	5,000	(5,000)	-	-	-
Other objects	10,000	14,557	24,557	24,557	-
Total central services	<u>1,355,000</u>	<u>(31,989)</u>	<u>1,323,011</u>	<u>1,323,011</u>	<u>-</u>
Information technology administration:					
Supplies and materials	40,000	44,223	84,223	84,223	-
Other objects	90,000	(2,484)	87,516	87,516	-
Total information technology administration	<u>130,000</u>	<u>41,739</u>	<u>171,739</u>	<u>171,739</u>	<u>-</u>
Required maintenance for school facilities:					
Salaries	342,000	174,199	516,199	516,152	47
Cleaning, repair, and maintenance services	80,000	77,150	157,150	156,883	267
General supplies	65,000	4,689	69,689	69,684	5
Other objects	150,000	17,456	167,456	167,386	70
Total required maintenance for school facilities	<u>637,000</u>	<u>273,494</u>	<u>910,494</u>	<u>910,105</u>	<u>389</u>
Other operating and maintenance of plant services:					
Salaries	2,115,000	865,161	2,980,161	2,980,117	44
Cleaning, repair and maintenance services	240,000	(78,745)	161,255	161,175	80
Rental of land, building & other than lease purchases	50,000	(48,350)	1,650	1,650	-
Other purchased property services	20,000	(16,322)	3,678	3,678	-
Insurance	955,000	35,541	990,541	990,499	42
General supplies	80,000	168,591	248,591	248,549	42
Energy (energy and electricity, natural gas)	1,200,000	293,118	1,493,118	1,493,115	3
Other objects	45,000	11,703	56,703	56,703	-
Total other operating and maintenance of plant services	<u>4,705,000</u>	<u>1,230,697</u>	<u>5,935,697</u>	<u>5,935,486</u>	<u>211</u>
Student transportation services:					
Salaries for pupil transportation - (between home and school) - regular	1,650,000	535,817	2,185,817	2,185,785	32
Salaries for pupil transportation - (between home and school) - special	690,000	167,010	857,010	856,597	413
Salaries for pupil transportation - (other than between home and school)	100,000	-	100,000	100,000	-
Misc. purchased serv. - transportation	75,000	7,273	82,273	82,273	-
Supplies and materials	40,000	40,513	80,513	79,760	753
Miscellaneous expenditures	65,000	20,668	85,668	85,662	6
Total student transportation services	<u>2,620,000</u>	<u>771,281</u>	<u>3,391,281</u>	<u>3,390,077</u>	<u>1,204</u>
Unallocated employee benefits:					
Social Security contributions	1,300,000	283,389	1,583,389	1,583,389	-
TPAF contribution - ERIP	360,000	(136,300)	223,700	223,635	65
Other retirement - regular	1,550,000	82,600	1,632,600	1,632,500	100
Other contribution - ERIP	60,000	(60,000)	-	-	-
Unemployment compensation	45,000	(43,400)	1,600	1,547	53
Health benefits	10,750,000	(1,591,883)	9,158,117	9,158,117	-
Total unallocated employee benefits	<u>14,065,000</u>	<u>(1,465,594)</u>	<u>12,599,406</u>	<u>12,599,188</u>	<u>218</u>
On-behalf TPAF contribution (non-budgeted)					
Pension	-	-	-	4,089,847	(4,089,847)
Post-retirement medical	-	-	-	1,855,148	(1,855,148)
Long-term disability insurance	-	-	-	3,181	(3,181)
Reimbursed TPAF Social Security contributions (non-budgeted)	-	-	-	1,650,240	(1,650,240)
Total on-behalf contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,598,416</u>	<u>(7,598,416)</u>
Total undistributed expenditures	<u>31,042,000</u>	<u>1,787,254</u>	<u>32,829,254</u>	<u>40,424,198</u>	<u>(7,594,944)</u>
Total general current expense	<u>47,589,000</u>	<u>4,106,863</u>	<u>51,695,863</u>	<u>59,289,570</u>	<u>(7,593,707)</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
CAPITAL OUTLAY					
Facilities acquisition and construction services:					
Assessment for debt service on SDA funding	\$ 3,778	\$ -	\$ 3,778	\$ 3,778	\$ -
Total facilities acquisition and construction services	3,778	-	3,778.00	3,778	-
Total capital outlay	3,778	-	3,778.00	3,778	-
SPECIAL SCHOOLS					
Post-secondary programs - instruction:					
Salaries of teachers	80,000	-	80,000	80,000	-
Other salaries for instruction	300,000	56,000	356,000	356,000	-
General supplies	30,000	(5,947)	24,053	24,053	-
Textbooks	45,000	(3,768)	41,232	41,137	95
Other objects	25,000	(6,628)	18,372	18,372	-
Total post-secondary programs - instruction	480,000	39,657	519,657	519,562	95
Accredited evening/adult high school/post-graduate - instruction:					
Salaries of teachers	2,200,000	(700,000)	1,500,000	1,500,000	-
Other salaries for instruction	800,000	28,600	828,600	828,549	51
Purchased professional and technical services	59,421	(7,496)	51,925	51,925	-
General supplies	45,000	(27,125)	17,875	17,743	132
Textbooks	45,000	-	45,000	44,972	28
Other objects	40,000	(28,737)	11,263	10,910	353
Total accredited evening/adult high school/post-graduate - instruction	3,189,421	(734,758)	2,454,663	2,454,099	564
Accredited evening/adult high school/post-graduate - support services:					
Salaries	1,350,000	-	1,350,000	1,350,000	-
Supplies and materials	18,000	(18,000)	-	-	-
Other objects	18,000	(15,946)	2,054	2,008	46
Total accredited evening/adult high school/post-graduate - support services	1,386,000	(33,946)	1,352,054	1,352,008	46
Total accredited evening/adult high school/post-graduate	4,575,421	(768,704)	3,806,717	3,806,107	610
Total special schools	5,055,421	(729,047)	4,326,374	4,325,669	705
Total expenditures	52,648,199	3,377,816	56,026,015	63,619,017	(7,593,002)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	875,872	875,872
OTHER FINANCING SOURCES (USES)					
Transfer (out) -contributions to internal service funds	-	-	-	(520,621)	520,621
Total other financing sources:	-	-	-	(520,621)	520,621
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	-	-	-	355,251	355,251
Fund balance, July 1	-	-	-	110,482	110,482
Fund balance, June 30	\$ -	\$ -	\$ -	\$ 465,733	\$ 465,733
Recapitulation:					
Unrestricted fund balance				\$ 465,733	
Reconciliation to governmental funds statements (GAAP)					
Last two state aid payments not recognized on GAAP basis				(2,235,433)	
Fund balance per governmental funds (GAAP)				\$ (1,769,700)	

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES					
Federal sources	\$ 4,391,897	\$ -	\$ 4,391,897	\$ 4,391,897	\$ -
State sources	363,623	-	363,623	363,623	-
Total Revenues	<u>4,755,520</u>	<u>-</u>	<u>4,755,520</u>	<u>4,755,520</u>	<u>-</u>
EXPENDITURES					
Instruction:					
Salaries of teachers	827,400	-	827,400	827,400	-
General supplies	25,923	-	25,923	25,923	-
Total Instruction	<u>853,323</u>	<u>-</u>	<u>853,323</u>	<u>853,323</u>	<u>-</u>
Support services:					
Salaries of other professional staff	285,144	-	285,144	285,144	-
Personal services - employee benefits	229,400	-	229,400	229,400	-
Purchased professional - educational services	112,459	-	112,459	112,459	-
Other purchased professional services	818,936	-	818,936	818,936	-
Travel	1,695,983	-	1,695,983	1,695,983	-
Other purchased services (400-500 series)	43,000	-	43,000	43,000	-
Other objects	12,044	-	12,044	12,044	-
Total support services	<u>3,196,966</u>	<u>-</u>	<u>3,196,966</u>	<u>3,196,966</u>	<u>-</u>
Facilities acquisition and construction services:					
Instructional equipment	705,231	-	705,231	705,231	-
Total facilities acquisition and construction services	<u>705,231</u>	<u>-</u>	<u>705,231</u>	<u>705,231</u>	<u>-</u>
Total expenditures	<u>4,755,520</u>	<u>-</u>	<u>4,755,520</u>	<u>4,755,520</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, 2019

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] \$ 64,494,889	[C-2] \$ 4,755,520
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	-	(413,278)
Prior	-	588,858
State aid payment recognized for GAAP statements in current year, previously recognized for budgetary purposes.	2,219,296	-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements	(2,235,433)	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] <u>\$ 64,478,752</u>	[B-2] <u>\$ 4,931,100</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 63,619,017	[C-2] \$ 4,755,520
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	-	(413,278)
Prior	-	588,858
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 63,619,017</u>	[B-2] <u>\$ 4,931,100</u>

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 SIX FISCAL YEARS

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.1624472200%	0.1622090920%	0.1599185600%	0.1577611755%	0.1551639228%	0.1566660650%
District's proportionate share of the net pension liability	\$ 31,985,048	\$ 37,759,684	\$ 47,363,302	\$ 35,414,223	\$ 29,050,930	\$ 29,940,963
District's covered-employee payroll	\$ 11,037,377	\$ 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	289.79%	333.77%	410.32%	315.83%	265.49%	278.93%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	53.60%	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 SIX FISCAL YEARS**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 1,615,825	\$ 1,502,694	\$ 1,420,694	\$ 1,356,323	\$ 1,279,149	\$ 1,180,406
Contributions in relation to the contractually required contribution	<u>1,615,825</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 11,037,377	\$ 11,313,105	\$ 11,542,903	\$ 11,213,123	\$ 10,942,211	\$ 10,734,252
Contributions as a percentage of covered-employee payroll	14.64%	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 SIX FISCAL YEARS

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
State's proportion of the net pension liability associated with the District	1.998%	1.954%	0.194%	0.191%	0.193%	0.191%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>127,110,582</u>	<u>131,797,773</u>	<u>152,586,333</u>	<u>120,444,383</u>	<u>103,057,840</u>	<u>96,374,040</u>
Total proportionate share of the net pension liability associated with the District	<u>\$ 127,110,582</u>	<u>\$ 131,797,773</u>	<u>\$ 152,586,333</u>	<u>\$ 120,444,383</u>	<u>\$ 103,057,840</u>	<u>\$ 96,374,040</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%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	26.49%	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 TWO FISCAL YEARS***

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
OPEB liability, July 1	\$ 90,553,269	\$ 97,055,980
Changes recognized for the fiscal year:		
Service cost	3,446,422	4,132,276
Interest on the total OPEB liability	3,329,964	2,855,280
Changes in assumptions	(8,825,253)	(11,470,093)
Difference between expected and actual experience	(9,613,886)	-
Changes in proportion	-	-
Gross benefit payments	(2,056,417)	(2,097,406)
Contributions from the member	71,073	77,232
Net changes	<u>(13,648,097)</u>	<u>(6,502,711)</u>
OPEB liability, June 30	<u>\$ 76,905,172</u>	<u>\$ 90,553,269</u>
District's proportionate share of OPEB liability	\$ -	\$ -
State's proportionate share of OPEB liability	<u>76,905,172</u>	<u>90,553,269</u>
Total OPEB liability	<u>\$ 76,905,172</u>	<u>\$ 90,553,269</u>
District's covered employee payroll	\$ 33,295,070	\$ 35,648,741
Total OPEB Liability as a percentage of covered employee payroll	0.000%	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, 2019

	Public Employees Retirement System (PERS)	Teachers Pension and Annuity Fund (TPAF)	State Health Benefit Local Education Retired Employees OPEB Plan
Change in benefits	None	None	None
Changes in assumptions:			
Discount rate:			
As of June 30, 2018	5.66%	4.86%	3.87%
As of June 30, 2017	5.00%	4.25%	2.85%
Municipal bond rate:			
As of June 30, 2018	3.87%	3.87%	3.87%
As of June 30, 2017	3.58%	3.58%	3.58%
Inflation rate:			
As of June 30, 2018	2.25%	2.25%	2.50%
As of June 30, 2017	2.25%	2.25%	2.50%
Long-term expected rate of return on pension plan investments:			
As of June 30, 2018	7.00%	7.00%	Not Applicable
As of June 30, 2017	7.00%	7.00%	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, 2019

	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	\$ 1,910,820	\$ 1,080,175	\$ 123,932	\$ 60,630	\$ 511,109	\$ 602,640	\$ 4,391,897
State Sources	363,623	-	-	-	-	-	363,623
Total revenues	2,274,443	1,080,175	123,932	60,630	511,109	602,640	4,755,520
EXPENDITURES							
Instruction:							
Salaries of Teachers	-	740,000	-	-	87,400	-	827,400
General Supplies	-	24,923	-	-	1,000	-	25,923
Total Instruction	-	764,923	-	-	88,400	-	853,323
Support services:							
Salaries of Other Professional Staff	-	-	-	-	285,144	-	285,144
Personal Services - Employee Benefits	-	229,400	-	-	-	-	229,400
Purchased Professional - Educational Services	-	-	-	-	112,459	-	112,459
Other Purchased Professional Services	585,283	75,808	80,932	60,630	16,283	-	818,936
Travel	1,689,160	-	43,000	-	6,823	-	1,695,983
Other Purchased Services (400-500 series)	-	-	-	-	-	-	43,000
Other Objects	-	10,044	-	-	2,000	-	12,044
Total support services	2,274,443	315,252	123,932	60,630	422,709	-	3,196,966
Facilities acquisition and construction services:							
Instructional Equipment	-	-	-	-	-	602,640	705,231
Total facilities acquisition and construction services	-	-	-	-	-	602,640	705,231
Total expenditures	2,274,443	1,080,175	123,932	60,630	511,109	602,640	4,755,520
(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, 2019

	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	\$ 585,283	\$ 648,496	\$ 677,041	\$ 21,222	\$ 109,598	\$ 803	\$ 232,000	\$ 1,910,820
State Sources	-	-	-	-	-	-	-	363,623
Total revenues	585,283	648,496	677,041	21,222	109,598	803	232,000	2,274,443
EXPENDITURES								
Instruction:								
Salaries of Teachers	-	-	-	-	-	-	-	-
General Supplies	-	-	-	-	-	-	-	-
Total Instruction	-	-	-	-	-	-	-	-
Support services:								
Salaries of Other Professional Staff	-	-	-	-	-	-	-	-
Personal Services - Employee Benefits	-	-	-	-	-	-	-	-
Purchased Professional - Educational Services	-	-	-	-	-	-	-	-
Other Purchased Professional Services	585,283	-	-	-	-	-	-	585,283
Travel	-	648,496	677,041	21,222	109,598	803	232,000	1,689,160
Other Purchased Services (400-500 series)	-	-	-	-	-	-	-	-
Other Objects	-	-	-	-	-	-	-	-
Total support services	585,283	648,496	677,041	21,222	109,598	803	232,000	2,274,443
Facilities acquisition and construction services:								
Instructional Equipment	-	-	-	-	-	-	-	-
Total facilities acquisition and construction services	-	-	-	-	-	-	-	-
Total expenditures	585,283	648,496	677,041	21,222	109,598	803	232,000	2,274,443
(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, 2019

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Balance June 30, 2019
			Prior Years	Current Year	
County of Hudson Improvement Authorizations:					
Improvements and Acquisition of Various Equipment (490-8-2016)	07/19/16	\$ 8,000,000	\$ 7,840,009	\$ 159,991	\$ -
Improvements and Acquisition of Various Equipment (534-8-2017)	08/10/17	7,920,000	5,237,462	2,682,538	-
Improvements and Acquisition of Various Equipment (529-9-2018)	09/13/18	8,000,000	-	6,459,131	1,540,869
		<u>\$ 23,920,000</u>	<u>\$ 13,077,471</u>	<u>\$ 9,301,660</u>	<u>\$ 1,540,869</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, 2019

Revenues and other financing sources:	
County capital contributions:	
Improvement authorizations	\$ 8,000,000
Total County capital contributions	<u>8,000,000</u>
Expenditures and other financing uses:	
Building improvements and equipment purchases	9,301,660
Total expenditures and other financing uses	<u>9,301,660</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,301,660)
Fund balance, July 1	<u>2,842,529</u>
Fund balance, June 30	<u>\$ 1,540,869</u>

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, 2019

	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	7,840,009	159,991	8,000,000	8,000,000
Total expenditures and other financing uses	7,840,009	159,991	8,000,000	8,000,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 159,991	\$ (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	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, 2019

	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	2,682,538	7,920,000	7,920,000
Total expenditures and other financing uses	5,237,462	2,682,538	7,920,000	7,920,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 2,682,538	\$ (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	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, 2019

	Prior Years	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources:				
County capital contributions:				
On-behalf capital lease	\$ -	\$ 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	-	6,459,131	6,459,131	8,000,000
Total expenditures and other financing uses	-	6,459,131	6,459,131	8,000,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 1,540,869	\$ 1,540,869	\$ -
Additional project information:				
Project number		N/A		
Grant date/letter of notification		09/13/18		
Original authorized cost	\$	8,000,000		
Additional authorized cost	\$	-		
Revised authorized cost	\$	8,000,000		
Percentage increase over original authorized cost		0%		
Percentage completion		81%		
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, 2019

	<u>Food Service</u>
ASSETS	
Current assets:	
Intergovernmental accounts receivable:	
Federal	\$ 41,057
State	559
Total current assets	<u>41,616</u>
Capital assets:	
Furniture, machinery and equipment	965,975
Less: accumulated depreciation	<u>(401,644)</u>
Total capital assets	<u>564,331</u>
Total assets	<u>605,947</u>
LIABILITIES	
Current liabilities:	
Interfund payable	<u>113,990</u>
Total current liabilities	<u>113,990</u>
Total liabilities	<u>113,990</u>
NET POSITION	
Net investment in capital assets	564,331
Unrestricted	<u>(72,374)</u>
Total net position	<u>\$ 491,957</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Food Service
OPERATING REVENUES	
Charges for services:	
Daily sales	\$ 1,171,211
Total operating revenues	1,171,211
OPERATING EXPENSES	
Cost of sales	1,916,044
Depreciation	64,285
Total operating expenses	1,980,329
Operating (loss)	(809,118)
Nonoperating revenues:	
State sources:	
State school lunch program	9,639
Federal sources:	
National school lunch program	460,497
National school breakfast program	167,318
Food distribution program	34,008
Total nonoperating revenues	671,462
Change in Net Position	(137,656)
Net position, July 1	629,613
Net position, June 30	\$ 491,957

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Food Service
Cash flows from operating activities:	
Receipts from customers	\$ 1,171,211
Payments to suppliers and employees	(1,916,044)
Net cash (used) by operating activities	(744,833)
Cash flows from non-capital financing activities:	
State sources	10,762
Federal sources	737,622
Payment of interfund	(3,551)
Net cash provided by non-capital financing activities	744,833
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) by operating activities:	
Operating (loss)	\$ (809,118)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	64,285
Total adjustments	64,285
Net cash (used) by operating activities	\$ (744,833)
Noncash capital financing activities:	
Food distribution program	\$ 34,008

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Internal Service Funds
Combining Statement of Net Position
For the Fiscal Year Ended June 30, 2019

	Transportation Consortium	Career Development Center	Youth House Services	Total Internal Service Fund
ASSETS				
Current assets:				
Intergovernmental accounts receivable:				
Local	\$ 782,632	\$ -	\$ -	\$ 782,632
Other accounts receivable	-	489,177	-	489,177
Total current assets	782,632	489,177	-	1,271,809
Capital assets:				
Equipment	-	-	106,113	106,113
Less: Accumulated depreciation	-	-	(106,113)	(106,113)
Total capital assets	-	-	-	-
Total assets	782,632	489,177	-	1,271,809
LIABILITIES				
Current liabilities:				
Interfund payable	782,632	489,177	-	1,271,809
Total current liabilities	782,632	489,177	-	1,271,809
Total liabilities	782,632	489,177	-	1,271,809
NET POSITION				
Unrestricted	-	-	-	-
Total net position	\$ -	\$ -	\$ -	\$ -

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, 2019

	<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	\$ 3,748,441	\$ -	\$ -	\$ 3,748,441
Career development programs and fees	-	2,290,833	-	2,290,833
Total operating revenues	<u>3,748,441</u>	<u>2,290,833</u>	<u>-</u>	<u>6,039,274</u>
OPERATING EXPENSES				
Salaries	2,550,871	-	-	2,550,871
Other purchased services	1,620,431	2,290,833	-	3,911,264
Total operating expenses	<u>4,171,302</u>	<u>2,290,833</u>	<u>-</u>	<u>6,462,135</u>
(Loss) before transfers and special item	(422,861)	-	-	(422,861)
Transfer in - general fund contribution	422,861	97,760	-	520,621
Special item - cancellation of prior year receivable	<u>-</u>	<u>(97,760)</u>	<u>-</u>	<u>(97,760)</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, 2019

	<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	\$ 3,436,937	\$ 2,258,349	\$ -	\$ 5,695,286
Payment for salaries and benefits	(2,550,871)	-	-	(2,550,871)
Payments to suppliers	(1,620,431)	(2,290,833)	-	(3,911,264)
Net cash (used) by operating activities	<u>(734,365)</u>	<u>(32,484)</u>	<u>-</u>	<u>(766,849)</u>
Cash Flows from Non-capital Financing				
Interfund proceeds	<u>734,365</u>	<u>32,484</u>	<u>-</u>	<u>766,849</u>
Net cash provided by non-capital financing activities	<u>734,365</u>	<u>32,484</u>	<u>-</u>	<u>766,849</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 (loss) to net cash (used) by operating activities:				
Operating (loss)	\$ (422,861)	\$ -	\$ -	\$ (422,861)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:				
(Increase) in accounts receivable	<u>(311,504)</u>	<u>-</u>	<u>-</u>	<u>(311,504)</u>
Total adjustments	<u>(311,504)</u>	<u>-</u>	<u>-</u>	<u>(311,504)</u>
Net cash (used) by operating activities	<u>\$ (734,365)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (734,365)</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, 2019

	Unemployment Compensation Insurance Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 62,490	\$ 960,026
Total assets	<u>62,490</u>	<u>960,026</u>
LIABILITIES		
Payable to student groups	-	590,775
Interfund payable	-	165,914
Payroll deductions and withholdings	-	203,337
Total liabilities	<u>-</u>	<u>\$ 960,026</u>
NET POSITION		
Held in trust for unemployment claims	62,490	
Total net position	<u>\$ 62,490</u>	

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	<u>Unemployment Compensation Insurance Trust Fund</u>
ADDITIONS	
Contributions	\$ 72,234
Total additions	<u>72,234</u>
DEDUCTIONS	
Unemployment claims	<u>39,489</u>
Total deductions	<u>39,489</u>
Change in net position	32,745
Net position, July 1	29,745
Net position, June 30	<u><u>\$ 62,490</u></u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2019

	<u>Balance</u> <u>June 30, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
Student Activity Agency Fund:				
Student Activity	\$ 438,457	\$ 993,930	\$ 675,698	\$ 756,689
Total Student Activity Agency Fund	<u>\$ 438,457</u>	<u>\$ 993,930</u>	<u>\$ 675,698</u>	<u>\$ 756,689</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2019

	<u>Balance</u> <u>June 30, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
Payroll agency fund:				
Net payroll	\$ 10,872	\$ 27,572,533	\$ 27,572,684	\$ 10,721
Payroll agency	<u>140,986</u>	<u>24,183,198</u>	<u>24,131,568</u>	<u>192,616</u>
Total payroll agency fund	<u>\$ 151,858</u>	<u>\$ 51,755,731</u>	<u>\$ 51,704,252</u>	<u>\$ 203,337</u>

STATISTICAL SECTION
(Unaudited)

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Introduction to the Statistical Section
(Unaudited)**

<u>CONTENTS:</u>	<u>Pages</u>
<p>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.</p>	106 - 111
<p>Revenue Capacity Not Applicable</p>	112 - 115
<p>Debt Capacity Not Applicable</p>	116 - 119
<p>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.</p>	120 - 121
<p>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.</p>	122 - 127

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,									
	2019	2018	2017	2016	2015 ⁽²⁾	2014	2013 ⁽¹⁾	2012	2011	2010
Governmental activities:										
Net investment in capital assets	\$ 201,232,392	\$ 202,380,904	\$ 29,411,512	\$ 57,978,754	\$ 54,113,387	\$ 46,048,092	\$ -	\$ 14,307,328	\$ 13,555,843	\$ 12,878,704
Restricted	1,540,869	2,842,529	13,702,603	1,414,328	2,514,575	976,747	187,378	187,378	200,741	228,867
Unrestricted	(52,322,970)	(51,374,150)	(48,586,890)	(41,235,718)	(41,294,673)	(10,498,643)	56,754,885	(9,247,787)	(8,763,162)	(5,395,401)
Total governmental activities net position	\$ 150,450,291	\$ 153,849,283	\$ (5,472,775)	\$ 18,157,364	\$ 15,333,289	\$ 36,526,196	\$ 56,942,263	\$ 5,246,919	\$ 4,993,422	\$ 7,712,170
Business-type activity:										
Net investment in capital assets	\$ 564,331	\$ 628,616	\$ 692,901	\$ 35,151	\$ 50,151	\$ 65,151	\$ 80,151	\$ 95,151	\$ 110,151	\$ 125,151
Unrestricted	(72,374)	997	-	(35,151)	(50,151)	(65,151)	(80,151)	(95,151)	(181,217)	(125,151)
Total business-type activity net position	\$ 491,957	\$ 629,613	\$ 692,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (71,066)	\$ -
Government-wide:										
Net investment in capital assets	\$ 201,796,723	\$ 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
Restricted	1,540,869	2,842,529	13,702,603	1,414,328	2,514,575	976,747	187,378	187,378	200,741	228,867
Unrestricted	(52,395,344)	(51,373,153)	(48,586,890)	(41,270,869)	(41,344,824)	(10,563,794)	56,674,734	(9,342,938)	(8,944,379)	(5,320,552)
Total government-wide net position	\$ 150,942,248	\$ 154,478,896	\$ (4,779,874)	\$ 18,157,364	\$ 15,333,289	\$ 36,526,196	\$ 56,942,263	\$ 5,246,919	\$ 4,922,356	\$ 7,712,170

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)

	2019	2018 ⁽⁴⁾	2017	2016	2015 ⁽¹⁾	2014	2013 ⁽²⁾	2012	2011	2010 ⁽¹⁾
Expenses:										
Governmental activities:										
Instruction:										
Regular	\$ 12,711,666	\$ 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
Vocational	6,488,609	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
School sponsored cocurricular activities	518,420	415,023	651,546	401,329	468,942	396,935	279,165	236,252	254,089	738,806
Support services:										
Student and instruction related services	8,255,306	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
School administrative services	1,644,427	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
General and business administration services	3,463,739	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
Plant operations and maintenance	6,849,369	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
Pupil transportation	7,561,379	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
Special Schools	6,616,502	7,831,190	6,833,969	6,588,467	7,191,308	6,722,010	7,191,308	6,490,405	6,117,631	7,367,120
Unallocated depreciation	11,155,403	1,886,771	1,834,284	3,627,858	6,835,411	1,822,526	1,427,776	1,359,034	1,256,166	1,148,363
Capital expenditures not capitalized	-	-	-	650,142	-	-	726,106	1,050,124	1,993,515	2,681,128
Unallocated Benefits	26,563,758	29,941,585	28,895,602	15,450,324	9,021,524	12,493,644	13,194,821	12,205,336	13,132,405	13,963,055
Total governmental activities expenses	91,828,578	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
Business-type Activity:										
Food service	1,980,329	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
Total business-type activity expense	1,980,329	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
Total expenses	93,808,907	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
Program Revenues:										
Governmental activities:										
Charges for services:										
Instruction (tuition)	795,836	729,045	944,955	771,775	-	569,000	681,376	968,110	953,254	1,288,934
Pupil transportation	3,748,441	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
Special schools	2,290,833	2,499,999	852,364	-	-	-	-	-	-	-
Operating grants and contributions	17,607,736	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
Capital grants and contributions	8,000,000	163,156,294	9,783,321	8,000,000	9,000,000	10,199,148	-	-	-	140,225
Governmental activities program revenues	32,442,846	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
Business-type activities										
Charges for services:										
Food service	1,171,211	944,337	667,334	384,709	270,468	287,417	289,413	289,413	264,359	319,125
Operating grants and contributions	671,462	698,998	643,542	539,250	438,848	450,780	278,448	278,448	403,855	439,687
Total Business-type Activities Program Revenues	1,842,673	1,643,335	1,310,876	923,959	709,316	738,197	567,861	567,861	668,214	758,812
Total program revenues	34,285,519	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
Net (expense)/operating revenues:										
Governmental activities	(59,385,732)	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)
Business-type activity	(137,656)	(63,288)	(349,821)	(426,198)	(357,398)	(353,007)	(478,221)	(509,198)	(71,066)	(17,290)
Total net (expense) operating revenues	\$ (59,523,388)	\$ 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)

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

	for the Fiscal Year ended June 30,									
	2019	2018 ⁽⁴⁾	2017	2016	2015 ⁽¹⁾	2014	2013 ⁽²⁾	2012	2011	2010 ⁽¹⁾
General Revenues, Transfers and Special Items:										
Governmental activities:										
Property taxes, contributed by										
County of Hudson - net	\$ 30,060,000	\$ 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
Unrestricted grants and contributions	22,341,979	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
Tuition received	-	-	-	-	670,751	652,219	607,625	607,625	729,528	397,509
Interest earnings	-	-	-	5,590	6,785	4,669	5,275	5,275	5,417	15,057
Miscellaneous income	3,682,521	649,372	650,679	412,244	784,831	210,185	269,126	269,126	419,264	356,238
Transfers	(97,760)	(146,191)	(320,585)	(426,198)	(357,398)	(353,007)	(478,221)	(478,221)	-	(17,290)
Special items	55,986,740	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
Total Governmental Activities										
Business-type activities:										
Miscellaneous income	-	-	102	-	-	-	-	-	-	-
Transfers	-	-	320,585	426,198	357,398	353,007	478,221	404,258	-	17,290
Special items	-	-	722,035	-	-	-	-	-	-	-
Total business-type activities										
Total general revenues, transfers and special items	55,986,740	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
Change in net position:										
Governmental activities	(3,398,992)	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)
Business-type activities	(137,656)	(63,288)	692,901	-	-	-	-	(104,940)	(71,066)	-
Total change in net position	<u>\$ (3,536,648)</u>	<u>\$ 159,258,770</u>	<u>\$ (22,937,238)</u>	<u>\$ 1,924,075</u>	<u>\$ 8,748,056</u>	<u>\$ 9,026,923</u>	<u>\$ (1,799,992)</u>	<u>\$ 1,415,359</u>	<u>\$ (2,452,867)</u>	<u>\$ (6,879,365)</u>

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 pension 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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General fund:										
Committed	\$ -	\$ -	\$ -	\$ -	\$ 2,400,221	\$ 849,723	\$ 41,800	\$ 85,383	\$ 62,729	\$ 205,130
Unassigned	(1,769,700)	(2,108,814)	(1,850,107)	13,1422	695,577	63,1076	(33,232)	(415,703)	(2,139,121)	(3,407,210)
Total general fund	\$ (1,769,700)	\$ (2,108,814)	\$ (1,850,107)	\$ 1,432,045	\$ 3,095,798	\$ 1,480,799	\$ 8,568	\$ (330,320)	\$ (2,076,392)	\$ (3,202,080)
All other governmental funds:										
Committed:										
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,678,399	\$ 2,103,000	\$ 666,629	\$ 592,620	\$ 984,556
Restricted:										
Capital projects fund	1,540,869	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
Total all other governmental funds	1,540,869	2,842,529	13,702,603	14,915,094	21,298,961	22,932,130	20,736,312	1,400,004	4,436,469	8,539,602

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010 ⁽¹⁾
REVENUES										
County tax levy	\$ 30,060,000	\$ 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
Tuition charges	795,836	729,045	944,955	771,775	670,751	652,219	607,625	529,350	729,528	397,509
Interest earnings	-	-	-	5,590	6,785	4,669	5,417	4,475	15,057	15,057
Miscellaneous	3,682,521	649,372	650,679	455,547	784,831	210,185	269,126	496,083	419,264	356,238
State sources	30,304,018	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
Federal sources	4,567,477	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
Private Sources	-	-	-	-	-	-	-	-	-	90,335
Total Revenues	69,409,852	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
EXPENDITURES										
Instruction:										
Regular instruction	12,711,666	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
Vocational education	6,488,609	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
School sponsored cocurricular activities	518,420	415,023	651,546	401,329	468,942	396,935	279,165	236,252	254,089	738,806
Support services:										
Student and instruction related services	8,255,306	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
School administrative services	1,644,427	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
Other administrative services	3,463,739	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
Plant operations and maintenance	6,845,591	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
Pupil transportation	3,390,077	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
Unallocated benefits	20,197,604	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
Special Schools	4,325,669	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
Capital outlay	10,010,669	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
Total Expenditures	77,851,777	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
Excess (deficiency) of revenues over (under) expenditures	(8,441,925)	(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)
OTHER FINANCING SOURCES (USES)										
County capital contributions	8,000,000	163,156,294	9,783,321	8,900,000	9,000,000	10,000,000	24,100,000	-	-	-
Transfers in	-	-	722,387	-	-	-	-	-	-	-
Transfers out	(520,621)	(583,343)	(320,585)	(469,501)	(357,398)	(353,007)	(478,221)	(404,258)	-	(17,290)
Write off (recovery) of receivables	-	-	-	-	-	-	-	-	-	64,033
Total other financing sources (uses)	7,479,379	162,572,951	10,185,123	8,430,499	8,642,602	9,646,993	23,621,779	(404,258)	-	46,743
Net change in fund balances	\$ (962,546)	\$ (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)

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,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General fund:										
Interest on investments	\$ 12,428	\$ 13,438	\$ 10,473	\$ 5,590	\$ 6,785	\$ 4,669	\$ 5,275	\$ 4,475	\$ 5,417	\$ 15,057
Health benefits refunds	-	-	-	31,582	72,077	-	-	-	-	32,191
Tuition	795,836	729,045	944,955	771,775	670,751	652,219	607,625	529,350	729,528	397,509
In and Out of School programs	-	-	-	129,000	-	-	-	-	-	-
Reimbursements	-	-	-	-	187,820	-	-	-	-	-
E-Rate vendors refund	-	-	-	-	-	17,292	28,500	47,256	53,684	61,290
State check cancellations	-	-	-	9,107	99,945	-	-	-	-	-
State share of capital project previously cancelled	2,700,000	-	-	-	-	-	-	-	-	-
Other	970,093	635,933	649,954	285,858	424,989	192,893	240,626	448,827	365,580	262,757
Total General Fund	\$ 4,478,357	\$ 1,378,416	\$ 1,605,382	\$ 1,232,912	\$ 1,462,367	\$ 867,073	\$ 882,026	\$ 1,029,908	\$ 1,154,209	\$ 768,804

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
2010	634,266	21,294,846,684	33,574	10.80%
2011	635,634	21,254,965,326	33,439	10.30%
2012	645,600	22,118,256,000	34,260	10.50%
2013	652,416	22,098,634,752	33,872	9.10%
2014	657,217	22,028,599,406	33,518	5.90%
2015	660,502	23,249,009,898	35,199	4.70%
2016	664,744	25,334,723,328	38,112	4.80%
2017	668,928	25,442,007,552	38,034	3.90%
2018	672,922	24,164,629,020	35,910	4.20%
2019	676,061	N/A	N/A	2.90%

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,									
<u>Function/Program</u>	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Instruction										
Regular	160	147	147	147	137	138	134	138	148	150
Vocational	60	54	54	54	52	48	45	45	42	44
Support services:										
Student and instruction related services	39	38	38	38	37	37	37	35	39	41
General administration	10	10	10	10	10	10	11	9	9	10
School administrative services	11	10	10	10	10	10	10	8	9	9
Central services	19	20	20	20	20	20	20	17	16	16
Administrative information technology	-	-	-	-	-	-	-	1	1	2
Plant operations and maintenance	39	44	44	44	36	39	40	39	39	41
Pupil transportation	63	63	63	63	55	53	55	55	60	60
Other support services	29	30	30	30	27	27	27	25	19	19
Media services technology	12	16	16	16	16	12	8	5	5	5
Total	442	432	432	432	400	394	387	377	387	397

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
2010	2,985	58,961,769	19,753	-2.22%	194	15	2,656	2,516	0.38%	94.73%
2011	3,041	53,738,936	17,671	-10.54%	179	17	2,722	2,566	2.48%	94.27%
2012	3,141	56,407,145	17,958	1.62%	186	17	2,851	2,658	4.74%	93.23%
2013	3,218	61,173,035	19,010	5.85%	189	17	2,975	2,715	4.35%	91.26%
2014	3,171	53,938,084	17,010	-10.52%	186	17	2,960	2,827	-0.50%	95.51%
2015	3,170	56,476,030	17,816	4.74%	189	17	3,170	2,985	7.09%	94.16%
2016	3,188	55,775,498	17,495	-1.80%	204	16	3,021	3,017	-4.70%	99.87%
2017	3,421	59,114,955	17,280	-1.23%	201	17	3,188	3,006	5.53%	94.29%
2018	3,471	58,178,493	16,761	-3.00%	220	16	3,234	3,049	1.44%	94.28%
2019	3,217	63,615,239	19,775	17.98%	220	15	3,182	2,818	-1.61%	88.56%

Source: School records

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

School Buildings	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<u>North Hudson Campus</u>										
Square feet	-	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
Enrollment	-	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985
<u>Secaucus Campus</u>										
Square feet	350,000	-	-	-	-	-	-	-	-	-
Capacity (students)	4,200	-	-	-	-	-	-	-	-	-
Enrollment	1,712	-	-	-	-	-	-	-	-	-
<u>Jersey City Campus</u>										
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	1,471	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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
North Hudson Campus	040	\$ -	\$ 579,519	\$ 612,974	\$ 291,318	\$ 379,411	\$ 413,556	\$ 238,453	\$ 389,389	\$ 329,373	\$ 326,477
Secaucus Campus	050	527,860	-	-	-	-	-	-	-	-	-
Jersey City Campus	030	382,245	534,940	589,527	419,310	338,178	397,736	244,324	276,554	279,199	273,004
		<u>\$ 910,105</u>	<u>\$ 1,114,459</u>	<u>\$ 1,202,501</u>	<u>\$ 710,628</u>	<u>\$ 717,589</u>	<u>\$ 811,292</u>	<u>\$ 482,777</u>	<u>\$ 665,943</u>	<u>\$ 608,572</u>	<u>\$ 599,481</u>

Source: School Records

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Insurance Schedule
June 30, 2019
(Unaudited)

Coverage	Limit	Insurer	Policy #	Effective date	Expiration date
PROPERTY :			P309AF	7/1/2018	7/1/2019
Blanket Real & Personal Property	\$5,000,000				
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	\$ 75,000,000 per occurrence/ \$ 75,000,000 NJSBAIG annual Aggregate			
	All Other Flood Zones	\$75,000,000 per occurrence / \$ 75,000,000 NJSBAIG Annual Aggregate			
Earthquake		\$75,000,000 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	\$8,575,000	NJSBAIG			
Deductible	\$1,000				
EQUIPMENT BREAKDOWN					
	\$100,000,000	NJSBAIG			
Deductible	\$5,000				
CRIME					
		NJSBAIG			
Public Employee Dishonesty	\$500,000				
with Faithful Performance					
deductible	\$1,000				
Moneys & Securities	\$100,000				
Deductible	\$500				
Forgery or Alteration	\$500,000				
Deductible	\$1,000				
Money Orders & Counterfeit	\$100,000				
Deductible	\$500				
Computer Fraud	\$500,000				
Deductible	\$500				
BONDS					
Board Administrator	\$150,000				
Deductible	\$1,000				
Board Secretary	\$150,000				
Deductible	\$1,000				

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Insurance Schedule
June 30, 2019
(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				
Sex Abuse	\$16,000,000				
Employee Benefits Liability	\$16,000,000				
Premises Medical per person occurrence limit	\$1,000 \$10,000				
Group Blanket Health and Accident	\$5,000,000 \$25,000	Berkeley Life and Health Ins. C	US407635		
		deductible			
AUTOMOBILE					
Combined Single Limit	\$16,000,000	NJSBAIG			
Uninsured/Underinsured Motorist	\$ 1,000,000	Combined Single Limit Private Passenger Auto			
Personal Injury Protection (Including pedestri	\$250,000	\$ 15,000 Bodily Injury per Person/\$ 30,000 Bodily Injury Per Accident			All Other vehicles
Medical Payments	\$ 10,000	Private Passenger Vehicles/\$ 5,000 All others			
Physical Damage Comprehensive Collision	\$ 1,000 deductible \$ 1,000 deductible				
WORKERS COMPENSATION					
PART I		STATUTORY LIMITS			
PART II					
Bodily Injury by Accider	\$3,000,000	EACH ACCIDENT			
Bodily Injury by Disease	\$3,000,000	EACH EMPLOYEE			
Bodily Injury by Disease	\$3,000,000	AGGREGATE LIMIT			
ERRORS & OMISSIONS					
Coverage A deductible	\$15,000,000 \$15,000	NJSBAIG	E309AA-01	7/1/2018	7/1/2019
		Each policy period each claim			
Coverage B deductible	\$100,000 \$300,000 \$15,000	each claim each policy period each claim			

SINGLE AUDIT SECTION

DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

Certified Public Accountants

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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, 2019, 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 December 23, 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2019-001 that we consider to be a significant deficiency.

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 an instance of noncompliance or other matter that is 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 which is described in the accompanying schedule of findings and questioned costs as finding 2019-001.

We noted certain matters that we reported to management of the Hudson County Schools of Technology in a separate auditor's management report dated December 23, 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 finding identified in our audit is described in the accompanying schedules 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.

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
December 23, 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, 2019. 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2019-002. 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 finding 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 a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as finding 2019-002, that we consider to be a significant deficiency.

The Hudson County Schools of Technology response to the internal control over compliance finding identified in our audit is described in the accompanying schedules 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.

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
No. 2541

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Bayonne, New Jersey
December 23, 2019

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

CFDA NO.	FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FAIN	AWARD AMOUNT	GRANT PERIOD		BALANCE AT JUNE 30, 2018	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR BALANCE	BALANCE AT JUNE 30, 2019 (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR	CUMULATIVE EXPENDITURES
				FROM	TO							
ENTERPRISE FUND												
U.S. DEPARTMENT OF AGRICULTURE												
PASSED-THROUGH STATE OF NEW JERSEY												
DEPARTMENT OF AGRICULTURE:												
Child Nutrition Cluster:												
10.553	School Breakfast Program	191NJ304N1099	\$ 167,318	07/01/18	06/30/19	\$ -	\$ 153,508	\$ (167,318)	\$ -	\$ (13,810)	\$ -	\$ (167,318)
10.553	School Breakfast Program	181NJ304N1099	157,177	07/01/17	06/30/18	(37,153)	37,153	-	-	-	-	(157,177)
10.555	National School Lunch Program	191NJ304N1099	460,497	07/01/18	06/30/19	-	433,250	(460,497)	-	(27,247)	-	(460,497)
10.555	National School Lunch Program	181NJ304N1099	590,186	07/01/17	06/30/18	(79,702)	79,702	-	-	-	-	(590,186)
	Total Child Nutrition Cluster					(116,855)	703,613	(627,815)	-	(41,057)	-	
10.565	Commodity Supplemental Food Program	191NJ304N1099	34,008	07/01/18	06/30/19	-	34,008	(34,008)	-	-	-	(34,008)
	TOTAL U.S. DEPARTMENT OF AGRICULTURE					(116,855)	737,621	(661,823)	-	(41,057)	-	
	TOTAL ENTERPRISE FUND					(116,855)	737,621	(661,823)	-	(41,057)	-	
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	Title I - Part A Basic	S010A180030	1,080,175	07/01/18	06/30/19	-	989,650	(1,080,175)	-	(90,525)	-	(1,080,175)
84.010A	Title I - School Improvement Act - Part A	S010A170030	27,717	07/01/17	06/30/18	(9,477)	-	-	-	(9,477)	-	(9,477)
84.010A	Title I - Part A Basic	S010A160030	974,223	07/01/16	06/30/17	(8,977)	500	(1,080,175)	(500)	(100,002)	-	(973,723)
84.367A	Title II - Part A Improving Teacher Quality	S367A190029	123,932	07/01/18	06/30/19	-	105,000	(123,932)	-	(18,932)	-	(123,932)
84.367A	Title II - Part A Improving Teacher Quality	S367A180029	127,804	07/01/17	06/30/18	(7,409)	7,409	-	-	(18,932)	-	(127,804)
						(7,409)	112,409	(123,932)	-	(18,932)	-	
84.424A	Title IV - Part A	S424A190031	-	07/01/18	06/30/19	-	51,500	(60,630)	-	(9,130)	-	(60,630)
84.027	I.D.E.A. Part B Basic Regular	H027A180100	511,109	07/01/18	06/30/19	-	501,410	(511,109)	-	(9,699)	-	(511,109)
84.027	I.D.E.A. Part B Basic Regular	H027A150100	535,617	07/01/15	06/30/16	8,045	-	-	(8,045)	-	-	(535,617)
84.027	I.D.E.A. Part B Basic Regular	*	457,919	07/01/13	06/30/14	32	-	-	(32)	-	-	(457,919)
						8,077	501,410	(511,109)	(8,077)	(9,699)	-	
84.048A	Carl D. Perkins P.L. 109-270 Vocational Education Secondary	V048A180030	602,640	07/01/18	06/30/19	-	606,505	(602,640)	-	-	3,865	(598,775)
84.048A	Carl D. Perkins P.L. 109-270 Vocational Education Secondary	V048A170030	702,981	07/01/17	06/30/18	(14,020)	14,020	-	-	-	-	(702,981)
84.048A	Carl D. Perkins P.L. 109-270 Vocational Education Secondary	V048A160030	114,927	07/01/16	06/30/17	3,689	-	-	-	-	3,689	(109,946)
84.048A	Carl D. Perkins P.L. 109-270 Vocational Education Secondary	V048A150030	68,328	07/01/15	06/30/16	2,865	-	-	(2,865)	-	-	(65,463)
84.048A	Carl D. Perkins P.L. 109-270 Vocational Education Secondary	V048A140030	584,877	07/01/14	06/30/15	3,534	-	-	(3,534)	-	-	(581,343)
84.048A	Carl D. Perkins P.L. 109-270 Vocational Education Post Secondary	V048A180030	102,591	07/01/18	06/30/19	(760)	102,591	(102,591)	-	-	-	(102,591)
84.048A	Carl D. Perkins P.L. 109-270 Vocational Education Post Secondary	V048A170030	111,532	07/01/17	06/30/18	(760)	760	-	(2,083)	-	-	(107,467)
84.048A	Carl D. Perkins P.L. 109-270 Vocational Education Post Secondary	V048A160030	117,019	07/01/16	06/30/17	2,083	-	-	(13)	-	-	(114,936)
84.048A	Carl D. Perkins P.L. 109-270 Vocational Education Post Secondary	*	68,328	07/01/13	06/30/14	14	-	-	(13)	-	1	(68,314)
						(2,595)	723,876	(705,231)	(8,495)	-	7,555	
	TOTAL U.S. DEPARTMENT OF EDUCATION					(10,904)	2,378,845	(2,481,077)	(17,072)	(137,763)	7,555	

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NO.	FAIN	AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2018	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR BALANCE	BALANCE AT JUNE 30, 2019 (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR	CUMULATIVE EXPENDITURES
SPECIAL REVENUE FUND (Continued)											
U.S. DEPARTMENT OF LABOR											
PASSED-THROUGH COUNTY OF HUDSON											
Workforce Investment Opportunity Act (WIOA) Cluster:											
Workforce Investment Opportunity Act (WIOA):											
Adult	17,258	*	\$ 716,580	07/01/18 06/30/19	\$ -	\$ 499,100	\$ (585,283)	\$ -	\$ (86,183)	\$ -	\$ (585,283)
Adult	17,258	*	861,172	07/01/17 06/30/18	(134,175)	134,175	-	-	-	-	(389,338)
Adult	17,258	*	937,187	07/01/16 06/30/17	(103,335)	103,335	-	-	-	-	(994,231)
Adult	17,258	*	1,144,767	07/01/13 06/30/14	2,248	-	-	-	-	2,248	(1,142,519)
					(235,262)	736,610	(585,283)	-	(86,183)	2,248	
Youth	17,259	*	663,440	07/01/18 06/30/19	-	268,185	(648,496)	-	(380,311)	-	(648,496)
Youth	17,259	*	761,655	07/01/17 06/30/18	(348,915)	348,915	-	-	-	-	(733,878)
Youth	17,259	*	908,434	07/01/16 06/30/17	(115,181)	115,181	-	-	-	-	(854,554)
					(464,096)	732,281	(648,496)	-	(380,311)	-	
Dislocated Worker	17,278	*	715,657	07/01/18 06/30/19	-	596,351	(677,041)	-	(80,690)	-	(677,041)
Dislocated Worker	17,278	*	817,415	07/01/17 06/30/18	(229,867)	229,867	-	-	-	-	(1,196,029)
Dislocated Worker	17,278	*	910,508	07/01/16 06/30/17	(8,125)	8,125	-	-	-	-	(918,533)
					(237,992)	834,343	(677,041)	-	(80,690)	-	
Total Workforce Investment Opportunity Act (WIOA) Cluster					(937,350)	2,303,234	(1,910,820)	-	(547,184)	2,248	
TOTAL U.S. DEPARTMENT OF LABOR					(937,350)	2,303,234	(1,910,820)	-	(547,184)	2,248	
TOTAL SPECIAL REVENUE FUND					(948,254)	4,682,079	(4,391,897)	(17,072)	(684,947)	9,803	
TOTAL FEDERAL AWARDS					\$ (1,065,109)	\$ 5,419,700	\$ (5,053,720)	\$ (17,072)	\$ (726,004)	\$ 9,803	

* - Not Available

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2019

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2018	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR BALANCE	BALANCE AT JUNE 30, 2019 (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR	MEMO	
										BUDGETARY RECEIVABLE	CUMULATIVE EXPENDITURES
GENERAL FUND											
STATE DEPARTMENT OF EDUCATION											
State Aid Cluster:											
Equalization Aid	19-495-034-5120-078	\$ 19,412,696	07/01/18 06/30/19	\$ -	\$ 19,412,696	\$(19,412,696)	\$ -	\$ -	\$ -	\$ (1,940,891)	\$(19,412,696)
Special Education Aid	19-495-034-5120-089	1,494,362	07/01/18 06/30/19	-	1,494,362	(1,494,362)	-	-	-	(149,436)	(1,494,362)
Security Aid	19-495-034-5120-084	632,290	07/01/18 06/30/19	-	632,290	(632,290)	-	-	-	(63,229)	(632,290)
Total State Aid Cluster				-	21,539,348	(21,539,348)	-	-	-	(2,153,556)	
Transportation Aid	19-495-034-5120-014	818,768	07/01/18 06/30/19	-	818,768	(818,768)	-	-	-	(81,877)	(818,768)
On-behalf TPAF Pension Contribution	19-495-034-5094-002	4,089,847	07/01/18 06/30/19	-	4,089,847	(4,089,847)	-	-	-	-	(4,089,847)
On-behalf TPAF Post Retirement Medical Contribution	19-495-034-5094-001	1,855,148	07/01/18 06/30/19	-	1,855,148	(1,855,148)	-	-	-	-	(1,855,148)
On behalf TPAF Long Term Disability Insurance Contribution	19-495-034-5094-004	3,181	07/01/18 06/30/19	-	3,181	(3,181)	-	-	-	-	(3,181)
Reimbursed TPAF Social Security Contributions	19-495-034-5094-003	1,650,240	07/01/18 06/30/19	-	1,581,740	(1,650,240)	-	(68,500)	-	-	(1,650,240)
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	1,526,108	07/01/17 06/30/18	(66,086)	1,647,826	(1,650,240)	-	(68,500)	-	-	(1,526,108)
				(66,086)	29,954,118	(29,956,532)	-	(68,500)	-	(2,235,433)	
TOTAL GENERAL FUND											
SPECIAL REVENUE FUND											
Apprenticeship Coordinator	19-100-034-5062-032	21,222	07/01/18 06/30/19	(4,845)	20,630	(21,222)	-	(5,437)	-	-	(21,222)
County Vocational Partnership	18 E00138	109,598	07/01/18 06/30/19	(39,042)	58,528	(109,598)	-	(90,112)	-	-	(109,598)
				(109,973)	30,033,276	(30,087,352)	-	(164,049)	-	(2,235,433)	
TOTAL STATE DEPARTMENT OF EDUCATION											
STATE DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT											
PASSED-THROUGH COUNTY OF HUDSON											
High School Proficiency Assessment	19-062-4545-100-322	130,000	07/01/14 06/30/15	(3,428)	-	-	-	(3,428)	-	-	(130,000)
Smart Steps	*	803	07/01/18 06/30/19	-	803	(803)	-	-	-	-	(803)
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)
				(2,417)	803	(803)	-	(2,417)	-	-	
Workforce Learning Link - Literacy	19-062-4545-767-003	232,000	07/01/18 06/30/19	-	200,713	(232,000)	-	(31,287)	-	-	(232,000)
Workforce Learning Link - Literacy	18-062-4545-767-003	304,000	07/01/17 06/30/18	(61,052)	61,052	-	-	(31,287)	-	-	(304,000)
				(61,052)	261,765	(232,000)	-	(31,287)	-	-	
				(110,784)	341,726	(363,623)	-	(132,681)	-	-	
TOTAL SPECIAL REVENUE FUND											
				(66,897)	262,568	(232,803)	-	(37,132)	-	-	
TOTAL STATE DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT											

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2019

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2018	CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR BALANCE	BALANCE AT JUNE 30, 2019 (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR	MEMO	
										BUDGETARY RECEIVABLE	CUMULATIVE EXPENDITURES
ENTERPRISE FUND											
STATE DEPARTMENT OF AGRICULTURE											
National School Lunch Program (State Share)	19-100-010-3360-067	\$ 9,639	07/01/18 06/30/19	\$ -	\$ 9,080	\$ (9,639)	\$ -	\$ (559)	\$ -	\$ -	\$ (9,639)
National School Lunch Program (State Share)	18-100-010-3360-067	8,233	07/01/17 06/30/18	(1,682)	1,682	-	-	-	-	-	(8,233)
TOTAL ENTERPRISE FUND				<u>(1,682)</u>	<u>10,762</u>	<u>(9,639)</u>	<u>-</u>	<u>(559)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL STATE DEPARTMENT OF AGRICULTURE				<u>(1,682)</u>	<u>10,762</u>	<u>(9,639)</u>	<u>-</u>	<u>(559)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL STATE FINANCIAL ASSISTANCE				<u>\$ (178,552)</u>	<u>\$ 30,306,606</u>	<u>(30,329,794)</u>	<u>\$ -</u>	<u>\$ (201,740)</u>	<u>\$ -</u>	<u>\$ (2,235,433)</u>	
LESS:											
On-behalf TPAF Pension Contribution						4,089,847					
On-behalf TPAF Post Retirement Medical Contribution						1,855,148					
On-behalf TPAF Long Term Disability Insurance Contribution						3,181					
TOTAL STATE FINANCIAL ASSISTANCE SUBJECT TO SINGLE AUDIT						<u>\$ (24,381,618)</u>					

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO THE SCHEDULES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the Hudson County 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.

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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
NOTES TO THE SCHEDULES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Continued)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$16,137) for the General Fund and \$175,580 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	\$ -	\$ 29,940,395	\$ 29,940,395
Special Revenue Fund	4,567,477	363,623	4,931,100
Food Service Fund	<u>661,823</u>	<u>9,639</u>	<u>671,462</u>
Total Awards and Financial Assistance	<u>\$ 5,229,300</u>	<u>\$ 30,313,657</u>	<u>\$ 35,542,957</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.

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 \$4,089,847 reported as TPAF pension contribution, \$3,181 reported as TPAF Long-Term Disability Insurance, and \$1,855,148 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, 2019. TPAF Social Security Contributions in the amount of \$1,650,240 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, 2019.

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, 2019**

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 2019-001 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 2019-002 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 2019-002 No
- G) Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	191NJ304N1099	Child Nutrition Cluster: School Breakfast Program National School Lunch Program
10.555	191NJ304N1099	
84.010A	S010A180030	Elementary and Secondary Education Act (ESEA): Title I - Part A Basic

- 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, 2019**

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:

GMIS/Program Number

Name of State Program or Cluster

19-495-034-5120-078
19-495-034-5120-089
19-495-034-5120-084

General State Aid Cluster:
Equalization Aid
Special Education Categorical Aid
Security Aid

19-495-034-5094-003

Reimbursed TPAF Social Security Contributions

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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.)

Finding 2019-001

Significant Deficiency in Internal Control over Financial Reporting and Reportable Noncompliance

Condition:

The District made budget transfers of other unbudgeted and underbudgeted revenues totaling \$3,377,816 to increase budget appropriations that had been over-expended. Corrections of over-expenditures with budget additions and transfers of revenues and appropriations have not been presented to the District Board of Education for approval as of date of the audit.

Criteria:

N.J.A.C. 6A:23A-16.10(a) requires each district board of education to implement controls over budgeted revenues and appropriations to only approve an encumbrance or expenditure (liability or payment) that, when added to the total of existing encumbrances and expenditures, does not exceed the amount appropriated in the applicable budget line item.

Each district board of education, unless otherwise restricted by law or Commissioner directive, may transfer amounts from line item accounts with available appropriation balances to permit the approval of encumbrances or expenditures otherwise prohibited. These transfers are to be made prior to the approval of such encumbrances or expenditures.

N.J.A.C. 6A:23A-16.10(c) requires each district board of education to ensure the following occurs at every regular district board of education meeting: 1) school business administrator/board secretary present all transfers between line item accounts as well as appropriations, adjustments to appropriations, encumbrances and expenditures for each budget line item 2) school business administrator/board secretary report any changes in anticipated revenue amounts and revenue sources 3) obtain a certification from the school business administrator/board secretary each month that the total of encumbrances and expenditures for each line item account do not exceed the line item appropriation in violation of N.J.A.C. 6A:23A-16.10(a).

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Finding 2019-001 (Continued)

Criteria (Continued):

If a violation has occurred, the district board of education shall, by resolution, approve by a two-thirds affirmative vote of the authorized membership of the board, to either transfer amounts among line items or direct the school business administrator/board secretary to request approval pursuant to N.J.A.C. 6A:23A-13 to transfer amounts among line items and/or from undesignated fund balance or other unbudgeted or underbudgeted revenue to eliminate the line item account deficit(s). If the latter option is selected, the appropriate official shall provide a detailed report of approvals granted and the subsequent amounts transferred into and out of the affected line item account(s), undesignated fund balance, or other unbudgeted or underbudgeted revenue account for the board's ratification at the next regularly scheduled meeting.

Context:

The District retroactively made budget additions of other unbudgeted and underbudgeted revenues totaling \$3,377,816 to increase total budget appropriations to \$56,026,015.

Effect:

Over-expenditures are occurring and not being corrected with budget additions and transfers in a timely manner. Nor are all such corrections being presented the District's Board of Education for approval.

Cause:

The District is not timely maintaining, nor monitoring controls over budget appropriations to timely project or identify budget over-expenditures.

Questioned Costs:

None

Recommendation:

The District timely maintain and monitor controls over budget appropriations to prevent budget over-expenditures and correct any budget over-expenditures with budget additions and transfers in a timely manner. Such corrections with budget additions and transfers be timely presented to the District's Board of Education for approval.

View of Responsible Official and Planned Corrective Actions:

The District will timely maintain and monitor controls over budget appropriations to prevent budget over-expenditures and correct any budget over-expenditures in an appropriate and timely manner.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

FEDERAL AWARDS

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: 181NJ304N1099 – Fiscal Year Ended June 30, 2019

Finding 2019-002

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 \$1,171,211 and cost of goods sold of \$1,916,044 of which neither could not be segregated between non-reimbursable/nonprogram activity. This finding was reported in the prior fiscal year ending June 30, 2018.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL AWARDS (Continued)

Finding 2019-002 (Continued)

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.

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:

As a technical and vocational school district, the Hudson County Schools of Technology operates a unique food service program where students collaborate in meal planning and preparation as part of instruction. Nonprogram foods are provided to compliment the program foods in a unique and proficient manner, however nonprogram revenues and costs of goods sold cannot be segregated in any cost-efficient manner.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019**

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

STATUS OF PRIOR YEAR FINDINGS

BASIC FINANCIAL STATEMENTS

No matters were reported in prior year.

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.

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, 2019**

STATUS OF PRIOR YEAR FINDINGS (Continued)

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).

Current Status:

This finding is repeated as finding 2019-002.

STATE FINANCIAL ASSISTANCE

No matters were reported in prior year.