

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**of the**

**Hudson County Schools of Technology**

**North Bergen, New Jersey**

**For the Fiscal Year Ended June 30, 2017**

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
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# **INTRODUCTORY SECTION**

March 1, 2018

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, 2017, 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 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. 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 2016-2017 fiscal year with an average daily enrollment of 3,188 students, which is a 18 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>
2016-2017	3,188	0.57%
2015-2016	3,170	7.09%
2014-2015	2,960	-0.50%
2013-2014	2,975	4.35%
2012-2013	2,851	2.48%

**2.) ECONOMIC CONDITION AND OUTLOOK:** The Hudson County Schools of Technology has not received an increase in state aid in the last five years. The district continues to be diligent in making the budget work with an average of 1% increase in revenues over that period. The district is struggling to keep a substantial surplus because of the fiscal demands in areas like pensions, benefits and salaries. A 13% increase midyear in the health benefit costs creates an unnecessary hardship for the district.

**3.) MAJOR INITIATIVES:** The Hudson County Schools of Technology currently has three campuses. The North Bergen campus will be replaced by a new state of the art High School in Secaucus. The 350,000 square foot building will be completed in June of 2018 and will house High Tech High School as they leave the North Bergen Campus behind. The Jersey City campus is undergoing major renovation 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 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 District 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, 2017.

**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.

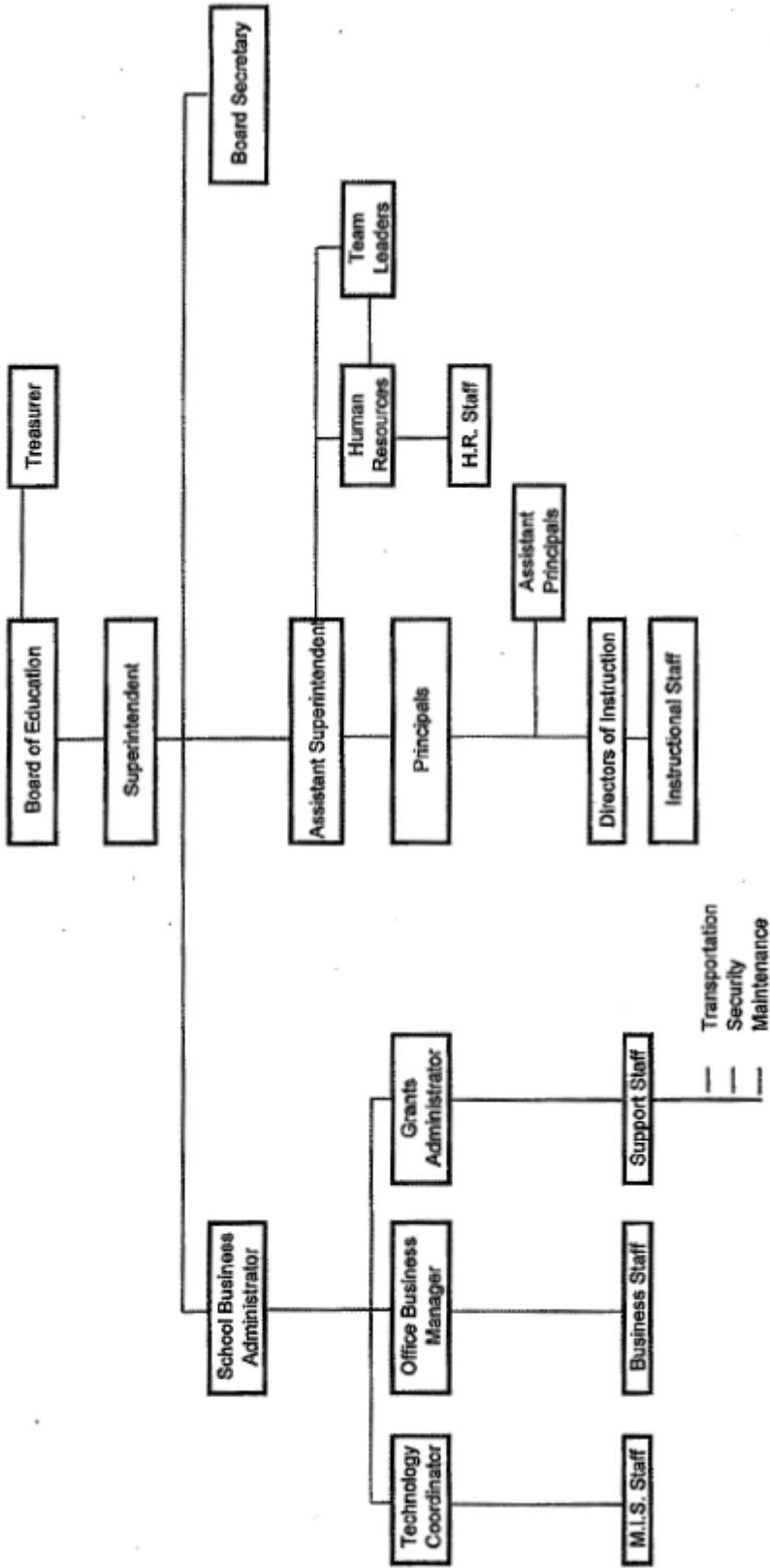
**8.) ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial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

Respectfully submitted,



Nicholas Fargo  
School Business Administrator

# Hudson County Schools of Technology Organizational Chart



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
ROSTER OF OFFICIALS  
JUNE 30, 2017**

**Members of the Board of Education**

**Term Expires**

Craig Guy, President	October 31, 2019
Hugh D. Cabrera, Vice-President	October 31, 2020
Anthony R. Comprelli	October 31, 2020
Neida Rivera	October 31, 2018
Geraldine Perez	October 31, 2018
John Minella	October 31, 2017
Monica Fundora	October 31, 2017
Amanda Trombetta	October 31, 2019
Hector Zulueta	October 31, 2019

**Other Officials**

Frank J. Gargiulo	School Superintendent
Joseph M. Muniz	Board Secretary
Nicholas Fargo	School Business Administrator

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
CONSULTANTS, INDEPENDENT AUDITORS AND ADVISORS  
JUNE 30, 2017**

**ATTORNEY**

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280 Baldwin Avenue  
Jersey City, NJ 07306

**SPECIAL COUNSEL**

Florio & Kenny, LLC  
Hoboken, New Jersey

**LABOR COUNSEL**

Scarinci, Hollenbeck, LLC  
Lyndhurst, New Jersey

**ARCHITECT**

John Capazzi  
RSC Architects  
596 Anderson Avenue, Suite 202  
Cliffside Park, NJ 07010

**AUDITOR**

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

**OFFICIAL DEPOSITORY**

Wells Fargo  
TD Bank  
BCB Bank  
Investors Savings Bank

# **INTRODUCTORY SECTION**

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*Certified Public Accountants*

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Robert A. Gironda, CPA  
Robert G. Doria, CPA (N.J. & N.Y.)  
Frederick J. Tomkins, CPA, RMA  
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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable President and  
Members of the Board of Education  
Hudson County Schools of Technology  
County of Hudson  
North Bergen, 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 12 through 17, pages 65 through 71, and 72 through 75 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, long-term debt schedules 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, long-term debt schedules, 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, long-term debt schedules, 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 March 1, 2018, 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, Gironde, Doria & Tomkins LLC*  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
*Certified Public Accountants*

Bayonne, New Jersey  
March 1, 2018

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017. 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 2017 and 2016 are as follows, respectively:

- In total, net position of governmental activities are (\$5,472,775) and \$18,157,364. Net position of the business-type activity, which represents food service, are \$692,901 and \$0. This reflects a decrease in net position of governmental activities of (\$23,630,139) and an increase in net position of the business-type activity of \$692,901. The decrease in the governmental activities net position was mainly attributed to an adjustment per valuation of capital assets (\$24,003,273) to net position and an increase in salaries in instructional services. The increase in business-type activity net position was mainly attributed to an adjustment per valuation of capital assets of \$722,035 to net position.
- Total revenues were \$84,068,776 and \$78,980,400, for 2017 and 2016, respectively, which was a \$5,088,376 or (6.05%) increase. The county tax contribution to General Revenue increased to \$27,060,000 from \$25,500,000. State aid not restricted decreased slightly to \$21,268,832 from \$21,816,411.
- The District continues to experience stability in student enrollment. Average daily enrollment for the year ending June 30, 2017 was 3,188. 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, 2017**

**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 2017?” 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, 2017**

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

**Governmental Funds**

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

**Enterprise Fund**

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

**The District as a Whole**

The perspective of the statement of net position is of the Hudson County Schools of Technology as a whole. Table 1 provides a summary of the Hudson County Schools of Technology's net position for the fiscal years 2017 and 2016, respectively.

**Table 1  
Net Position  
June 30, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>						
Current and Other Assets	\$ 16,399,111	\$ 22,225,850	\$ 42,494	\$ 98,040	\$ 16,441,605	\$ 22,323,890
Capital Assets, Net	29,411,512	44,253,257	692,901	35,151	30,104,413	44,288,408
Total Assets	45,810,623	66,479,107	735,395	133,191	46,546,018	66,612,298
<b>Deferred Outflows of Resources</b>	14,693,274	6,481,317	-	-	14,693,274	6,481,317
<b>Liabilities</b>						
Current and Other Liabilities	6,792,308	6,652,000	42,494	133,191	6,834,802	6,785,191
Long-Term Liabilities	11,668,264	11,970,228	-	-	11,668,264	11,970,228
Net Pension Liability	47,363,302	35,414,223	-	-	47,363,302	35,414,223
Total Liabilities	65,823,874	54,036,451	42,494	133,191	65,866,368	54,169,642
<b>Deferred Inflows of Resources</b>	152,798	766,609	-	-	152,798	766,609
<b>Net Position</b>						
Net Investment in Capital Assets	29,411,512	57,978,754	692,901	35,151	30,104,413	58,013,905
Restricted	13,702,603	1,414,328	-	-	13,702,603	1,414,328
Unrestricted	(48,586,890)	(41,235,718)	-	(35,151)	(48,586,890)	(41,270,869)
Total Net Position	\$ (5,472,775)	\$ 18,157,364	\$ 692,901	\$ -	\$ (4,779,874)	\$ 18,157,364

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Total assets equal \$46,546,018 and \$66,612,298. Total assets for Governmental Activities are \$45,810,623 and \$66,479,107. Total assets for Business Type Activity are \$735,395 and \$133,191.

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). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

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.

At the end of the current fiscal year, the District is able to report a positive balance in total net position. The same situation held true for the prior fiscal year. The following table 2 reflects the change in net position for fiscal years 2017 and 2016, respectively.

**Table 2  
Changes in Net Position  
Fiscal Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,272,822	\$ 4,495,694	\$ 667,334	\$ 341,406	\$ 5,940,156	\$ 4,837,100
Operating grants and contributions	20,033,122	16,777,158	643,542	539,250	20,676,664	17,316,408
Capital grants and contributions	9,783,321	8,900,000	-	-	9,783,321	8,900,000
General revenues:						
Property taxes	27,060,000	26,530,000	-	-	27,060,000	26,530,000
State aid not restricted	21,268,832	21,816,411	-	-	21,268,832	21,816,411
Miscellaneous	650,679	461,137	102	-	650,781	461,137
Total Revenues	84,068,776	78,980,400	1,310,978	880,656	85,379,754	79,861,056
<b>Expenses</b>						
Instructional services	19,273,634	18,482,709	-	-	19,273,634	18,482,709
Support services	26,537,568	25,634,660	-	-	26,537,568	25,634,660
Unallocated benefits	28,895,602	21,154,705	-	-	28,895,602	21,154,705
Special Schools	6,833,969	6,588,467	-	-	6,833,969	6,588,467
Depreciation	1,834,284	3,627,858	-	-	1,834,284	3,627,858
Service Related Expenses	-	-	1,660,697	1,548,582	1,660,697	1,548,582
Total Expenses	83,375,057	75,488,399	1,660,697	1,548,582	85,035,754	77,036,981
Excess (Deficit) Before Transfers and Adjustments	693,719	3,492,001	(349,719)	(667,926)	344,000	2,824,075
Transfers	(320,585)	(667,926)	320,585	667,926	-	-
Adjustment Per Valuation of Capital Assets	(24,003,273)	-	722,035	-	(23,281,238)	-
Change in Net Position	(23,630,139)	2,824,075	692,901	-	(22,937,238)	2,824,075
Net Position, July 1	18,157,364	15,333,289	-	-	18,157,364	15,333,289
Net Position, June 30	\$ (5,472,775)	\$ 18,157,364	\$ 692,901	\$ -	\$ (4,779,874)	\$ 18,157,364



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Net position decreased by (\$23,630,139) for the fiscal year 2017 and increased by \$2,824,075 for the fiscal year 2016 for governmental activities. The decrease in net position for governmental activities was mainly attributed to an adjustment per valuation of capital assets (\$24,003,273) to net position and an increase in salaries in instructional services. Business-type activity net position increased by \$692,901 for the fiscal year 2017 and did not change for the fiscal year 2016. The increase in business-type activity net position was mainly attributed to an adjustment per valuation of capital assets of \$722,035 to net position.

**Governmental Activities**

**Sources of Revenues**

The local tax revenue increased by \$530,000, while the revenues from state sources increased by \$3,534,445. However, of total state sources the on-behalf TPAF contributions increased \$4,037,092, while direct sources decreased (\$502,647) and the revenues of total federal sources decreased \$(826,060). Revenues from capital contributions in the capital projects fund are separated as amounts vary substantially from year to year.

**Table 3a.  
Governmental Activities**

	<u>Sources of Revenues</u>		<u>Percent of Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Operating Revenues:				
Federal Sources	\$ 5,051,479	\$ 5,877,539	6.80%	8.39%
State Sources:				
Direct	21,483,904	21,986,551	28.92%	31.36%
On-Behalf	14,766,571	10,729,479	19.88%	15.31%
Local Sources:				
Local Tax Revenue	27,060,000	26,530,000	36.42%	37.86%
Charges for Services	5,272,822	4,495,694	7.10%	6.42%
Miscellaneous	650,679	461,137	0.88%	0.66%
Total Operating Revenues	74,285,455	70,080,400	<u>100.00%</u>	<u>100.00%</u>
Capital Contributions	9,783,321	8,900,000		
Total Sources of Revenues	<u>\$ 84,068,776</u>	<u>\$ 78,980,400</u>		

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**Governmental Activities (Continued)**

**Cost of Services**

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

**Table 3b.  
Governmental Activities**

	<u>Total Cost of Services</u>		<u>Percent of Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instructional services	\$ 19,273,634	\$ 18,482,709	23.12%	24.48%
Support services	26,537,568	25,634,660	31.83%	33.96%
Unallocated benefits	28,895,602	21,154,705	34.65%	28.02%
Special Schools	6,833,969	6,588,467	8.20%	8.73%
Depreciation	1,834,284	3,627,858	2.20%	4.81%
<b>Total Expenses</b>	<b>\$ 83,375,057</b>	<b>\$ 75,488,399</b>	<b>100.00%</b>	<b>100.00%</b>

Total Expenses for governmental activities for fiscal years 2017 and 2016 were \$83,375,057 and \$75,488,399.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**Business-Type Activity**

**Table 4.  
Business-Type Activity**

	<u>Total Cost of Services</u>		<u>Percent of Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:				
Charges for Services	\$ 667,334	\$ 332,306	50.90%	37.73%
Operating Grants	643,542	539,250	49.09%	61.23%
Miscellaneous	102	9,100	0.01%	1.03%
Total Revenues	<u>1,310,978</u>	<u>880,656</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses:				
Food Service	<u>1,660,697</u>	<u>1,548,582</u>	<u>100.00%</u>	<u>100.00%</u>
Total Expenses	<u>1,660,697</u>	<u>1,548,582</u>	<u>100.00%</u>	<u>100.00%</u>
(Deficit) Before Transfers and Adjustments	(349,719)	(667,926)		
Transfers	320,585	667,926		
Adjustments	<u>722,035</u>	<u>-</u>		
Change in Net Position	<u>\$ 692,901</u>	<u>\$ -</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 2017 and 2016 of \$1,310,978 and \$880,656 and expenses of \$1,660,697 and \$1,548,582, respectively. Total revenues were increased by \$430,322 significantly due to an increase in charges for services. In 2017 the Food Service Program had a (deficit) of (\$349,719) before the contribution transferred from the general fund and the adjustment per valuation of capital assets. While in 2016 the Food Service Program had a (deficit) of (\$667,926) before the contribution transferred from the general fund.

**General Fund Budgeting Highlights**

The difference between the original budget and the final amended was an increase of \$0 for the appropriations and no change for the revenues.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**General Fund Budgeting Highlights (Continued)**

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 increased the teaching staff during the 2016-2017 school year as they continued to expand various programs. The State of New Jersey also cut the Adult Education Aid paid to the District. The District chose to continue offering the adult programs which negatively impacted the District's financial position. The District will be moving to a new facility in July of 2018. With the move to a new facility the District has secured additional funding from the County of Hudson which should allow the financial outlook to improve.

**Capital Assets and Depreciation**

At June 30, 2017 the District has capital assets in excess of \$29,411,512 net of depreciation, which includes school facilities, land, buildings, equipment and vehicles.

The following provides a summary of the net capital assets held by the District:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Capital Assets:						
Land	\$ 1,533,490	\$ 1,533,490	\$ -	\$ -	\$ 1,533,490	\$ 1,533,490
Buildings and improvements	45,755,772	66,084,444	-	-	45,755,772	66,084,444
Machinery and equipment	10,328,940	8,559,264	965,975	369,725	11,294,915	8,928,989
Total Capital Assets	<u>57,618,202</u>	<u>76,177,198</u>	<u>965,975</u>	<u>369,725</u>	<u>58,584,177</u>	<u>76,546,923</u>
Less Accumulated Depreciation for:						
Buildings and improvements	(22,987,145)	(24,928,331)	-	-	(22,987,145)	(24,928,331)
Machinery and equipment	(5,219,545)	(6,995,610)	(273,074)	(334,574)	(5,492,619)	(7,330,184)
Total Accumulated Depreciation	<u>(28,206,690)</u>	<u>(31,923,941)</u>	<u>(273,074)</u>	<u>(334,574)</u>	<u>(28,479,764)</u>	<u>(32,258,515)</u>
Capital Assets, Net	<u>\$ 29,411,512</u>	<u>\$ 44,253,257</u>	<u>\$ 692,901</u>	<u>\$ 35,151</u>	<u>\$ 30,104,413</u>	<u>\$ 44,288,408</u>

During the fiscal year 2017 the District had capital assets valuation performed and as a result adjusted capital assets for governmental activities by (\$24,003,273) and capital assets for business-type activity by \$722,035.

**Debt**

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

However, the District has long-term obligations for compensated absences in the amount of \$12,395,389 and \$11,970,228 at June 30, 2017 and 2016, respectively.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Contacting the District's Financial Management**

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

# **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Statement of Net Position**  
**June 30, 2017**

Exhibit A-1

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 223,630	\$ -	\$ 223,630
Receivables, net	837,285	42,494	879,779
Internal balances	42,494	(42,494)	-
Restricted assets:			
Cash and cash equivalents	225,863	-	225,863
Due from Hudson County	15,069,839	-	15,069,839
Capital assets, net			
Non-depreciable	1,533,490	-	1,533,490
Depreciable	27,878,022	692,901	28,570,923
Total assets	45,810,623	692,901	46,503,524
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflows	14,693,274	-	14,693,274
<b>LIABILITIES</b>			
Cash overdraft	101,616	-	101,616
Accounts payable	2,845,632	-	2,845,632
Due to grantors	19,321	-	19,321
Due to other local government	98,614	-	98,614
Unearned revenue	3,000,000	-	3,000,000
Noncurrent liabilities:			
Due within one year	727,125	-	727,125
Due beyond one year	11,668,264	-	11,668,264
Net pension liability	47,363,302	-	47,363,302
Total liabilities	65,823,874	-	65,823,874
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred pension inflows	152,798	-	152,798
<b>NET POSITION</b>			
Net investment in capital assets	29,411,512	692,901	30,104,413
Restricted for:			
Capital projects	13,702,603	-	13,702,603
Unrestricted	(48,586,890)	-	(48,586,890)
Total net position	\$ (5,472,775)	\$ 692,901	\$ (4,779,874)

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



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Exhibit A-2

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	\$ 12,500,829	\$ 944,955	\$ 950,133	\$ -	\$ (10,605,741)	\$ -	\$ (10,605,741)
Vocational education	4,729,805	-	-	-	(4,729,805)	-	(4,729,805)
Vocational education - special	1,391,454	-	-	-	(1,391,454)	-	(1,391,454)
School sponsored cocurricular activities	651,546	-	-	-	(651,546)	-	(651,546)
Support services:							
Student and instruction related services	7,612,807	-	3,535,107	-	(4,077,700)	-	(4,077,700)
School administrative services	3,033,343	-	-	-	(3,033,343)	-	(3,033,343)
General and business administrative services	1,617,169	-	-	-	(1,617,169)	-	(1,617,169)
Plant operations and maintenance	7,204,260	-	781,311	9,783,321	3,360,372	-	3,360,372
Pupil transportation	7,069,989	3,475,503	-	-	(3,594,486)	-	(3,594,486)
Unallocated benefits	28,895,602	-	14,766,571	-	(14,129,031)	-	(14,129,031)
Special schools	6,833,969	852,364	-	-	(5,981,605)	-	(5,981,605)
Unallocated depreciation	1,834,284	-	-	-	(1,834,284)	-	(1,834,284)
Total governmental activities	83,375,057	5,272,822	20,033,122	9,783,321	(48,285,792)	-	(48,285,792)
Business-type activities:							
Food service	1,660,697	667,334	643,542	-	-	(349,821)	(349,821)
Total business-type activities	1,660,697	667,334	643,542	-	-	(349,821)	(349,821)
Total primary government	\$ 85,035,754	\$ 5,940,156	\$ 20,676,664	\$ 9,783,321	\$ (48,285,792)	\$ (349,821)	\$ (48,635,613)
General revenues, transfers and special item:							
Property taxes, contributed by County of Hudson - net					\$ 27,060,000	\$ -	\$ 27,060,000
State aid not restricted					21,268,832	-	21,268,832
Miscellaneous income					650,679	102	650,781
Transfers					(320,585)	320,585	-
Special item - adjustment per valuation of capital assets					(24,003,273)	722,035	(23,281,238)
Total general revenues, transfers and special item					24,655,653	1,042,722	25,698,375
Change in net position					(23,630,139)	692,901	(22,937,238)
Net position, July 1					18,157,364	-	18,157,364
Net position, June 30					\$ (5,472,775)	\$ 692,901	\$ (4,779,874)

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, 2017**

Exhibit B-1

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 194,045	\$ 29,585	\$ -	\$ 223,630
Interfund receivable	1,901,354	-	175,892	2,077,246
Receivables from other governments:				
Federal	201,578	103,784	-	305,362
State	-	63,157	-	63,157
Restricted assets:				
Restricted cash and cash equivalents	300	-	225,563	225,863
Due from County of Hudson	-	903,147	13,301,148	14,204,295
	\$ 2,297,277	\$ 1,099,673	\$ 13,702,603	\$ 17,099,553
Total assets				
	\$ 2,297,277	\$ 1,099,673	\$ 13,702,603	\$ 17,099,553
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Cash overdraft	\$ -	\$ 101,616	\$ -	\$ 101,616
Accounts payable	872,878	454,186	-	1,327,064
Payable to federal government	-	19,321	-	19,321
Due to other local government	98,614	-	-	98,614
Interfund payable	175,892	524,550	-	700,442
Unearned revenue	3,000,000	-	-	3,000,000
	4,147,384	1,099,673	-	5,247,057
Total liabilities				
	4,147,384	1,099,673	-	5,247,057
Fund balances:				
Restricted For:				
Capital projects	-	-	13,702,603	13,702,603
Unassigned fund balance:				
General fund	(1,850,107)	-	-	(1,850,107)
	(1,850,107)	-	13,702,603	11,852,496
Total fund balances				
	(1,850,107)	-	13,702,603	11,852,496
Total liabilities and fund balances				
	\$ 2,297,277	\$ 1,099,673	\$ 13,702,603	

**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 \$87,173,010 and the accumulated depreciation is \$35,401,562.

51,771,448

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.

Deferred outflows of pension resources	\$ 14,693,274	
Deferred inflows of pension resources	(152,798)	14,540,476

Additional accounts payable for pension contribution offset by deferred outflow for pension liabilities.

Accounts payable pension liabilities		(1,518,568)
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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:

Compensated absences liability	(12,395,389)	
Net pension liability	(47,363,302)	(59,758,691)

Net position of governmental activities

\$ 16,887,161

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 Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

Exhibit B-2

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Federal sources	\$ 9,748	\$ 5,041,731	\$ -	\$ 5,051,479
State sources	26,769,397	215,072	-	26,984,469
Local sources:				
Local tax revenue	27,060,000	-	-	27,060,000
Tuition charges	944,955	-	-	944,955
Miscellaneous	650,679	-	-	650,679
Total - Local Sources	28,655,634	-	-	28,655,634
Total revenues	55,434,779	5,256,803	-	60,691,582
<b>EXPENDITURES</b>				
Current:				
Regular instruction	11,550,696	950,133	-	12,500,829
Vocational education	4,729,805	-	-	4,729,805
Vocational education - special	1,391,454	-	-	1,391,454
School sponsored cocurricular activities	651,546	-	-	651,546
Support services and undistributed costs:				
Student and instruction related services	4,087,448	3,525,359	-	7,612,807
School administrative services	3,033,343	-	-	3,033,343
Other administrative services	1,617,169	-	-	1,617,169
Plant operations and maintenance	6,419,171	-	-	6,419,171
Pupil transportation	3,669,468	-	-	3,669,468
Unallocated benefits	15,983,250	-	-	15,983,250
Special schools	5,981,605	-	-	5,981,605
Capital outlay	3,778	781,311	10,995,812	11,780,901
Total expenditures	59,118,733	5,256,803	10,995,812	75,371,348
(Deficiency) of revenues (under) expenditures	(3,683,954)	-	(10,995,812)	(14,679,766)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in - from internal service funds	722,387	-	-	722,387
Transfer (out) - food service fund contribution	(320,585)	-	-	(320,585)
Contributed Capital from County of Hudson	-	-	9,783,321	9,783,321
Total other financing sources and (uses)	401,802	-	9,783,321	10,185,123
Net change in fund balance	(3,282,152)	-	(1,212,491)	(4,494,643)
Fund balance, July 1	1,432,045	-	14,915,094	16,347,139
Fund balance, June 30	\$ (1,850,107)	\$ -	\$ 13,702,603	\$ 11,852,496

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 Year Ended June 30, 2017**

Exhibit B-3

**Total net change in fund balances - governmental funds (from Exhibit B-2)** \$ (4,494,643)

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

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

Depreciation expense	\$ (1,834,284)	
Capital outlays	10,995,812	
Adjustment per valuation of capital assets	<u>(24,003,273)</u>	(14,841,745)

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	(425,161)	
Additional PERS pension expense recognized	(3,221,185)	
Additional on-behalf TPAF pension expense	(9,266,006)	
Additional on-behalf TPAF pension contribution	<u>9,266,006</u>	(3,646,346)

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>(647,405)</u>
--	--	------------------

**Change in net position of governmental activities (to Exhibit A-2)** **\$ (23,630,139)**

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

Exhibit B-4

	<b>Business-type Activities - Enterprise Fund</b>	<b>Governmental Activities Internal Service Funds</b>			<b>Total Internal Service Funds</b>
	<b>Food Service</b>	<b>Transportation Consortium</b>	<b>Career Development Center</b>	<b>Youth House</b>	
<b>ASSETS</b>					
Current Assets:					
Accounts receivable	\$ 42,494	\$ 303,766	\$ 499,044	\$ 366,500	\$ 1,169,310
Total current assets	<u>42,494</u>	<u>303,766</u>	<u>499,044</u>	<u>366,500</u>	<u>1,169,310</u>
Capital assets:					
Furniture, machinery and equipment	965,975	-	-	-	-
Less: accumulated depreciation	<u>(273,074)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>692,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>735,395</u>	<u>303,766</u>	<u>499,044</u>	<u>366,500</u>	<u>1,169,310</u>
<b>LIABILITIES</b>					
Current liabilities:					
Interfund payable	42,494	303,766	499,044	366,500	1,169,310
Total current liabilities	<u>42,494</u>	<u>303,766</u>	<u>499,044</u>	<u>366,500</u>	<u>1,169,310</u>
Total liabilities	<u>42,494</u>	<u>303,766</u>	<u>499,044</u>	<u>366,500</u>	<u>1,169,310</u>
<b>NET POSITION</b>					
Net investment in capital assets	692,901	-	-	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 692,901</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 Year Ended June 30, 2017**

Exhibit B-5

	Business-type Activities - Enterprise Fund	Governmental Activities Internal Service Funds			Total Internal Service Funds
	Food Service	Transportation Consortium	Career Development Center	Youth House	
<b>OPERATING REVENUES</b>					
Charges for services:					
Daily sales - reimbursable programs	\$ 667,334	\$ -	\$ -	\$ -	\$ -
Transportation fees from other local education agencies	-	3,475,503	-	-	3,475,503
Career development programs and fees	-	-	852,364	-	852,364
Miscellaneous	102	-	-	-	-
Total operating revenues	<u>667,436</u>	<u>3,475,503</u>	<u>852,364</u>	<u>-</u>	<u>4,327,867</u>
<b>OPERATING EXPENSES</b>					
Cost of sales	1,596,412	-	-	-	-
Salaries	-	1,394,249	-	-	1,394,249
Other purchased services	-	2,006,272	852,364	-	2,858,636
Depreciation	64,285	-	-	-	-
Total operating expenses	<u>1,660,697</u>	<u>3,400,521</u>	<u>852,364</u>	<u>-</u>	<u>4,252,885</u>
Operating (loss) income	(993,261)	74,982	-	-	74,982
Nonoperating revenues:					
State sources:					
State school lunch program	8,233	-	-	-	-
Federal sources:					
National school lunch program	423,621	-	-	-	-
National school breakfast program	157,177	-	-	-	-
Food distribution program	54,511	-	-	-	-
Total nonoperating revenues	<u>643,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss) income before transfers and adjustment	(349,719)	74,982	-	-	74,982
Transfer in - general fund contribution	320,585	-	-	-	-
Transfer (out) - to general fund	-	(367,912)	-	(354,475)	(722,387)
Adjustment per valuation of capital assets	722,035	-	-	-	-
Change in net position	<u>692,901</u>	<u>(292,930)</u>	<u>-</u>	<u>(354,475)</u>	<u>(647,405)</u>
Net position, July 1	-	292,930	-	354,475	647,405
Net position, June 30	<u>\$ 692,901</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 Year Ended June 30, 2017**

Exhibit B-6

	<b>Business-type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Funds</b>			<b>Total Internal Service Funds</b>
	<b>Food Service</b>	<b>Transportation Consortium</b>	<b>Career Development Center</b>	<b>Youth House</b>	
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 667,436	\$ 3,400,521	\$ 852,364	\$ -	\$ 4,252,885
Payment for salaries and benefits	-	(1,394,249)	-	-	(1,394,249)
Payments to suppliers	(1,596,412)	(2,006,272)	(852,364)	-	(2,858,636)
Net cash (used for) provided by operating activities	(928,976)	-	-	-	-
<b>Cash flows from non-capital financing activities:</b>					
State sources	9,054	-	-	-	-
Federal sources	690,033	-	-	-	-
Payment of interfund payable	(70,545)	-	-	-	-
Contribution transferred from general fund	300,434	-	-	-	-
Net cash provided by non-capital financing activities	928,976	-	-	-	-
Net change in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents, July 1	-	-	-	-	-
Cash and cash equivalents, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating (loss) income	\$ (993,261)	\$ 74,982	\$ -	\$ -	\$ 74,982
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:					
Depreciation	64,285	-	-	-	-
Decrease in accounts receivable	-	339,523	-	-	339,523
(Decrease) in interfund payable	-	(414,505)	-	-	(414,505)
Total adjustments	64,285	(74,982)	-	-	(74,982)
Net cash (used for) operating activities	<u>\$ (928,976)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Noncash capital financing activities:</b>					
Food distribution program	\$ 54,511	\$ -	\$ -	\$ -	\$ -

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, 2017**

**Exhibit B-7**

	<b>Unemployment Compensation Insurance Trust Fund</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,790	\$ 842,259
Total Assets	<u>5,790</u>	<u>842,259</u>
 <b>LIABILITIES</b>		
Payable to student groups	-	480,584
Interfund payable	-	165,000
Payroll deductions and withholdings	-	196,675
Total liabilities	<u>-</u>	<u>\$ 842,259</u>
 <b>NET POSITION</b>		
Held in trust for unemployment claims	<u>5,790</u>	
Total net position	<u>\$ 5,790</u>	

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 Year Ended June 30, 2017**

**Exhibit B-8**

	<u><b>Unemployment Compensation Insurance Trust Fund</b></u>
<b>ADDITIONS</b>	
Contributions	\$ 57,352
Total Additions	<u>57,352</u>
<b>DEDUCTIONS</b>	
Unemployment claims	<u>51,573</u>
Total Deductions	<u>51,573</u>
Change in net position	5,779
Net position, July 1	11
Net position, June 30	<u><u>\$ 5,790</u></u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District’s Proprietary Funds have elected not to apply the standards issued by FASB after November 30, 1989.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management’s Discussion and analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District’s activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the general provisions of the Statement in the current year. Internal activity is eliminated in the Statement of Activities.

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

**A. Reporting Entity:**

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 “District”) 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, 2017 of 3,418 students, excluding its post-secondary enrollment.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**A. Reporting Entity (Continued):**

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- The primary government is financially accountable for the organization
- The organization is legally separate (can sue or be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's Board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is a fiscal dependency by the organization on the District

Based on the aforementioned criteria, 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.

**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, debt service and nonexpendable 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 - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**B. Basic Financial Statements - District -Wide Statements (Continued):**

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.

The net costs (by function or business-type activity) are normally covered by general revenue (property, taxes, 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:

**1. 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

**1. GOVERNMENTAL FUNDS (Continued)**

**General Fund (Continued)** - 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, district taxes 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.

**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, Debt Service or the Enterprise Funds) and local 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.

**Debt Service Fund** - Because the District's capital projects are authorized by the County District of Chosen Freeholders under a bond ordinance and the subsequent debt is funded directly from the County budget, the Debt Service Fund does not apply to the Hudson County Schools of Technology.

**2. 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:

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

**2. PROPRIETARY FUND (Continued)**

**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.

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:

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



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

**3. FIDUCIARY FUNDS**

**Internal Service Funds (Continued)** - 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.

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

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency and expendable 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. Basis of Measurement and Accounting Focus:**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resource measurement as defined in item b below.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

Measurement Focus (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds and expendable trust funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operation; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using 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. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds, expendable trust funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are reported when due.

Ad Valorem (Property) Taxes are susceptible to accrual and under New Jersey State Statute a county is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved 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."

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Basis of Accounting (Continued)

All proprietary funds and non-expendable 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 District of school estimate. 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.

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year 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 generally accepted accounting principles with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and 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, 2017**

**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:

	<b>2016-2017</b>
Total Revenues (Budgetary Basis)	\$ 5,697,087
Adjustments:	
Add: Prior Year Encumbrances	465,955
Less: Current Year Encumbrances	(906,239)
Total Revenues (GAAP) Basis	<u>\$ 5,256,803</u>
Total Expenditures (Budgetary Basis)	\$ 5,697,087
Adjustments:	
Add: Prior Year Encumbrances	465,955
Less: Current Year Encumbrances	(906,239)
Total Expenditures (GAAP Basis)	<u>\$ 5,256,803</u>

**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, 2017**

**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 plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at amortized cost. All other investments are stated at fair value.

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 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.

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.

**H. Short-Term Interfund Receivables/Payables:**

Short-term 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 and Payables:**

Property taxes are levied pursuant to law and are collected by the county from the municipalities and are transferred to the District, from the County, as requested. Property tax revenue is recognized in the year they are levied and become available. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**I. Receivables and Payables (Continued):**

*Tuition Receivable* – The District receives tuition from some students. Tuition charges for the fiscal years 2016- 2017 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, 2017, there was no tuition receivable.

*Tuition Payable* - For the year ending June 30, 2017, there was no tuition payable. The District does not send any students to other districts.

**J. Inventories and Prepaid Expenses:**

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as an expenditure during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The District uses the purchase method for expensing inventory. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

**K. Restricted Assets:**

Restricted assets include cash for the capital reserve account and for capital projects.

**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 to be a capital asset.

**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 estimated fair value at the date of donation.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**L. Capital Assets (Continued):**

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 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.

**M. Compensated Absences:**

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

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, sabbatical leave and salary related payments. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**N. Unearned Revenue:**

Unearned revenue in the Special Revenue Fund represents cash that has been received but not yet earned.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**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.

**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 sections 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 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, 2017**

**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.

**Nonspendable** – Amounts that cannot be spent because they are either non spendable in form or are legally or contractually required to be maintained intact.

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

*Restricted – For Excess Surplus* - This reserve was created to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018-2019 original budget approved by Board of School Estimates.

*Restricted – For Excess Surplus – Prior Year – Designated for Subsequent Year’s Budget* - This reserve was created to represent the June 30, 2016 audited excess surplus that will be appropriated in the 2017-2018 original budget approved by Board of School Estimates.

**Committed Fund Balance** - Amounts that can be used only for the specific purposes imposed by a resolution passed by the District’s Board of Education, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the District’s Board of Education.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**R. Equity Classifications (Continued)**

Fund Statements (Continued)

**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 State Executive Superintendent or Business Administrator, to whom the State Executive Superintendent has delegated the authority to assign amounts to be used for specific purposes.

*Designated for Subsequent Year's Expenditures* – This designation was created to dedicate the portion of fund balance appropriated in the 2017-2018 original budget certified for taxes.

*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.

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

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted. Decreases in fund balance first reduce unassigned fund balance. In the event that unassigned fund balances becomes zero, then assigned and committed fund balances are used in that order.

**S. Operating and Non-operating 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. Non-operating 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**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 contributions in the government-wide financial statements have been increased \$4,033,242 to adjust to the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

**V. Use of Estimates:**

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

**W. Adjustments to Net Position**

The District had a capital assets valuation performed at June 30, 2017 and has retroactively adjusted capital assets to agree with the valuation and as a result has retroactively adjusted government activities net position by (\$24,003,273) and business-type activity by \$722,035.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

All bank deposits and investments as of the balance sheet date are classified as to credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2017, none of the District's bank balances totaling \$1,855,410 was exposed to custodial credit risk.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

As of June 30, 2017, the District's deposits are summarized as follows:

	Book Balance
Insured - FDIC	\$ 250,000
Insured - GUDPA	1,047,542
Cash overdraft	(101,616)
	\$ 1,195,926
Reconciliation to Government-Wide Statement of Net Assets:	
Unrestricted Cash	\$ 223,630
Restricted Cash	225,863
Trust and Agency Fund Cash (Not Included in Government-Wide Statement)	848,049
Cash overdraft	(101,616)
	\$ 1,195,926

As of June 30, 2017, the District did not hold any investments.

**NOTE 3. DEPOSIT AND INVESTMENT RISK**

The District is permitted to invest public funds in accordance with the types of securities authorized by NJ.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.

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:

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

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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 3. DEPOSIT AND INVESTMENT RISK (Continued)**

At June 30, 2017 the District did not hold any investments and thus were not exposed to custodial credit risk or foreign currency risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2017 all the District's deposits were insured by FDIC and GUDPA. 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 all of its investments at June 30, 2017 are invested in a local government investment pool.

Concentration of Credit Risk - The District places no formal limits on the amount the District may invest in any one issuer.

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. At June 30, 2017 the District did not have any investments which would expose it to interest rate risk.

**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, 2017**

**NOTE 4. CAPITAL ASSETS AND DEPRECIATION (Continued)**

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>*Adjustments Per Valuation</u>	<u>Balance June 30, 2017</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,533,490	\$ -	\$ -	\$ -	\$ 1,533,490
Capital assets being depreciated:					
Buildings and improvements	66,084,444	10,995,812	-	(31,324,484)	45,755,772
Machinery and equipment	8,559,264	-	(34,955)	1,804,631	10,328,940
Total capital assets being depreciated	<u>74,643,708</u>	<u>10,995,812</u>	<u>(34,955)</u>	<u>(29,519,853)</u>	<u>56,084,712</u>
Less accumulated depreciation for:					
Buildings and improvements	(24,928,331)	(902,254)	-	2,843,440	(22,987,145)
Machinery and other equipment	(6,995,610)	(932,030)	34,955	2,673,140	(5,219,545)
Total accumulated depreciation	<u>(31,923,941)</u>	<u>(1,834,284)</u>	<u>34,955</u>	<u>5,516,580</u>	<u>(28,206,690)</u>
Total capital assets being depreciated, net	<u>42,719,767</u>	<u>9,161,528</u>	<u>-</u>	<u>(24,003,273)</u>	<u>27,878,022</u>
Governmental activities capital assets, net	<u>\$ 44,253,257</u>	<u>\$ 9,161,528</u>	<u>\$ -</u>	<u>\$ (24,003,273)</u>	<u>\$ 29,411,512</u>
Business-type activity:					
Capital assets being depreciated:					
Machinery and equipment	\$ 369,725	\$ -	\$ -	\$ 596,250	\$ 965,975
Less accumulated depreciation for:					
Machinery and equipment	(334,574)	(64,285)	-	125,785	(273,074)
Business-type activity capital assets, net	<u>\$ 35,151</u>	<u>\$ (64,285)</u>	<u>\$ -</u>	<u>\$ 722,035</u>	<u>\$ 692,901</u>

\* The District had a capital assets valuation performed at June 30, 2017 and has retroactively adjusted capital assets to agree with the valuation.

**NOTE 5. LONG-TERM DEBT**

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

**Governmental Activities**

As of June 30, 2017, the governmental long-term debt of the District consisted of the following:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>	<u>Long-Term Portion</u>
Governmental activities:						
Compensated absences	\$ 11,970,228	\$ 863,053	\$ 437,892	\$ 12,395,389	\$ 727,125	\$ 11,668,264

**Business-type Activity**

As of June 30, 2017, there was no long-term debt payable from proprietary fund resources.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 5. LONG-TERM DEBT (Continued)**

**County of Hudson Debt Authorized**

**Bonds Payable** - Bonds are authorized in accordance with State law by the County of Hudson on behalf of the Hudson County Schools of Technology. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the County are general obligation bonds. As of June 30, 2017, the County of Hudson on behalf of School's projects had outstanding bonds in the amount of \$29,190,000. These bonds are paid by the County of Hudson.

**Bonds Authorized But Not Issued** - The County of Hudson in a resolution dated March 14, 2017 authorized \$8,000,000 in bonds for the purpose of purchasing vehicles, equipment and building improvements.

**NOTE 6. OPERATING LEASES**

The District has commitments to lease copiers under operating leases that expire through the year 2020. Total operating lease payments made during the year ended June 30, 2017 were \$149,063. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2018	\$ 148,466
June 30, 2019	147,216
June 30, 2020	128,022

**NOTE 7. PENSION PLANS**

**A. Description of Plans:**

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](http://www.state.nj.us/treasury/pensions).

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7. PENSION PLANS (Continued)**

**B. Teachers' Pension and Annuity Fund (TPAF):**

The Teachers' Pension and Annuity Fund was 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 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 District of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**C. Public Employees' Retirement System (PERS):**

The Public Employees' Retirement System was 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 plan. 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.

**D. Vesting and Benefit Provisions:**

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:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. 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:

<b><u>Tier</u></b>	<b><u>Definition</u></b>
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



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7. PENSION PLANS (Continued)**

**D. Vesting and Benefit Provisions (Continued):**

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each 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 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. 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. Pursuant to the provision of Chapter 78, P.L. 2011, COLA increase were suspended for all current and future retirees of all retirement systems.

**E. Contribution Requirements:**

The contribution policy is set by N.J.S.A. 43:15A for PERS and N.J.S.A. 18:66 for TPAF, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5 plus an additional 1% phased-in over 7 years beginning July 2012. The member contribution was 6.92% in fiscal year 2017. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year.

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

Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions for the pension plans on a phased-in basis over a seven-year period beginning in fiscal year 2012. For fiscal year 2017, the State's minimum required contribution was 6/7<sup>th</sup> of the full recommended amounts determined on the basis of the July 1, 2011 actuarial valuation.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7. PENSION PLANS (Continued)**

**E. Contribution Requirements (Continued):**

During the year ended June 30, 2017, 2016, and 2015 the District was required to contribute for PERS normal pension contributions and early retirement incentive and the State of New Jersey was required to contribute for TPAF normal pension contributions on behalf of the District in the following amounts:

Year Funding	<b><u>Three-Year Trend Information</u></b>		
	PERS Contributed by the District		TPAF Pension Contributed on Behalf of the District
	Pension	Early Retirement Incentive	
June 30, 2017	\$ 1,420,694	\$ 151,678	\$ 2,198,734
June 30, 2016	1,356,323	151,032	1,552,970
June 30, 2015	1,279,149	150,671	1,030,257

**F. PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

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

At June 30, 2017 the Districts net pension liability for PERS was \$47,363,302.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, Districts PERS proportion was 0.1599%, which was an increase of 0.0022% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized PERS pension expense of \$4,641,879.

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

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

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and accrual experience	\$ 880,814	\$ -
Changes in assumptions	9,811,146	-
Net differences between projected and actual investment earnings on pension plan investments	1,806,006	-
Changes in proportion	676,740	152,798
District contributions subsequent to measurement date	<u>1,518,568</u>	<u>-</u>
Total	<u>\$ 14,693,274</u>	<u>\$ 152,798</u>

\$1,518,568 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, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u>	
June 30, 2018	\$ 2,935,480
June 30, 2019	2,935,480
June 30, 2020	3,422,643
June 30, 2021	2,806,550
June 30, 2022	<u>921,755</u>
	<u>\$ 13,021,908</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7. PENSION PLANS (Continued)**

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

*Actuarial Assumptions*

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

Inflation rate	3.08%
Salary Increases:	
Thereafter based on age	2.65-5.15%
Investment rate of return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members and one-year static projection based on mortality improvement Scale AA. In addition, the tables provide for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation was based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7. PENSION PLANS (Continued)**

**F. 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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the District 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	.87%
Core Bonds	1.50%	1.74%
Intermediate-Term Bonds	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 7. PENSION PLANS (Continued)**

**F. 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 3.98% as of June 30, 2016. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of condition made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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 of the as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
District's proportionate share of PERS net pension liability	\$ 58,038,199	\$ 47,363,302	\$ 38,550,250

*Pension Plan fiduciary net position*

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

*Payable to the pension plan*

At June 30, 2017 the District reported accounts payable to the PERS of \$1,518,568 for the required actuarially determined contribution to PERS for the year ended June 30, 2017.

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

**G. TPAF Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

At June 30, 2017 the State’s net pension liability for TPAF associated with the District was \$152,586,333. The District proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2015. 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, 2016, the State’s proportionate share of the TPAF net pension liability associated with the District was 0.1940%, which was an increase of 0.0034% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized an on-behalf TPAF pension expense and revenue in the government-wide financial statements of \$11,464,740 for expenses incurred by the state on behalf of the District.

**Actuarial Assumptions**

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

Inflation rate	2.50%
Salary Increases: 2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis on a 60-year average of Social Security data from 1953 to 2013.

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

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

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

*Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the District 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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	.50%	2.87%
Hedge Funds – MultiStrategy	5.00%	3.70%
Hedge Funds – Equity Hedge	3.75%	4.72%
Hedge Funds – Distressed	3.75%	3.49%



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

**G. 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 was 3.22% as of June 30, 2016. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years of condition made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, 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 District's proportionate share of the net pension liability as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<u>At 1% Decrease (2.22%)</u>	<u>At Current Discount Rate (3.22%)</u>	<u>At 1% Increase (4.22%)</u>
State's proportionate share of District's TPAF net pension liability	\$182,222,181	\$152,586,333	\$128,384,839
<i>Pension Plan fiduciary net position</i>			

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

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

**H. Reimbursed TPAF Social Security Contributions**

In accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the District \$1,467,323 during the year ended June 30, 2017, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the required supplementary information schedules as a revenue and expenditure in accordance with GASB 27.

**NOTE 8. POST-RETIREMENT BENEFITS**

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

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate funding of post- retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees eligible for post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c. 62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 8. POST-RETIREMENT BENEFITS (Continued)**

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 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' postretirement benefits on behalf of the School District for the years ended June 30, 2017, 2016 and 2015 were \$1,832,046, \$1,849,157 and \$1,635,534, 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.

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

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

**Funded Status and Funding Progress**

As of June 30, 2016, the most recent actuarial valuation date, the State had a \$16.8 billion unfunded actuarial accrued liability for other postemployment benefits (OPEB) for local and \$43.8 billion for local education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

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

**Actuarial Methods and Assumptions**

In the June 30, 2016, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50 percent for investment rate of return for the OPEB.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 8. POST-RETIREMENT BENEFITS (Continued)**

The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits, issues a publicly available financial report that include the financial statements and required supplementary information for the SHBP. The financial report may be accessed via the New Jersey Division of Pension and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NOTE 9. 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.

**NOTE 10. 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 2017.

**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.

**C. 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 10. RISK MANAGEMENT (Continued)**

**D. Federal and State Awards**

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. As of June 30, 2017, the District is in the progress of two audits, one by the State of New Jersey Department of Education of its Carl Perkins Vocational Education Grants, which are used to purchase equipment and supplies for vocational education. The second is the New Jersey Department of Labor who reviews the Career Development Center's Workforce Investment Act grants. Neither regulatory audit report has been issued as of the date of issuance of this report. There are significant issues with Career Development Center as noted in our single audit, See the K-Section of this audit report for further details.

**NOTE 11. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet of the governmental fund financial statement at June 30, 2017:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 1,901,354	\$ 175,892
Special Revenue	-	524,550
Capital Projects	175,892	-
Enterprise Fund:		
Food Service Fund	-	42,494
Internal Service Funds:		
Transportation	-	303,766
Career Development Center	-	499,044
Youth House	-	366,500
Fiduciary Funds		
Payroll Agency Fund	-	165,000
Total	<u>\$ 2,077,246</u>	<u>\$ 2,077,246</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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 12. INTERFUND TRANSFERS**

The District transferred \$320,585 from the general fund to the food service fund as a contribution to fund the deficit in operations for the fiscal year June 30, 2017. The District also transferred \$367,912 from the transportation internal service fund and \$354,475 from the youth house internal service fund to the general fund as an equity transfer.

**NOTE 13. 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 14. INVENTORY**

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 non-operating revenue in the financial statements.

**NOTE 15. FUND BALANCE APPROPRIATED**

**Fund Statements:**

General Fund – The General Fund had a deficit fund balance of (\$1,829,956).

Special Revenue Fund – The Special Revenue Fund has a zero fund balance at June 30, 2017.

Capital Projects Fund – The \$13,702,603 Capital Projects Fund balance at June 30, 2017 is fully reserved for ongoing capital projects.

The total Governmental Funds fund balance is \$11,872,647.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 15. FUND BALANCE APPROPRIATED (Continued)**

**Government-wide Statements:**

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

	<u>Governmental Activities</u>
Total Fund Balance	\$ 11,852,496
Add:	
Capital Assets, Net of	
Accumulated Depreciation	51,771,448
Deferred Outflows of Pension Resources	14,693,274
Less:	
Additional Accounts Payable	(1,518,568)
Compensated Absences Liability	(12,395,389)
Net Pension Liability	(47,363,302)
Deferred Inflows of Pension Resources	<u>(152,798)</u>
Total Net Position	<u>\$ 16,887,161</u>

**NOTE 16. CAREER DEVELOPMENT CENTER**

The Hudson County Schools of Technology’s (“HCST”) Career Development Center (“CDC”) is a sub-recipient of significant grant awards and is Hudson County’s official “One-Stop” source for career counseling and job placement initiatives mostly funded through United States Department of Labor Workforce Investment Opportunity Act (WIOA) grants. There is some additional, but significantly smaller amounts of New Jersey Department of Labor funding which is passed through the County of Hudson, the most significant of these is the Workforce Learning Link Grant. Since the employees of CDC are actually HCST employees, and CDC is not a separate legal entity, these grants are reflected on HCST’s Schedule of Expenditures of Federal and State Financial Assistance. These grants are audited as part of the annual audit of the HCST and cash, receivable and payable balances as well as inter-fund activity with the County of Hudson is reflected in HCST’S special revenue fund.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 17. DEFICIT FUND BALANCES**

The District has a deficit fund balance of (\$1,829,956) in the General Fund as of June 30, 2017 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 (\$1,829,956) is less than the last two state aid payments.

**NOTE 18. 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, 2017 and 2016.

**NOTE 19. FACILITIES LEASE**

In a lease agreement with the Hudson County Improvement Authority the County of Hudson approved the sale of \$160,000,000 County Secured Lease Revenue Bonds. The bond proceeds are being used to construct new school facilities for the Hudson County Schools of Technology. The Hudson County Schools of Technology will execute a lease with the County of Hudson for use of the new facility. As of June 30, 2017, the lease had not been executed with the County of Hudson.



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 20. SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2017 through March 1, 2018, 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 10, 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, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>					
Local sources:					
County tax revenue	\$ 27,060,000	\$ -	\$ 27,060,000	\$ 27,060,000	\$ -
Tuition	200,634	-	200,634	944,955	744,321
Miscellaneous	100,000	-	100,000	650,679	550,679
Total - local sources	<u>27,360,634</u>	<u>-</u>	<u>27,360,634</u>	<u>28,655,634</u>	<u>1,295,000</u>
State sources:					
Special education aid	1,494,362	-	1,494,362	1,494,362	-
Equalization aid	19,323,432	-	19,323,432	19,323,432	-
Security aid	172,099	-	172,099	172,099	-
Transportation aid	150,846	-	150,846	150,846	-
PARCC readiness	21,310	-	21,310	21,310	-
Per pupil growth aid	21,310	-	21,310	21,310	-
Adult education aid	20,820	-	20,820	20,820	-
On-Behalf TPAF Contribution (Non budgeted):					
Pension	-	-	-	2,198,734	2,198,734
Long term disability insurance	-	-	-	2,462	2,462
Post retirement medical	-	-	-	1,832,046	1,832,046
Reimbursed TPAF Social Security contribution: (Non budgeted)	-	-	-	1,467,323	1,467,323
Total state sources	<u>21,204,179</u>	<u>-</u>	<u>21,204,179</u>	<u>26,704,744</u>	<u>5,500,565</u>
Federal Sources					
Special Education Medicaid Reimbursement Initiative	18,689	-	18,689	9,748	(8,941)
Total Federal Sources	<u>18,689</u>	<u>-</u>	<u>18,689</u>	<u>9,748</u>	<u>(8,941)</u>
Total revenues	<u>48,583,502</u>	<u>-</u>	<u>48,583,502</u>	<u>55,370,126</u>	<u>6,786,624</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENSE:</b>					
Instruction:					
Regular programs - instruction:					
Grades 9-12 - salaries of teachers	7,610,000	157,286	7,767,286	11,164,336	(3,397,050)
Total regular programs - instruction	<u>7,610,000</u>	<u>157,286</u>	<u>7,767,286</u>	<u>11,164,336</u>	<u>(3,397,050)</u>
Regular programs - undistributed instruction					
Other purchased services	10,000	1,335	11,335	11,335	-
Tuition reimbursement	-	77,481	77,481	77,481	-
General supplies	145,000	(1,909)	143,091	143,090	1
Textbooks	40,000	66,287	106,287	106,286	1
Other objects	40,000	8,170	48,170	48,168	2
Total regular programs - undistributed instructor	<u>235,000</u>	<u>151,364</u>	<u>386,364</u>	<u>386,360</u>	<u>4</u>
Total regular programs	<u>7,845,000</u>	<u>308,650</u>	<u>8,153,650</u>	<u>11,550,696</u>	<u>(3,397,046)</u>
Regular vocational programs - instructor					
Salaries of teachers	3,715,000	634,507	4,349,507	4,349,507	-
Other salaries for instruction	145,000	137,358	282,358	282,357	1
General supplies	78,000	(19,768)	58,232	58,231	1
Textbooks	25,000	(8,828)	16,172	16,172	-
Other objects	40,000	(16,461)	23,539	23,538	1
Total regular vocational programs - instructor	<u>4,003,000</u>	<u>726,808</u>	<u>4,729,808</u>	<u>4,729,805</u>	<u>3</u>
Special vocational programs - instructor					
Salaries of teachers	1,740,000	(414,841)	1,325,159	1,325,159	-
Other salaries for instruction	29,000	6,620	35,620	35,619	1
Purchased professional- educational services	38,000	(25,000)	13,000	13,000	-
General supplies	25,000	(12,324)	12,676	12,676	-
Textbooks	10,000	(10,000)	-	-	-
Other objects	5,000	-	5,000	5,000	-
Total vocational programs - local - instructor	<u>1,847,000</u>	<u>(455,545)</u>	<u>1,391,455</u>	<u>1,391,454</u>	<u>1</u>
Total vocational programs	<u>5,850,000</u>	<u>271,263</u>	<u>6,121,263</u>	<u>6,121,259</u>	<u>4</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES (Continued)</b>					
<b>CURRENT EXPENSE (Continued):</b>					
Other instructional:					
School-sponsored cocurricular activities:					
Salaries	\$ 310,000	\$ 231,672	\$ 541,672	\$ 541,671	\$ 1
School-sponsored cocurricular athletics:					
Salaries	-	101,262	101,262	101,262	-
Supplies and materials	20,000	(12,887)	7,113	7,113	-
Other objects	20,000	(18,494)	1,506	1,500	6
Total other instructional	<u>350,000</u>	<u>301,553</u>	<u>651,553</u>	<u>651,546</u>	<u>7</u>
Total instruction	<u>14,045,000</u>	<u>881,466</u>	<u>14,926,466</u>	<u>18,323,501</u>	<u>(3,397,035)</u>
Undistributed expenditures:					
Attendance and social work:					
Salaries	237,000	37,318	274,318	274,317	1
Supplies and materials	2,000	(1,999)	1	-	1
Other objects	3,000	(2,266)	734	733	1
Total attendance and social work	<u>242,000</u>	<u>33,053</u>	<u>275,053</u>	<u>275,050</u>	<u>3</u>
Health services:					
Salaries	237,000	4,570	241,570	241,570	-
Supplies and materials	5,000	7,345	12,345	12,345	-
Other objects	12,000	2,408	14,408	14,408	-
Total health services	<u>254,000</u>	<u>14,323</u>	<u>268,323</u>	<u>268,323</u>	<u>-</u>
Other support services-students-regular:					
Salaries of other professional staff	1,195,000	(314,113)	880,887	880,886	1
Salaries of secretarial and clerical assistants	660,000	50,506	710,506	710,505	1
Supplies and materials	8,000	(7,999)	1	-	1
Other objects	8,000	(8,000)	-	-	-
Total other support services-students-regular	<u>1,871,000</u>	<u>(279,606)</u>	<u>1,591,394</u>	<u>1,591,391</u>	<u>3</u>
Other support services-students-special services					
Salaries of other professional staff	995,000	(137,034)	857,966	857,966	-
Salaries of secretarial and clerical assistants	50,000	13,723	63,723	63,723	-
Supplies and materials	10,000	2,995	12,995	12,995	-
Other objects	10,000	(4,500)	5,500	5,500	-
Total other support services-students-special services:	<u>1,065,000</u>	<u>(124,816)</u>	<u>940,184</u>	<u>940,184</u>	<u>-</u>
Improvement of instructional services					
Salaries of supervisor of instruction	75,000	12,366	87,366	87,365	1
Salaries of other professional staff	63,000	(30,948)	32,052	32,051	1
Salaries of secretarial and clerical assistants	-	10,348	10,348	10,347	1
Supplies and materials	1,000	(920)	80	80	-
Other objects	1,000	-	1,000	1,000	-
Total improvement of instructional services	<u>140,000</u>	<u>(9,154)</u>	<u>130,846</u>	<u>130,843</u>	<u>3</u>
Educational media services:					
Salaries	755,000	125,152	880,152	880,152	-
Supplies and materials	3,000	(2,020)	980	980	-
Other objects	3,000	(3,000)	-	-	-
Total educational media services:	<u>761,000</u>	<u>120,132</u>	<u>881,132</u>	<u>881,132</u>	<u>-</u>
Instructional staff training services					
Other purchased professional and technical services	-	525	525	525	-
Total instructional staff training services	<u>-</u>	<u>525</u>	<u>525</u>	<u>525</u>	<u>-</u>
Support services - general administration					
Salaries	1,145,000	4,416	1,149,416	1,149,416	-
Legal services	205,000	(94,465)	110,535	110,535	-
Audit	80,000	46,000	126,000	126,000	-
Other purchased professional services	40,000	112,989	152,989	152,989	-
Purchased professional and technical services	20,000	19,751	39,751	39,751	-
Communications/telephone	360,000	77,906	437,906	437,906	-
Other purchased services	10,000	1,975	11,975	11,975	-
Supplies and materials	20,000	51,272	71,272	71,272	-
Boe in-house training/meeting supplies	20,000	(20,000)	-	-	-
Judgments	5,000	(5,000)	-	-	-
Miscellaneous expenditures	25,000	(6,262)	18,738	18,738	-
Boe membership dues and fees	30,000	19,389	49,389	49,389	-
Total support services - general administration	<u>1,960,000</u>	<u>207,971</u>	<u>2,167,971</u>	<u>2,167,971</u>	<u>-</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES (Continued)</b>					
CURRENT EXPENSE (Continued):					
Undistributed expenditures (Continued):					
Support services - school administration					
Salaries of principals/assistant principals	\$ 400,000	\$ (12,552)	\$ 387,448	\$ 387,447	\$ 1
Salaries of secretarial and clerical assistants	400,000	(54,315)	345,685	345,685	-
Supplies and materials	25,000	(100)	24,900	24,899	1
Other objects	30,000	77,341	107,341	107,341	-
Total support services - school administrator	<u>855,000</u>	<u>10,374</u>	<u>865,374</u>	<u>865,372</u>	<u>2</u>
Central services:					
Salaries	985,000	382,066	1,367,066	1,367,065	1
Supplies and materials	22,000	8,304	30,304	30,303	1
Miscellaneous expenditures	3,000	(2,744)	256	256	-
Other objects	10,000	(23)	9,977	9,977	-
Total central services	<u>1,020,000</u>	<u>387,603</u>	<u>1,407,603</u>	<u>1,407,601</u>	<u>2</u>
Administrative information technology					
Salaries	15,000	(15,000)	-	-	-
Supplies and materials	45,000	104,305	149,305	149,304	1
Miscellaneous expenditures	95,000	(34,736)	60,264	60,264	-
Total administrative information technology	<u>155,000</u>	<u>54,569</u>	<u>209,569</u>	<u>209,568</u>	<u>1</u>
Required maintenance for school facilities					
Salaries	202,000	100,557	302,557	302,557	-
Cleaning, repair, and maintenance service:	81,000	509,546	590,546	590,546	-
General supplies	65,000	(23,413)	41,587	41,586	1
Other objects	172,000	95,813	267,813	267,812	1
Total required maintenance for school facilities	<u>520,000</u>	<u>682,503</u>	<u>1,202,503</u>	<u>1,202,501</u>	<u>2</u>
Other operating and maintenance of plant services					
Salaries	2,400,000	279,573	2,679,573	2,679,572	1
Cleaning, repair and maintenance services:	250,000	(199,839)	50,161	50,160	1
Rental of land, building and other than lease purchase:	50,000	(49,999)	1	-	1
Other purchased property services	20,000	(11,638)	8,362	8,361	1
Insurance	900,000	143,447	1,043,447	1,043,447	-
General supplies	80,000	17,617	97,617	97,617	-
Energy (energy and electricity, natural gas)	1,410,000	(118,051)	1,291,949	1,291,948	1
Other objects	45,000	565	45,565	45,565	-
Total other operating and maintenance of plant services:	<u>5,155,000</u>	<u>61,675</u>	<u>5,216,675</u>	<u>5,216,670</u>	<u>5</u>
Student transportation services:					
Salaries for pupil transportation - (between home and school) - regular	1,830,000	632,365	2,462,365	2,462,365	-
Salaries for pupil transportation - (between home and school) - special	775,000	138,070	913,070	913,070	-
Salaries for pupil transportation - (Other than between home and school)	125,000	(3,929)	121,071	121,070	1
Miscellaneous purchased services - transportation	90,000	7,510	97,510	97,509	1
Supplies and materials	45,000	(2,875)	42,125	42,124	1
Other objects	70,000	(36,670)	33,330	33,330	-
Total student transportation services	<u>2,935,000</u>	<u>734,471</u>	<u>3,669,471</u>	<u>3,669,468</u>	<u>3</u>
Unallocated benefits:					
Social security contributions	1,296,222	1,935,571	3,231,793	1,427,789	1,804,004
TPAF Contribution ERIP	360,000	-	360,000	360,000	-
Other retirement - regular	1,490,000	-	1,490,000	1,444,004	45,996
Other contribution ERIP	60,000	(58,735)	1,265	1,264	1
Health benefits	9,750,000	(2,337,025)	7,412,975	7,247,974	165,001
Unemployment compensation	75,000	(73,345)	1,655	1,654	1
On-Behalf TPAF Contribution (Non budgeted):					
Pension	-	-	-	2,198,734	(2,198,734)
Long term disability insurance	-	-	-	2,462	(2,462)
Post retirement medical	-	-	-	1,832,046	(1,832,046)
Reimbursed TPAF Social Security contributions (Non budgeted)	-	-	-	1,467,323	(1,467,323)
Total unallocated benefits	<u>13,031,222</u>	<u>(533,534)</u>	<u>12,497,688</u>	<u>15,983,250</u>	<u>(3,485,562)</u>
Total undistributed expenditures	<u>29,964,222</u>	<u>1,360,089</u>	<u>31,324,311</u>	<u>34,809,849</u>	<u>(3,485,538)</u>
Total current expense	<u>44,009,222</u>	<u>2,241,555</u>	<u>46,250,777</u>	<u>53,133,350</u>	<u>(6,882,573)</u>

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES (Continued)</b>					
<b>CAPITAL OUTLAY:</b>					
Assessment for debt service on SDA funding	\$ 3,778	\$ (3,778)	\$ -	\$ 3,778	\$ (3,778)
Total Capital Outlay	<u>3,778</u>	<u>(3,778)</u>	<u>-</u>	<u>3,778</u>	<u>(3,778)</u>
<b>SPECIAL SCHOOLS:</b>					
Vocational post graduate - instruction:					
Salaries of teachers	80,000	(50,667)	29,333	29,332	1
Other salaries for instruction	290,000	(22,644)	267,356	267,356	-
Other purchased services	4,000	(4,000)	-	-	-
General supplies	30,000	999	30,999	30,829	170
Textbooks	45,000	(16,837)	28,163	28,163	-
Other objects	21,000	(25)	20,975	20,975	-
Total vocational post graduate - instruction	<u>470,000</u>	<u>(93,174)</u>	<u>376,826</u>	<u>376,655</u>	<u>171</u>
Accredited evening/adult high school post-graduate - instruction:					
Salaries of teachers	2,600,000	(16,057)	2,583,943	2,583,941	2
Other salaries for instruction	830,000	180,999	1,010,999	1,010,999	-
Purchased professional and technical services	105,000	101,306	206,306	206,305	1
General supplies	45,000	(10,016)	34,984	34,983	1
Textbooks	45,000	(15,127)	29,873	29,873	-
Other objects	40,000	(13,325)	26,675	26,674	1
Total accredited evening/adult high school post-graduate - instruction	<u>3,665,000</u>	<u>227,780</u>	<u>3,892,780</u>	<u>3,892,775</u>	<u>5</u>
Accredited evening/adult high school post-graduate - support service:					
Salaries	1,950,000	(272,606)	1,677,394	1,677,394	-
Supplies and materials	18,000	(14,000)	4,000	4,000	-
Other objects	18,000	12,783	30,783	30,781	2
Total accredited evening/adult high school post-graduate - support service	<u>1,986,000</u>	<u>(273,823)</u>	<u>1,712,177</u>	<u>1,712,175</u>	<u>2</u>
Total accredited evening/adult high school/post-graduate	<u>5,651,000</u>	<u>(46,043)</u>	<u>5,604,957</u>	<u>5,604,950</u>	<u>7</u>
Total special schools	<u>6,121,000</u>	<u>(139,217)</u>	<u>5,981,783</u>	<u>5,981,605</u>	<u>178</u>
<b>TOTAL EXPENDITURES</b>	<u>50,134,000</u>	<u>2,098,560</u>	<u>52,232,560</u>	<u>59,118,733</u>	<u>(6,886,173)</u>
(Deficiency) of revenues (under) expenditures	<u>(1,550,498)</u>	<u>(2,098,560)</u>	<u>(3,649,058)</u>	<u>(3,748,607)</u>	<u>(99,549)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from internal service fund	-	-	-	722,387	722,387
Transfer to food service fund	-	-	-	(320,585)	(320,585)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,802</u>	<u>401,802</u>
(Deficiency) of revenues and other financing sources (under) expenditures and other financing sources (uses)	<u>(1,550,498)</u>	<u>(2,098,560)</u>	<u>(3,649,058)</u>	<u>(3,346,805)</u>	<u>302,253</u>
Fund balance, July 1	3,616,739	-	3,616,739	3,616,739	-
Fund balance, June 30	<u>\$ 2,066,241</u>	<u>\$ (2,098,560)</u>	<u>\$ (32,319)</u>	<u>\$ 269,934</u>	<u>\$ 302,253</u>
<b>Recapitulation:</b>					
Unassigned fund balance				\$ 269,934	
<b>Reconciliation to Governmental Funds (GAAP)</b>					
Last state aid payment not recognized on GAAP basis				(2,120,041)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ (1,850,107)</u>	

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**for the Fiscal Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>					
Federal sources	\$ 5,482,015	\$ -	\$ 5,482,015	\$ 5,482,015	\$ -
State sources	215,072	-	215,072	215,072	-
Total Revenues	<u>5,697,087</u>	<u>-</u>	<u>5,697,087</u>	<u>5,697,087</u>	<u>-</u>
<b>EXPENDITURES</b>					
Instruction:					
Salaries of teachers	846,445	-	846,445	846,445	-
General supplies	49,838	-	49,838	49,838	-
Other objects	53,850	-	53,850	53,850	-
Total Instruction	<u>950,133</u>	<u>-</u>	<u>950,133</u>	<u>950,133</u>	<u>-</u>
Support services:					
Salaries of other professional staff	846,030	-	846,030	846,030	-
Personal services - employee benefits	763,806	-	763,806	763,806	-
Purchased professional - educational services	60,226	-	60,226	60,226	-
Other purchased professional services	2,194,834	-	2,194,834	2,194,834	-
Rent, utilities, security and maintenance	75,901	-	75,901	75,901	-
Travel	554	-	554	554	-
Other purchased services (400-500 series)	4,801	-	4,801	4,801	-
Supplies & materials	18,000	-	18,000	18,000	-
Other objects	1,491	-	1,491	1,491	-
Total support services	<u>3,965,643</u>	<u>-</u>	<u>3,965,643</u>	<u>3,965,643</u>	<u>-</u>
Facilities acquisition and construction services:					
Instructional equipment	781,311	-	781,311	781,311	-
Total facilities acquisition and construction services	<u>781,311</u>	<u>-</u>	<u>781,311</u>	<u>781,311</u>	<u>-</u>
Total expenditures	<u>5,697,087</u>	<u>-</u>	<u>5,697,087</u>	<u>5,697,087</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, 2017**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$ 50,591,948	[C-2] \$ 5,697,087
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	-	(906,239)
Prior	-	465,955
State aid payment recognized for GAAP statements in current year previously recognized for budgetary purposes	2,184,694	-
State aid payment recognized for budgetary purposes, no recognized for GAAP statements	<u>(2,120,041)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditure and changes in fund balances - governmental funds.	[B-2] \$ <u>50,656,601</u>	[B-2] \$ <u>5,256,803</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 53,618,168	[C-2] \$ 5,697,087
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 purpose:		
Current	-	(906,239)
Prior	-	465,955
Total expenditures as reported on the statement of revenues expenditures, and changes in fund balances - governmental funds	[B-2] \$ <u>53,618,168</u>	[B-2] \$ <u>5,256,803</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART III**

**PENSION INFORMATION SCHEDULES**

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**SCHEDULE OF THE DistrictS PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**  
**LAST FOUR FISCAL YEARS**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.1599185999%	0.1577611755%	0.1551639228%	0.1566660650%
District's proportionate share of the net pension liability	\$ 47,363,302	\$ 35,414,223	\$ 29,050,930	\$ 29,940,963
District's covered-employee payroll	\$ 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	410.32%	315.83%	265.49%	278.92%
Plan fiduciary net position as a percentage of the total pension liability	31.20%	38.21%	42.74%	48.72%

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

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

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
States proportion of the net pension liability attributable to the District	0.1939664165%	0.1905636796%	0.1928234153%	0.1906916103%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 21,640,623	\$ 21,136,488	\$ 20,203,608	\$ 19,438,138
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
PART III**



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
LAST FOUR FISCAL YEARS**

*Changes in benefits terms* : None

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

	PERS	TPAF
Discount rate as of June 30, 2016	3.98%	3.22%
Discount rate as of June 30, 2015	4.90%	4.13%
Discount rate as of June 30, 2014	5.39%	4.68%

*Other changes in assumptions*: New assumptions related to future increases in Social Security wage Base and the 401(a)(17) limit have been added for PERS as follows.

401(a)(17) Pay Limit:	3.00% per annum
Social Security Wage Base:	4.00% per annum

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

	PERS	TPAF
Inflation	3.08%	2.50%
Projected salary increase 2016-2026	1.65-4.15% based on age	Varies based on experience
Thereafter	2.65-5.15% based on age	Varies based on experience
Projected COLAs	N/A*	N/A*
Investment rate of return	7.65%	7.65%

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

*Contributions*: Contributions reported on Exhibit L-2 represent actual contributions by the District including contributions to the Non-Contributory Group Insurance Premium Fund.

**OTHER SUPPLEMENTARY INFORMATION**

## **SPECIAL REVENUE FUND**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable 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, 2017**

	Total Brought Forward (Ex.E-1a)	No Child Left Behind		Career and Technical Education - Perkins		Totals
		Title I Part A	Title II Part A	Secondary	Post-Secondary	
<b>REVENUES</b>						
Federal Sources	\$ 3,715,484	\$ 931,601	\$ 48,812	\$ 706,954	\$ 74,357	\$ 5,482,015
Slate Sources	215,072	-	-	-	-	215,072
Total revenues	3,930,556	931,601	48,812	706,954	74,357	5,697,087
<b>EXPENDITURES</b>						
Instruction:						
Salaries of Teachers	126,445	720,000	-	-	-	846,445
General Supplies	12,630	24,401	8,000	-	-	49,838
Other Objects	13,038	-	40,812	-	-	53,850
Total Instruction	152,113	744,401	48,812	-	-	950,133
Support services:						
Salaries of Other Professional Staff	846,030	-	-	-	-	846,030
Personal Services - Employee Benefits	576,606	187,200	-	-	-	763,806
Purchased Professional - Educational Services	60,226	-	-	-	-	60,226
Other Purchased Professional Services	2,194,834	-	-	-	-	2,194,834
Rent, utilities, security and maintenance	75,901	-	-	-	-	75,901
Travel	554	-	-	-	-	554
Other Purchased Services (400-500 series)	4,801	-	-	-	-	4,801
Supplies & Materials	18,000	-	-	-	-	18,000
Other Objects	1,491	-	-	-	-	1,491
Total support services	3,778,443	187,200	-	-	-	3,965,643
Facilities acquisition and construction services:						
Instructional Equipment	-	-	-	699,757	81,554	781,311
Total facilities acquisition and construction services	-	-	-	699,757	81,554	781,311
Total expenditures	3,930,556	931,601	48,812	699,757	81,554	5,697,087
Total outflows	3,930,556	931,601	48,812	699,757	81,554	5,697,087
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	\$ -	\$ -	\$ -	\$ 7,197	\$ (7,197)	\$ -

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Special Revenue Fund**  
**Combining Schedules of Program Revenues and Expenditures - Budgetary Basis**  
**for the Fiscal Year Ended June 30, 2017**

	I.D.E.A. Part B Basic	Workforce Investment Opportunity Act (WIOA)		Apprenticeship Coordinator	Workforce Learning Link	Total Carried Forward
		Adult	Youth			
<b>REVENUES</b>						
Federal Sources	\$ 575,405	\$ 957,073	\$ 1,156,517	\$ -	\$ -	\$ 3,715,484
Slate Sources	-	-	-	23,846	191,226	215,072
Total revenues	575,405	957,073	1,156,517	23,846	191,226	3,930,556
<b>EXPENDITURES</b>						
Instruction:						
Salaries of Teachers	111,445	-	-	15,000	-	126,445
General Supplies	12,630	-	-	-	-	12,630
Other Objects	13,038	-	-	-	-	13,038
Total Instruction	137,113	-	-	15,000	-	152,113
Support services:						
Salaries of Other Professional Staff	275,764	89,584	126,712	-	68,276	846,030
Personal Services - Employee Benefits	89,528	124,051	89,934	2,000	28,823	576,606
Purchased Professional - Educational Services	42,000	-	-	-	18,226	60,226
Other Purchased Professional Services	13,000	743,438	939,871	-	-	2,194,834
Rent, utilities, security and maintenance	-	-	-	-	75,901	75,901
Travel	-	-	-	554	-	554
Other Purchased Services (400-500 series)	-	-	-	4,801	-	4,801
Supplies & Materials	18,000	-	-	-	-	18,000
Other Objects	-	-	-	1,491	-	1,491
Total support services	438,292	957,073	1,156,517	8,846	191,226	3,778,443
Facilities acquisition and construction services:						
Instructional Equipment	-	-	-	-	-	-
Total facilities acquisition and construction services	-	-	-	-	-	-
Total expenditures	575,405	957,073	1,156,517	23,846	191,226	3,930,556
Total outflows	575,405	957,073	1,156,517	23,846	191,226	3,930,556
Excess (deficiency) of revenues over (under) expenditures and other financing (uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## **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, 2017**

Exhibit F-1

Ordinance Numbers	Ordinance Date	Project Title/Issue	Ordinance Amount	Expenditures to Date		Awarded/ (Cancelled) Current Year	Unexpended Balance June 30, 2017
				Prior Years	Current Year		
213-4-1993	04/23/93	Various Buses and Equipment	\$ 1,625,000	\$ 1,618,710	\$ -	\$ (6,290)	\$ -
354-7-1997 Amended as 512-10-1998	4/27/1993 10/08/98	Improvements/Roof Replacement and Construction, HVAC Systems, Interior Exterior Renovations and Refurbishing, Underground Storage Tank Removal, etc	3,600,000	3,545,409	-	(54,591)	-
331-6-1998	06/25/98	Improvements/Renovations of Various Facilities and Purchase of Various Equipment	700,000	699,733	-	(267)	-
412-9-2000	09/28/00	Various Capital Improvements	4,300,000	4,203,790	-	(96,210)	-
305-7-2004	07/08/04	Improvements/Renovation of Various Facilities, Network Upgrade, Various Buses and Equipment	6,549,536	6,475,000	74,536	74,536	-
299-7-2005 Amended as 535-11-2007	07/14/05	Improvements/Acquisition of Various Equipment	5,053,975	4,998,654	55,321	53,975	-
269-6-2006	06/22/06	Improvements/Acquisition of Various Equipment	11,928,954	11,788,977	139,977	128,954	-
406-7-2012	07/12/12	Improvements/Acquisition of Various Equipment	8,600,000	8,486,868	113,132	-	-
261-5-2013	05/07/13	Improvements/Acquisition of Various Equipment	15,590,933	9,538,486	6,052,447	90,933	-
271-5-14	05/27/2014	Improvements/Acquisition of Various Equipment	10,073,007	9,994,703	78,304	73,007	-
268-5-15	05/21/2015	Improvements/Acquisition of Various Equipment	9,990,000	9,234,576	755,424	90,000	-
490-8-16	07/19/2016	Improvements/Acquisition of Various Equipment	8,000,000	-	2,217,397	-	5,782,603
534-8-2017	08/10/2017	Improvements/Acquisition of Various Equipment	7,920,000	-	-	7,920,000	7,920,000
		Construction of New High School Various Costs	1,509,274	-	1,509,274	1,509,274	-
			<u>\$ 95,440,679</u>	<u>\$ 70,584,906</u>	<u>\$ 10,995,812</u>	<u>\$ 9,783,321</u>	<u>\$ 13,702,603</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY

Exhibit F-2

Capital Projects Fund

Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis

For the Fiscal Year Ended June 30, 2017

**Revenues and other financing sources:**

Hudson County School of Technology Improvement Authorizations- Issued and Financed by the County of Hudson, State of New Jersey	\$ 9,783,321
Total revenues and other financing sources	<u>9,783,321</u>

**Expenditures and other financing uses:**

Building Improvements and Equipment purchases	10,995,812
Total expenditures and other financing uses	<u>10,995,812</u>

(Deficiency) of revenues (under) expenditures (1,212,491)

Fund balance, July 1	14,915,094
Fund balance, June 30	<u>\$ 13,702,603</u>



## **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’s board 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.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

**Exhibit G-1**

	Food Service
<b>ASSETS</b>	
Current assets:	
State receivables	\$ 539
Federal receivables	41,955
Total current assets	42,494
Capital assets:	
Furniture, machinery and equipment	965,975
Less: accumulated depreciation	(273,074)
Total capital assets	692,901
Total assets	735,395
<b>LIABILITIES</b>	
Current liabilities:	
Interfund payable	42,494
Total current liabilities	42,494
Total liabilities	42,494
<b>NET POSITION</b>	
Net investment in capital assets	692,901
Unrestricted	-
Total net position	\$ 692,901

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

**Exhibit G-2**

	<b>Food Service</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Daily sales - reimbursable programs	\$ 667,334
Miscellaneous	102
Total operating revenues	667,436
<b>OPERATING EXPENSES</b>	
Cost of sales - reimbursable programs	1,596,412
Depreciation	64,285
Total operating expenses	1,660,697
Operating (loss)	(993,261)
Nonoperating revenues:	
State sources:	
State school lunch program	8,233
Federal sources:	
National school lunch program	423,621
National school breakfast program	157,177
Food distribution program	54,511
Total nonoperating revenues	643,542
(Loss) before transfer and adjustment	(349,719)
Transfer from general fund - contribution	320,585
Adjustment per valuation of capital assets	722,035
Change in net position	692,901
Net position, July 1	-
Net position, June 30	\$ 692,901

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

**Exhibit G-3**

	<b>Food Service</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 667,436
Payments to suppliers and employees	(1,596,412)
Net cash (used for) operating activities	(928,976)
<b>Cash flows from non-capital financing activities:</b>	
State sources	9,054
Federal sources	690,033
Payment of interfund payable	(70,545)
Contribution transferred from general fund	300,434
Net cash provided by non-capital financing activities	928,976
Net change in cash and cash equivalents	-
Cash and cash equivalents, July 1	-
Cash and cash equivalents, June 30	\$ -
<b>Reconciliation of operating (loss) to net cash (used) for operating actives:</b>	
Operating (loss)	\$ (993,261)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	64,285
Total adjustments	64,285
Net cash (used for) operating activities	\$ (928,976)
<b>Noncash capital financing activities:</b>	
Food distribution program	\$ 54,511

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Internal Service Funds**  
**Combining Statement of Net Position**  
**For the Year Ended June 30, 2017**

Exhibit G-4

	<b>Transportation Consortium</b>	<b>Career Development Center</b>	<b>Youth House Services</b>	<b>Total Internal Service Fund</b>
<b>ASSETS</b>				
Current assets:				
Accounts receivable:				
Due from County of Hudson	\$ -	\$ 499,044	\$ 366,500	\$ 865,544
Due from other local education agencies	303,766	-	-	303,766
Total current assets	303,766	499,044	366,500	1,169,310
Capital assets:				
Equipment	-	-	106,113	106,113
Less: Accumulated depreciation	-	-	(106,113)	(106,113)
Total capital assets	-	-	-	-
Total assets	303,766	499,044	366,500	1,169,310
<b>LIABILITIES</b>				
Current liabilities:				
Interfund payable	303,766	499,044	366,500	1,169,310
Total current liabilities	303,766	499,044	366,500	1,169,310
Total liabilities	303,766	499,044	366,500	1,169,310
<b>NET POSITION</b>				
Unrestricted	-	-	-	-
Total net position	\$ -	\$ -	\$ -	\$ -

HUDSON COUNTY SCHOOLS OF TECHNOLOGY

Exhibit G-5

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2017

	<u>Transportation Consortium</u>	<u>Career Development Center</u>	<u>Youth House Services</u>	<u>Total Internal Service Fund</u>
<b>OPERATING REVENUES</b>				
Charges for services:				
Transportation fees from other local education agencies	\$ 3,475,503	\$ -	\$ -	\$ 3,475,503
Career development programs and fees	-	852,364	-	852,364
Total operating revenues	<u>3,475,503</u>	<u>852,364</u>	<u>-</u>	<u>4,327,867</u>
<b>OPERATING EXPENSES</b>				
Salaries	1,394,249	-	-	1,394,249
Other purchased services	2,006,272	852,364	-	2,858,636
Total operating expenses	<u>3,400,521</u>	<u>852,364</u>	<u>-</u>	<u>4,252,885</u>
Income before transfers	74,982	-	-	74,982
Transfers to general fund	<u>(367,912)</u>	<u>-</u>	<u>(354,475)</u>	<u>(722,387)</u>
Change in net position	(292,930)	-	(354,475)	(647,405)
Net position, July 1	292,930	-	354,475	647,405
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 Year Ended June 30, 2017**

Exhibit G-6

	<b>Transportation Consortium</b>	<b>Career Development Center</b>	<b>Youth House Services</b>	<b>Total Internal Service Fund</b>
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 3,400,521	\$ 852,364	\$ -	\$ 4,252,885
Payment for salaries and benefits	(1,394,249)	-	-	(1,394,249)
Payments to suppliers	(2,006,272)	(852,364)	-	(2,858,636)
Net cash provided by operating activities	-	-	-	-
Net change in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, July 1	-	-	-	-
Cash and cash equivalents, June 30	\$ -	\$ -	\$ -	\$ -
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income	\$ 74,982	\$ -	\$ -	\$ 74,982
Adjustments to reconcile operating income to net cash provided by operating activities:				
Decrease in accounts receivable	339,523	-	-	339,523
(Decrease) in interfund payable	(414,505)	-	-	(414,505)
Total adjustments	(74,982)	-	-	(74,982)
Net cash provided by operating activities	\$ -	\$ -	\$ -	\$ -

## **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 a school 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 an expendable trust fund where both principal and interest may be spent for unemployment compensation claims.

#### **Student Activity Fund -**

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

#### **Payroll Agency Fund -**

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



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

**Exhibit H-1**

	<b>Unemployment Compensation Insurance Trust Fund</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,790	\$ 842,259
Total assets	<u>5,790</u>	<u>842,259</u>
<b>LIABILITIES</b>		
Payable to student groups	-	480,584
Interfund payable	-	165,000
Payroll deductions and withholdings	-	196,675
Total liabilities	<u>-</u>	<u>\$ 842,259</u>
<b>NET POSITION</b>		
Held in trust for unemployment claims	5,790	
Total net position	<u>\$ 5,790</u>	

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit H-2**

	<b>Unemployment Compensation Insurance Trust Fund</b>
<b>ADDITIONS</b>	
Contributions	\$ 57,352
Total additions	57,352
 <b>DEDUCTIONS</b>	
Unemployment claims	51,573
Total deductions	51,573
 Change in net position	5,779
 Net position, July 1	11
Net position, June 30	\$ 5,790

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**  
**Student Activity Agency Fund**  
**Schedule of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 2017**

**Exhibit H-3**

	<u>Balance June 30, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
All Locations	\$ 143,252	\$ 1,090,445	\$ 753,113	\$ 480,584
	<u>\$ 143,252</u>	<u>\$ 1,090,445</u>	<u>\$ 753,113</u>	<u>\$ 480,584</u>

HUDSON COUNTY SCHOOLS OF TECHNOLOGY

Exhibit H-4

Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2017

	<u>Balance June 30, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
<b>PAYROLL AGENCY FUND:</b>				
Net payroll	\$ 11,564	\$ 24,999,408	\$ 25,003,155	\$ 7,817
Payroll agency	<u>87,420</u>	<u>34,788,140</u>	<u>34,521,702</u>	<u>353,858</u>
Total payroll agency fund	<u>\$ 98,984</u>	<u>\$ 59,787,548</u>	<u>\$ 59,524,857</u>	<u>\$ 361,675</u>

**STATISTICA SECTION**  
**(Unaudited)**

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

**J Series**

<b><u>CONTENTS:</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	93 - 98
<b>Revenue Capacity</b> Not Applicable	99 - 102
<b>Debt Capacity</b> Not Applicable	103 - 106
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	107 - 108
<b>Operating Information</b> 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.	109 - 114

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 29,411,512	\$ 57,978,754	\$ 54,113,387	\$ 46,048,092	\$ 47,363,302	\$ 14,307,328	\$ 13,555,843	\$ 12,878,704	\$ 12,946,705	\$ 13,722,087
Restricted	13,702,603	1,414,328	2,514,575	976,747	187,378	187,378	200,741	228,867	223,809	639,820
Unrestricted	(48,586,890)	(41,235,718)	(41,294,673)	(10,498,643)	-	(9,247,787)	(8,763,162)	(5,395,401)	1,421,021	5,718,675
<b>Total governmental activities net position</b>	<b>\$ (5,472,775)</b>	<b>\$ 18,157,364</b>	<b>\$ 15,333,289</b>	<b>\$ 36,526,196</b>	<b>\$ 47,550,680</b>	<b>\$ 5,246,919</b>	<b>\$ 4,993,422</b>	<b>\$ 7,712,170</b>	<b>\$ 14,591,535</b>	<b>\$ 20,080,582</b>
<b>Business-type activity:</b>										
Net investment in capital assets	\$ 692,901	\$ 35,151	\$ 50,151	\$ 65,151	\$ 80,151	\$ 95,151	\$ 110,151	\$ 125,151	\$ 144,926	\$ 35,259
Unrestricted	-	(35,151)	(50,151)	(65,151)	(80,151)	(95,151)	(181,217)	(125,151)	(144,926)	95,016
<b>Total business-type activity net position</b>	<b>\$ 692,901</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (71,066)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 130,275</b>
<b>Government-wide:</b>										
Net investment in capital assets	\$ 30,104,413	\$ 58,013,905	\$ 54,163,538	\$ 46,113,243	\$ 47,443,453	\$ 14,402,479	\$ 13,665,994	\$ 13,003,855	\$ 13,091,631	\$ 13,757,346
Restricted	13,702,603	1,414,328	2,514,575	976,747	187,378	187,378	200,741	228,867	223,809	639,820
Unrestricted	(48,586,890)	(41,270,869)	(41,344,824)	(10,563,794)	(80,151)	(9,342,938)	(8,944,379)	(5,520,552)	1,276,095	5,813,691
<b>Total government-wide net position</b>	<b>\$ (4,779,874)</b>	<b>\$ 18,157,364</b>	<b>\$ 15,333,289</b>	<b>\$ 36,526,196</b>	<b>\$ 47,550,680</b>	<b>\$ 5,246,919</b>	<b>\$ 4,922,356</b>	<b>\$ 7,712,170</b>	<b>\$ 14,591,535</b>	<b>\$ 20,210,857</b>

Source: School records



Hudson County Schools of Technology  
Changes in Net Assets  
Last Ten Fiscal Years  
(Unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Expenses:</b>										
Governmental activities:										
Instruction:										
Regular	\$ 12,500,829	\$ 12,132,562	\$ 13,279,126	\$ 12,817,822	\$ -	\$ 8,699,108	\$ 10,009,042	\$ 11,705,331	\$ 9,310,802	\$ 10,147,693
Vocational	6,121,259	6,124,066	5,776,504	5,840,705	-	5,209,591	4,701,861	5,206,508	6,051,171	4,639,239
School sponsored cocurricular activities	651,546	401,329	468,942	396,935	-	236,252	254,089	738,806	786,307	880,915
Support services:										
Student and instruction related services	7,612,807	7,906,758	4,622,168	4,461,589	-	6,466,809	6,122,044	7,031,470	6,244,167	6,510,238
School administrative services	3,033,343	1,023,735	3,117,769	3,009,309	-	4,615,864	4,246,780	5,957,117	3,933,502	3,360,649
General and business administration services	1,617,169	2,944,832	1,163,027	1,116,577	-	1,565,874	1,699,080	1,798,313	1,664,102	1,409,504
Plant operations and maintenance	7,204,260	6,208,735	5,773,926	5,491,370	5,384,231	5,098,731	5,054,828	4,796,216	5,742,214	5,026,160
Pupil transportation	7,069,989	6,900,460	6,694,904	5,922,433	5,717,771	5,869,297	5,942,977	6,387,673	6,743,450	6,264,791
Special Schools	6,833,969	6,588,467	6,835,411	6,722,010	7,191,308	6,490,405	6,117,631	7,367,120	7,416,664	6,840,682
Unallocated depreciation	1,834,284	3,627,858	1,454,799	1,822,526	1,427,776	1,359,034	1,256,166	1,148,563	1,022,243	1,162,635
Capital expenditures not capitalized	-	650,142	-	-	726,106	1,050,124	1,261,128	1,993,515	1,566,994	1,269,809
Unallocated Benefits	28,895,602	15,430,324	9,021,524	12,493,644	13,194,821	12,205,336	13,132,405	13,963,055	13,090,473	12,434,208
Total governmental activities expenses	83,375,057	69,959,268	58,208,100	60,094,920	33,642,013	58,866,425	60,530,418	68,781,100	63,572,089	59,946,523
Business-type Activity:										
Food service	1,660,697	1,350,157	1,066,714	1,091,204	1,046,082	1,077,059	739,280	776,102	865,249	749,408
Total business-type activity expense	1,660,697	1,350,157	1,066,714	1,091,204	1,046,082	1,077,059	739,280	776,102	865,249	749,408
Total expenses	85,035,754	71,309,425	59,274,814	61,186,124	34,688,095	59,943,484	61,269,698	69,557,202	64,437,338	60,695,931
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
Instruction (tuition)	944,955	771,775	-	569,000	-	968,110	953,254	1,288,934	1,689,564	812,000
Pupil transportation	3,475,503	3,723,919	3,499,974	3,045,791	-	3,504,493	3,211,056	3,465,601	4,194,601	4,067,143
Special schools	852,364	-	-	-	-	-	-	-	-	-
Operating grants and contributions	20,033,122	6,047,679	542,000	7,411,632	-	8,398,373	9,435,227	10,104,461	7,335,326	9,859,707
Capital grants and contributions	9,783,321	8,000,000	9,000,000	10,199,148	-	-	-	140,225	284,095	567,514
Governmental activities program revenues	35,089,265	18,543,373	13,041,974	21,225,571	-	12,870,976	13,599,537	14,999,221	13,503,586	15,306,364
Business-type activities										
Charges for services:										
Food service	667,334	384,709	270,468	287,417	289,413	289,413	264,359	319,125	334,612	363,520
Operating grants and contributions	643,542	539,250	438,848	450,780	278,448	278,448	403,855	439,687	362,249	285,319
Total Business-type Activities Program Revenues	1,310,876	923,959	709,316	738,197	567,861	567,861	668,214	758,812	696,861	648,839
Total program revenues	36,400,141	19,467,332	13,751,290	21,963,768	567,861	13,438,837	14,267,751	15,758,033	14,200,447	15,955,203
Net (expense)/operating revenues:										
Governmental activities	(48,285,792)	(51,415,895)	(45,166,126)	(38,869,349)	(33,642,013)	(45,995,449)	(46,930,881)	(53,781,879)	(50,068,503)	(44,640,159)
Business-type activity	(349,821)	(426,198)	(357,398)	(353,007)	(478,221)	(509,198)	(71,066)	(17,290)	(168,388)	(100,569)
Total net (expense) operating revenues	\$ (48,635,613)	\$ (51,842,093)	\$ (45,523,524)	\$ (39,222,356)	\$ (34,120,234)	\$ (46,504,647)	\$ (47,001,947)	\$ (53,799,169)	\$ (50,236,891)	\$ (44,740,728)

Hudson County Schools of Technology  
Changes in Net Assets  
Last Ten Fiscal Years  
(Unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues, Transfers and Special Items:										
Governmental activities:										
Property taxes, contributed by										
County of Hudson - net	\$ 27,060,000	\$ 26,530,000	\$ 26,010,000	\$ 25,500,000	\$ 24,990,000	\$ 24,990,000	\$ 24,150,000	\$ 23,514,000	\$ 23,514,000	\$ 24,314,000
Unrestricted grants and contributions	21,268,832	26,818,334	26,799,213	21,882,206	22,121,943	22,121,943	19,244,871	22,572,967	20,318,626	16,712,574
Tuition received	-	-	670,751	652,219	607,625	607,625	729,528	397,509	302,363	429,600
Interest earnings	-	5,590	6,785	4,669	5,275	5,275	5,417	15,057	35,485	74,972
Miscellaneous income	650,679	412,244	784,831	210,185	269,126	269,126	419,264	356,238	234,841	891,318
Transfers	(320,585)	(426,198)	(357,398)	(353,007)	(478,221)	(478,221)	-	(17,290)	(38,113)	(100,569)
Special items	(24,003,273)	-	-	-	-	-	-	64,033	212,253	61,394
Total Governmental Activities	24,655,653	53,339,970	53,914,182	47,896,272	47,515,748	47,515,748	44,549,080	46,902,514	44,579,455	42,383,289
Business-type activities:										
Miscellaneous income	102									
Transfers	320,585	426,198	357,398	353,007	478,221	404,258	-	17,290	38,113	100,569
Special items	722,035									
Total business-type activities	1,042,722	426,198	357,398	353,007	478,221	404,258	-	17,290	38,113	100,569
Total general revenues, transfers and special items	25,698,375	53,766,168	54,271,580	48,249,279	47,993,969	47,920,006	44,549,080	46,919,804	44,617,568	42,483,858
Change in net position:										
Governmental activities	(23,630,139)	1,924,075	8,748,056	9,026,923	13,873,735	1,520,299	(2,381,801)	(6,879,365)	(5,489,048)	(2,256,870)
Business-type activities	692,901	-	-	-	-	(104,940)	(71,066)	-	(130,275)	-
Total change in net position	\$ (22,937,238)	\$ 1,924,075	\$ 8,748,056	\$ 9,026,923	\$ 13,873,735	\$ 1,415,359	\$ (2,452,867)	\$ (6,879,365)	\$ (5,619,323)	\$ (2,256,870)

Source: School records

HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
 Fund Balances - Governmental Funds  
 Last Ten  
 Fiscal Years  
 (Unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General fund:										
Committed	\$ -	\$ 1,300,623	\$ 2,400,221	\$ 849,723	\$ 41,800	\$ 85,383	\$ 62,729	\$ 205,130	\$ 85,452	\$ 606,991
Unassigned	(1,850,107)	131,422	695,577	631,076	(33,232)	(415,703)	(2,139,121)	(3,407,210)	(1,332,738)	1,720,426
Total general fund	<u>\$ (1,850,107)</u>	<u>\$ 1,432,045</u>	<u>\$ 3,095,798</u>	<u>\$ 1,480,799</u>	<u>\$ 8,568</u>	<u>\$ (330,320)</u>	<u>\$ (2,076,392)</u>	<u>\$ (3,202,080)</u>	<u>\$ (1,247,286)</u>	<u>\$ 2,327,417</u>
All other governmental funds:										
Committed:										
Capital projects fund	\$ -	\$ -	\$ -	\$ 4,678,399	\$ 2,103,000	\$ 666,629	\$ 592,620	\$ 984,556	\$ 230,078	\$ 545,870
Unassigned:										
Special revenue fund	-	-	-	-	-	-	-	-	-	(15,593)
Capital projects fund	13,702,603	14,915,094	21,298,961	18,253,731	18,633,312	733,375	3,843,849	7,555,046	11,874,158	12,868,740
Total all other governmental funds:	<u>13,702,603</u>	<u>14,915,094</u>	<u>21,298,961</u>	<u>22,932,130</u>	<u>20,736,312</u>	<u>1,400,004</u>	<u>4,436,469</u>	<u>8,559,602</u>	<u>12,104,236</u>	<u>13,399,017</u>

Source: School records

HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
Changes in Fund Balances - Governmental Funds  
Last Ten Fiscal Years  
(Unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>REVENUES</b>										
Tax levy	\$ 27,060,000	\$ 26,530,000	\$ 26,010,000	\$ 25,500,000	\$ 24,990,000	\$ 24,500,000	\$ 24,150,000	\$ 23,514,000	\$ 23,514,000	\$ 24,314,000
Tuition charges	944,955	771,775	670,751	652,219	607,625	529,350	729,528	397,509	302,363	429,600
Interest earnings	-	5,590	6,785	4,669	5,275	4,475	5,417	15,057	35,485	74,972
Miscellaneous	650,679	455,547	784,831	210,185	269,126	496,083	419,264	356,238	234,841	891,318
State sources	26,984,469	26,988,474	25,733,835	24,918,073	25,972,329	24,647,393	23,139,448	23,033,668	24,099,341	23,253,449
Federal sources	5,051,479	5,877,539	5,242,225	4,478,176	4,496,083	4,874,276	5,540,650	9,693,650	3,804,750	3,755,072
Private Sources	-	-	-	-	-	-	-	90,335	33,956	131,274
<b>Total Revenues</b>	<b>60,691,582</b>	<b>60,628,925</b>	<b>58,448,427</b>	<b>55,763,322</b>	<b>56,340,438</b>	<b>55,051,577</b>	<b>53,984,307</b>	<b>57,100,457</b>	<b>52,024,736</b>	<b>52,849,685</b>
<b>EXPENDITURES</b>										
Instruction:										
Regular instruction	12,500,829	11,678,124	13,279,126	11,593,621	9,019,226	8,522,120	8,878,447	9,100,911	7,546,910	8,526,487
Vocational education	6,121,259	6,124,068	5,707,619	5,840,705	5,392,858	5,209,591	4,701,861	5,206,508	6,051,171	4,639,239
School sponsored cocurricular activities	651,546	401,329	468,942	396,935	279,165	236,252	254,089	738,806	786,307	880,915
Support services:										
Student and instruction related services	7,612,807	7,906,756	4,622,168	4,262,441	6,064,268	6,466,809	6,122,044	7,031,470	6,244,167	6,510,238
School administrative services	3,033,343	2,944,832	3,117,769	3,009,309	4,196,792	4,615,864	4,246,780	5,957,117	3,933,502	3,360,649
Other administrative services	1,617,169	1,023,735	1,163,027	1,116,577	5,384,231	1,565,874	1,699,080	1,798,313	1,664,102	1,409,504
Plant operations and maintenance	6,419,171	6,208,735	5,773,926	5,491,370	2,738,954	5,098,731	5,054,828	4,852,847	5,961,600	5,234,556
Pupil transportation	3,669,468	2,846,665	2,947,438	2,812,324	1,506,667	2,366,087	2,490,820	2,945,622	2,778,995	2,485,252
Unallocated benefits	15,983,250	15,450,324	12,966,357	12,493,644	13,194,821	12,205,336	13,132,405	13,963,055	13,090,473	12,434,208
Special Schools	5,981,605	6,588,467	6,360,773	6,722,010	7,191,308	6,490,405	6,117,631	7,367,120	7,416,664	6,840,682
Capital outlay	11,780,901	15,934,009	10,702,054	8,003,330	5,318,731	3,160,643	3,926,825	3,704,859	1,594,469	1,509,796
<b>Total Expenditures</b>	<b>75,371,348</b>	<b>77,107,044</b>	<b>67,109,199</b>	<b>61,742,266</b>	<b>60,287,021</b>	<b>55,937,712</b>	<b>56,624,810</b>	<b>62,666,628</b>	<b>57,068,360</b>	<b>53,831,526</b>
Excess (deficiency) of revenues over (under) expenditures	(14,679,766)	(16,478,119)	(8,660,772)	(5,978,944)	(3,946,583)	(886,135)	(2,640,503)	(5,566,171)	(5,043,624)	(981,841)
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from Hudson County	9,783,321	8,900,000	9,000,000	10,000,000	24,100,000	-	-	-	-	-
Transfers in	722,387	-	-	-	-	-	-	-	-	-
Transfers out	(320,585)	(469,501)	(357,398)	(353,007)	(478,221)	(404,258)	-	(17,290)	(38,113)	(100,569)
Write off (recovery) of receivables	-	-	-	-	-	-	-	64,033	212,253	61,394
<b>Total other financing sources (uses)</b>	<b>10,185,123</b>	<b>8,430,499</b>	<b>8,642,602</b>	<b>9,646,993</b>	<b>23,621,779</b>	<b>(404,258)</b>	<b>-</b>	<b>46,743</b>	<b>174,140</b>	<b>(39,175)</b>
Net change in fund balances	\$ (4,494,643)	\$ (8,047,620)	\$ (18,170)	\$ 3,668,049	\$ 19,675,196	\$ (1,290,393)	\$ (2,640,503)	\$ (5,519,428)	\$ (4,869,484)	\$ (1,021,016)

Source: School records

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

Description	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General fund:										
Interest on investments	\$ 10,473	\$ 5,590	\$ 6,785	\$ 4,669	\$ 5,275	\$ 4,475	\$ 5,417	\$ 15,057	\$ 35,485	\$ 74,972
Book sales/rentals	-	-	-	-	-	-	-	-	41,821	6,975
Health benefits refunds	-	31,582	72,077	-	-	-	-	32,191	49,557	12,527
Tuition	944,955	771,775	670,751	652,219	607,625	529,350	729,528	397,509	302,363	429,600
Workmen's compensation	-	-	-	-	-	-	-	-	-	25,890
Local revenue for In and Out of School programs	-	129,000	-	-	-	-	-	-	-	679,000
Reimbursements	-	-	187,820	-	-	-	-	-	9,927	-
E-Rate vendors refund	-	-	-	17,292	28,500	47,256	53,684	61,290	28,350	67,550
State check cancellations	-	9,107	99,945	-	-	-	-	-	-	-
Refunds	-	-	-	-	-	-	-	-	85	10,646
Other	649,954	285,858	424,989	192,893	240,626	448,827	365,580	262,757	105,101	88,730
Total General Fund	\$ 649,954	\$ 285,858	\$ 424,989	\$ 192,893	\$ 240,626	\$ 448,827	\$ 365,580	\$ 262,757	\$ 105,101	\$ 88,730

Source: School records

## **REVENUE CAPACITY**

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

**Exhibit J-6**

**Not Applicable**

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

**Exhibit J-7**

**Not Applicable**



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

**Exhibit J-8**

**Not Applicable**

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

**Exhibit J-9**

**Not Applicable**

## **DEBT CAPACITY**

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

**Exhibit J-10**

**Not Applicable**

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

**Exhibit J-11**

**Not Applicable**

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

**Exhibit J-12**

**Not Applicable**

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

**Exhibit J-13**

**Not Applicable**

**DEMOGRAPHIC AND ECONOMIC INFORMATION**



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY**

**Exhibit J-14**

**Demographic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

<u>Year Ended June 30,</u>	<u>Hudson County Population</u>	<u>Hudson County Personal Income</u>	<u>Total Per Capita Income</u>	<u>Unemployment Rate</u>
2008	592,111	\$ 25,735,512,504	\$ 43,464	6.40%
2009	597,924	26,297,893,368	43,982	10.70%
2010	634,266	29,216,829,024	46,064	10.80%
2011	645,000	31,677,885,000	49,113	10.30%
2012	652,302	32,636,625,966	50,033	10.50%
2013	660,282	38,773,079,604	58,722	9.10%
2014	669,115	39,104,418,830	58,442	5.90%
2015	674,836	38,746,383,776	57,416	4.70%
2016	677,983	41,285,096,802	60,894	4.80%
2017	N/A	N/A	N/A	3.90%

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)**

**Exhibit J-15**

**Not Available**

**OPERATING INFORMATION**

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

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction										
Regular	147	147	137	138	134	138	148	150	152	140
Vocational	54	54	52	48	45	45	42	44	46	43
Support services:										
Student and instruction related services	38	38	37	37	37	35	39	41	42	41
General administration	10	10	10	10	11	9	9	10	10	10
School administrative services	10	10	10	10	10	8	9	9	9	9
Central services	20	20	20	20	20	17	16	16	17	16
Administrative information technology	0	0				1	1	2	2	2
Plant operations and maintenance	44	44	36	39	40	39	39	41	43	42
Pupil transportation	63	63	55	53	55	55	60	60	64	65
Other support services	30	30	27	27	27	25	19	19	19	19
Media services technology	16	16	16	12	8	5	5	5	5	5
<b>Total</b>	<b>432</b>	<b>432</b>	<b>400</b>	<b>394</b>	<b>387</b>	<b>377</b>	<b>387</b>	<b>397</b>	<b>409</b>	<b>392</b>

Source: School records

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

<b>Fiscal Year</b>	<b>Enrollment</b>	<b>Operating Expenditures</b>	<b>Cost per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff</b>	<b>Pupil/Teacher Ratio</b>	<b>Average Daily Enrollment</b>	<b>Average Daily Attendance</b>	<b>% Change in Average Daily Enrollment</b>	<b>Student Attendance Percentage</b>
2008	2,636	52,321,730	19,849	-23.05%	186	14	2,556	2,429	36.32%	95.03%
2009	2,746	55,473,891	20,202	1.78%	198	14	2,646	2,533	3.52%	95.73%
2010	2,985	58,961,769	19,753	-2.22%	194	15	2,656	2,516	0.38%	94.73%
2011	3,041	54,968,290	18,076	-8.49%	183	17	2,722	2,566	2.48%	94.27%
2012	3,141	53,738,936	17,109	-5.35%	179	18	2,851	2,658	4.74%	93.23%
2013	3,218	56,407,145	17,529	2.45%	186	17	2,975	2,715	4.35%	91.26%
2014	3,171	53,938,084	17,010	-2.96%	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	3,021	59,114,955	19,568	11.85%	201	15	3,188	3,006	1.22%	94.29%

**Source: School records**

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

<u>School Buildings</u>	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<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	91,500
Capacity (students)	3,519	3,519	3,519	3,519	3,519	3,519	3,519	3,519	3,519	3,519
Enrollment	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985
<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	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233	1,233

Source: School Records

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

Location	Building Code	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
North Hudson Campus	050	\$ 612,974	\$ 291,318	\$ 379,411	\$ 413,556	\$ 238,453	\$ 389,389	\$ 329,373	\$ 326,477	\$ 315,778	\$ 284,873
Jersey City Campus	030	589,527	419,310	338,178	397,736	244,324	276,554	279,199	273,004	281,914	215,788
		<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>	<u>\$ 597,692</u>	<u>\$ 500,661</u>

Source: School Records

**Hudson County School of Technology**  
**Insurance Schedule**  
**June 30, 2017**  
**(Unaudited)**

Exhibit J-20

Coverage	Limit	Insurer	Policy #	Effective date	Expiration date
<b>PROPERTY :</b>			P309AF	7/1/2016	7/1/2017
Blanket Real & Personal Property	\$350,000,000				
Blanket Extra Expense	\$50,000,000				
Blanket valuable Papers	\$10,000,000				
Terrorism	\$1,000,000	per occurrence/annual NJSBAIG aggregate			
Deductible	\$5,000				
Flood	Flood Zones A & V	\$ 15,000,000 per occurrence/ \$ 15,000,000 NJSBAIG annual Aggregate			
	All Other Flood Zones	\$75,000,000 per occurrence / \$ 75,000,000 NJSBAIG Annual Aggregate			
		\$50,000,000 per occurrence / \$ 50,000,000 NJSBAIG Annual Aggregate			
Earthquake					
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			
<b>ELECTRONIC DATA PROCESSING</b>					
EDP Hardware /Software	\$5,000,000	NJSBAIG			
Deductible	\$1,000				
<b>EQUIPMENT BREAKDOWN</b>					
	\$100,000,000	NJSBAIG			
Deductible	\$5,000				
<b>CRIME</b>					
		NJSBAIG			
Public Employee Dishonesty	\$100,000				
with Faithful Performance					
deductible	\$500				
Moneys & Securities	\$100,000				
Deductible	\$500				
Forgery or Alteration	\$100,000				
Deductible	\$500				
Money Orders & Counterfeit	\$100,000				
Deductible	\$500				
Computer Fraud	\$500,000				
Deductible	\$500				
<b>BONDS</b>					
Board Administrator	\$150,000				
Deductible	\$1,000				
Board Secretary	\$150,000				
Deductible	\$1,000				
Board Treasurer	\$300,000				
Deductible	\$1,000				
<b>COMPREHENSIVE GENERAL LIABILITY</b>					
		NJSBAIG			
General Aggregate , Products /	16,000,000				
Completed Operation					
Bodily Injury/Property damage each claim	\$16,000,000				
Products Completed Operations	\$16,000,000				
Personal Injury & Advertising Injury	\$16,000,000				
Employee Benefits Liability	\$16,000,000				
Premises Medical	\$1,000	per person			
	\$10,000	occurrence limit			
Group Blanket Health and Accident	\$5,000,000	Berkely Life and Health Ins. Co	US407635		
	\$25,000	deductible			



**Hudson County School of Technology**  
**Insurance Schedule**  
**June 30, 2017**  
**(Unaudited)**

**Exhibit J-20**

<b>Coverage</b>	<b>Limit</b>	<b>Insurer</b>	<b>Policy #</b>	<b>Effective date</b>	<b>Expiration date</b>
<b>AUTOMOBILE</b>					
		NJSBAIG			
Combined Single Limit	\$16,000,000				
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	\$ 1,000 deductible				
Collision	\$ 1,000 deductible				
<b>WORKERS COMPENSATION</b>					
		NJSBAIG	W309AA-01	7/1/2015	7/1/2016
PART I		STATUTORY LIMITS			
PART II					
Bodily Injury by Acciden	\$2,000,000	EACH ACCIDENT			
Bodily Injury by Disease	\$2,000,000	EACH EMPLOYEE			
Bodily Injury by Disease	\$2,000,000	AGGREGATE LIMIT			
<b>ERRORS &amp; OMISSIONS</b>					
		NJSBAIG	E309AA-01	7/1/2015	7/1/2016
Coverage A	\$16,000,000	Each policy period			
deductible	\$15,000	each claim			
Coverage B	\$100,000	each claim			
	\$300,000	each policy period			
deductible	\$15,000	each claim			

**SINGLE AUDIT SECTION**

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*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  
County of Hudson  
North Bergen, 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, 2017, 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 March 1, 2018.

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

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

## EXHIBIT K-1

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as findings 2017-001 through 2017-003.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the Hudson County Schools of Technology in a separate auditor's management report dated March 1, 2018 as required by the Division of Finance, Department of Education, State of New Jersey.

### **The District's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



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

Bayonne, New Jersey  
March 1, 2018

# 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  
County of Hudson  
North Bergen, 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, 2017. 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, 2017.

***Other Matters***

The results of our auditing procedures disclosed an instance of state noncompliance, which is required to be reported in accordance with New Jersey OMB's Circular 15-08 and which is described in the accompanying schedule of findings and questioned costs as finding 2017-006. Our opinion on each major federal and state program is not modified with respect to this matter.

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

## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2017-004 and 2017-005 to be a significant deficiencies.

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



**EXHIBIT K-2**

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



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

*Donohue, Gironde, Doria & Tomkins LLC*  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
*Certified Public Accountants*

Bayonne, New Jersey  
March 1, 2018

HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017

FEDERAL CFDA NUMBER	FEDERAL FAIN NUMBER	FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	AWARD AMOUNT	GRANT PERIOD		BALANCE AT JUNE 30, 2016		CASH RECEIVED	BUDGETARY EXPENDITURES	BALANCE AT JUNE 30, 2017		CUMULATIVE EXPENDITURES
				FROM	TO	(ACCOUNTS RECEIVABLE)	DUE TO GRANTOR			(ACCOUNTS RECEIVABLE)	DUE TO GRANTOR	
<b>ENTERPRISE FUND</b>												
<b>U.S. DEPARTMENT OF AGRICULTURE</b>												
<b>PASSED-THROUGH STATE OF NEW JERSEY</b>												
<b>DEPARTMENT OF EDUCATION:</b>												
Child Nutrition Cluster:												
10.553	171N304N1099	School Breakfast Program	\$ 157,177	07/01/16	06/30/17	\$ -	\$ -	\$ 143,453	\$ (157,177)	\$ -	\$ -	\$ (157,177)
10.553	1616IN304N1099	School Breakfast Program	142,198	07/01/15	06/30/16	(29,040)	-	29,040	-	-	-	(142,198)
10.555	171N304N1099	National School Lunch Program	590,186	07/01/16	06/30/17	-	-	561,954	(590,186)	-	-	(590,186)
10.555	1616IN304N1099	National School Lunch Program	357,713	07/01/15	06/30/16	(67,659)	-	67,659	-	-	-	(357,713)
		Total Child Nutrition Cluster	(96,679)			(96,679)	-	802,086	(747,563)	-	-	-
10.565	171N304N1099	Commodity Supplemental Food Program	54,511	07/01/16	06/30/17	-	-	54,511	(54,511)	-	-	(54,511)
		TOTAL U.S. DEPARTMENT OF AGRICULTURE	(96,679)			(96,679)	-	856,597	(801,874)	-	-	-
		TOTAL ENTERPRISE FUND	(96,679)			(96,679)	-	856,597	(801,874)	-	-	-
<b>SPECIAL REVENUE FUND</b>												
<b>U.S. DEPARTMENT OF EDUCATION</b>												
<b>PASSED-THROUGH STATE OF NEW JERSEY</b>												
<b>DEPARTMENT OF EDUCATION:</b>												
No Child Left Behind:												
84.010	S010A160030	Title I - Part A Grants to Local Educational Agencies	931,601	09/01/16	08/31/17	-	-	931,601	(931,601)	-	-	(931,601)
84.010	S010A150030	Title I - Part A Grants to Local Educational Agencies	943,009	09/01/15	08/31/16	(37,969)	-	37,969	-	-	-	(943,009)
84.010	*	Title I - Part A Grants to Local Educational Agencies	974,223	09/01/13	08/31/14	(37,969)	-	969,570	(931,601)	-	500	(973,723)
84.367A	S367B160027	Title II - Part A Improving Teacher Quality	48,812	09/01/16	08/31/17	-	-	48,812	(48,812)	-	-	(48,812)
84.367A	S367B150027	Title II - Part A Improving Teacher Quality	84,293	09/01/15	08/31/16	(1,743)	-	6,550	(4,807)	-	-	(84,293)
			(1,743)			(1,743)	-	55,362	(53,619)	-	-	-
84.027	H027A160100	I.D.E.A. Part B Basic Regular	566,367	09/01/16	08/31/17	-	-	566,367	(566,367)	-	-	(566,367)
84.027	H027A150100	I.D.E.A. Part B Basic Regular	535,617	09/01/15	08/31/16	(28,067)	-	45,150	(90,38)	-	8,045	(527,572)
84.027	*	I.D.E.A. Part B Basic Regular	457,919	09/01/13	08/31/14	(28,067)	-	611,517	(375,405)	-	32	(457,887)
84.048	V048A160030	Carl D. Perkins P.L. 109-270 Vocational Education Secondary	114,927	07/01/16	06/30/17	-	-	62,668	(106,257)	-	-	(106,257)
84.048	V048A160030	Carl D. Perkins P.L. 109-270 Vocational Education Secondary	561,484	07/01/16	06/30/17	-	-	539,242	(539,242)	-	-	(561,484)
84.048	V048A150030	Carl D. Perkins P.L. 109-270 Vocational Education Secondary	68,328	07/01/15	06/30/16	(12,972)	-	33,046	(17,209)	-	2,865	(65,463)
84.048	V048A140030	Carl D. Perkins P.L. 109-270 Vocational Education Secondary	462,324	07/01/14	06/30/15	(35,324)	-	72,373	(37,049)	-	-	(462,324)
84.048	V048A140030	Carl D. Perkins P.L. 109-270 Vocational Education Secondary	584,877	07/01/14	06/30/15	-	3,534	61,455	(61,455)	-	3,534	(581,343)
84.048	V048A160030	Carl D. Perkins P.L. 109-270 Vocational Education Post Secondary	71,113	07/01/16	06/30/17	-	-	38,269	(20,099)	-	-	(61,455)
84.048	V048A150030	Carl D. Perkins P.L. 109-270 Vocational Education Post Secondary	119,490	07/01/15	06/30/16	(18,170)	-	-	-	-	-	(119,490)
84.048	V048A140030	Carl D. Perkins P.L. 109-270 Vocational Education Post Secondary	117,019	07/01/14	06/30/15	-	2,083	-	-	-	2,083	(114,936)
84.048	*	Carl D. Perkins P.L. 109-270 Vocational Education Post Secondary	68,328	07/01/13	06/30/14	(66,466)	-	807,053	(781,311)	-	14	(68,314)
		TOTAL U.S. DEPARTMENT OF EDUCATION	(134,245)			(134,245)	6,163	2,443,502	(2,341,956)	-	17,073	-

HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017

FEDERAL CFDA NUMBER	FEDERAL FAIN NUMBER	AWARD AMOUNT	GRANT PERIOD		BALANCE AT JUNE 30, 2016		CASH RECEIVED	BUDGETARY EXPENDITURES	BALANCE AT JUNE 30, 2017		CUMULATIVE EXPENDITURES
			FROM	TO	(ACCOUNTS RECEIVABLE)	DUE TO GRANTOR			(ACCOUNTS RECEIVABLE)	DUE TO GRANTOR	
<b>SPECIAL REVENUE FUND (Continued)</b>											
<b>U.S. DEPARTMENT OF LABOR</b>											
PASSED-THROUGH COUNTY OF HUDSON											
Workforce Investment Opportunity Act (WIOA) Cluster:											
Workforce Investment Opportunity Act (WIOA):											
17.258	*	\$ 937,187	07/01/16	06/30/17	\$ -	\$ -	\$ 385,768	\$ (432,142)	\$ -	\$ -	\$ (432,142)
17.258	*	1,031,009	07/01/15	06/30/16	(284,881)	-	671,959	(524,931)	(46,374)	-	(1,031,009)
17.258	*	1,144,767	07/01/14	06/30/15	(180,012)	-	157,504	-	(137,873)	-	(1,144,767)
17.258	*	908,434	07/01/13	06/30/14	-	2,248	-	-	(22,508)	2,248	(1,142,519)
17.259	*	987,288	07/01/16	06/30/17	(327,733)	-	386,971	(854,534)	(467,583)	-	(854,534)
17.259	*	870,408	07/01/15	06/30/16	-	-	79,429	(301,903)	(702,667)	-	(987,736)
17.278	*	878,068	07/01/16	06/30/16	(546,818)	-	678,304	(623,611)	(145,307)	-	(823,611)
17.278	*	978,068	07/01/15	06/30/16	(84,123)	-	64,123	(202,678)	(76,323)	-	(841,066)
17.278	*	999,061	07/01/14	06/30/15	(1,643,567)	2,248	3,817,212	(3,140,079)	(966,434)	2,248	(999,051)
Total Workforce Investment Opportunity Act (WIOA) Cluster											
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>											
<b>TOTAL SPECIAL REVENUE FUND</b>											
<b>GENERAL FUND</b>											
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>											
<b>PASSED-THROUGH STATE OF NEW JERSEY</b>											
<b>DEPARTMENT OF HUMAN SERVICES</b>											
Special Education Medicaid Initiative ("SEMI")											
93.78	1705NJSMAP	\$ 9,748	07/01/16	06/30/17	-	-	9,748	(9,748)	-	-	(9,748)
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>											
<b>TOTAL FEDERAL AWARDS</b>											
* - Not Available											

HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
For the Fiscal Year Ended June 30, 2017

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD FROM	GRANT PERIOD TO	BALANCE AT JUNE 30, 2016 UNEARNED/REVENUE/(ACCOUNTS RECEIVABLE)	CASH RECEIVED	BUDGETARY EXPENDITURES	(ACCOUNTS RECEIVABLE)	BALANCE AT JUNE 30, 2017	BUDGETARY RECEIVABLE	CUMULATIVE EXPENDITURES	MEMO
<b>STATE DEPARTMENT OF EDUCATION</b>												
<b>GENERAL FUND</b>												
General State Aid Cluster:												
Equalization Aid	17-495-0344-5120-078	\$ 19,323,432	07/01/16	06/30/17	\$ -	\$ 19,323,432	\$ (19,323,432)	-	\$ -	\$ 1,931,966	\$ (19,323,432)	
Special Education Aid	17-495-0344-5120-089	1,494,362	07/01/16	06/30/17	-	1,494,362	(1,494,362)	-	-	149,436	(1,494,362)	
Security Aid	17-495-0344-5120-084	172,099	07/01/16	06/30/17	-	172,099	(172,099)	-	-	17,210	(172,099)	
PARCC Readiness Aid	17-495-0344-5120-098	21,310	07/01/16	06/30/17	-	21,310	(21,310)	-	-	2,131	(21,310)	
Per Pupil Growth Aid	17-495-0344-5120-097	21,310	07/01/16	06/30/17	-	21,310	(21,310)	-	-	2,131	(21,310)	
Adult Education	17-495-0344-5120-079	20,820	07/01/16	06/30/17	-	20,820	(20,820)	-	-	2,082	(20,820)	
Total General State Aid Cluster					-	21,053,333	(21,053,333)	-	-	2,104,956		
Transportation Aid	17-495-0344-5120-014	150,846	07/01/16	06/30/17	-	150,846	(150,846)	-	-	15,085	(150,846)	
On Behalf T.P.A.F. Post Retirement Medical Contributions	17-495-0344-5094-001	1,832,046	07/01/16	06/30/17	-	1,832,046	(1,832,046)	-	-	-	(1,832,046)	
On Behalf T.P.A.F. Pension Contribution	17-495-0344-5094-002	2,198,734	07/01/16	06/30/17	-	2,198,734	(2,198,734)	-	-	-	(2,198,734)	
On Behalf T.P.A.F. Long Term Disability Insurance Contribution	17-495-0344-5094-004	2,462	07/01/16	06/30/17	-	2,462	(2,462)	-	-	-	(2,462)	
Reimbursed T.P.A.F. Social Security Contributions	17-495-0344-5094-003	1,467,323	07/01/16	06/30/17	-	1,402,206	(1,467,323)	(65,117)	(65,117)	-	(1,467,323)	
Reimbursed T.P.A.F. Social Security Contributions	16-495-0344-5094-003	1,526,108	07/01/15	06/30/16	(66,064)	66,064	(1,467,323)	-	(65,117)	-	(1,526,108)	
					(66,064)	1,468,270			(65,117)			
<b>TOTAL GENERAL FUND</b>					(66,064)	26,705,691	(26,704,744)	(65,117)	(65,117)	2,120,041		
<b>SPECIAL REVENUE FUND</b>												
Apprenticeship Coordinator	17-100-0344-5062-032	20,000	07/01/16	06/30/17	-	18,181	(23,846)	(5,665)	(5,665)	-	(23,846)	
<b>TOTAL STATE DEPARTMENT OF EDUCATION</b>					(66,064)	26,723,872	(26,728,590)	(70,782)	(70,782)	2,120,041		
<b>STATE DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT</b>												
<b>PASSED-THROUGH COUNTY OF HUDSON</b>												
High School Proficiency Assessment	17-062-4545-100-322	130,000	07/01/14	06/30/15	(3,418)	-	-	(3,418)	(3,418)	-	(130,000)	
Smart Steps	*	11,235	07/01/13	06/30/14	(2,407)	-	-	(2,407)	(2,407)	-	(11,235)	
Smart Steps	*	5,890	07/01/12	06/30/13	(10)	-	-	(10)	(10)	-	(5,890)	
					(2,417)	-	-	(2,417)	(2,417)	-		
Workforce Learning Link - Literacy	17-062-4545-767-003	173,000	07/01/16	06/30/17	-	139,569	(173,000)	(33,431)	(33,431)	-	(173,000)	
Workforce Learning Link - Literacy	16-062-4545-767-003	154,000	07/01/15	06/30/16	(34,907)	34,907	(18,226)	(18,226)	(18,226)	-	(154,000)	
					(34,907)	174,476	(191,226)	(51,657)	(51,657)	-		
<b>TOTAL SPECIAL REVENUE FUND</b>					(40,742)	174,476	(191,226)	(63,157)	(63,157)	-		
<b>TOTAL STATE DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT</b>					(40,742)	174,476	(191,226)	(57,492)	(57,492)	-		

HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
For the Fiscal Year Ended June 30, 2017

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD FROM TO	BALANCE AT JUNE 30, 2016 UNEARNED/ (ACCOUNTS RECEIVABLE)	CASH RECEIVED	BUDGETARY EXPENDITURES	BALANCE AT JUNE 30, 2017 (ACCOUNTS RECEIVABLE)	BUDGETARY RECEIVABLE	MEMO CUMULATIVE EXPENDITURES
<b>STATE DEPARTMENT OF AGRICULTURE</b>									
<b>ENTERPRISE FUND</b>									
National School Lunch Program (State Share)	17-100-010-3360-067	\$ 8,233	07/01/16 06/30/17	\$ -	7,694	\$ (8,233)	\$ (539)	\$ -	\$ (8,233)
National School Lunch Program (State Share)	16-100-010-3360-067	7,361	07/01/15 06/30/16	(1,360)	1,360	-	-	-	(7,361)
<b>TOTAL ENTERPRISE FUND</b>				(1,360)	9,054	(8,233)	(539)	-	
<b>TOTAL STATE DEPARTMENT OF AGRICULTURE</b>				(1,360)	9,054	(8,233)	(539)	-	
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>				\$ (108,166)	\$ 26,907,402	(26,928,049)	\$ (128,813)	\$ 2,120,041	
<b>LESS:</b>									
On Behalf T.P.A.F. Post Retirement Medical Contributions						1,832,046			
On Behalf T.P.A.F. Pension Contribution						2,198,734			
On Behalf T.P.A.F. Long Term Disability Insurance Contributor						2,462			
<b>TOTAL STATE FINANCIAL ASSISTANCE SUBJECT TO SINGLE AUDIT</b>						\$ (22,894,807)			

\* - Not Available

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
NOTES TO THE SCHEDULES OF AWARDS  
AND FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 1 - GENERAL**

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

**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 AWARDS  
 AND FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Continued)**

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$64,653 for the General Fund and (\$434,294) 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:

	Federal	State	Total
General Fund	\$ -	\$ 26,769,397	\$ 26,769,397
Special Revenue Fund	5,047,721	215,072	5,262,793
Food Service Fund	635,309	8,233	643,542
Total Awards and Financial Assistance	<u>\$ 5,683,030</u>	<u>\$ 26,992,702</u>	<u>\$ 32,675,732</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 \$2,198,734 reported as TPAF pension contribution, \$2,462 reported as TPAF Long-Term Disability Insurance, and \$1,832,046 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, 2017. TPAF Social Security Contributions in the amount of \$1,467,323 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, 2017.

**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, 2017**

*Section I - Summary of Auditors' Results*

Financial Statement Section

A) Type of Auditors Report Issued: Unmodified

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B) Internal Control over Financial Reporting:

1) Material weakness(es) identified? \_\_\_\_\_ Yes  No

2017-001

2017-002

2) Significant deficiency(ies) identified? \_\_\_\_\_ Yes  None reported

2017-003

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

2017-004

2) Significant deficiency(ies) identified? \_\_\_\_\_ Yes  None reported

2017-005

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  No

2017-004

2017-005

G) Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.048	V048A160030	Career and Technical Education - Perkins: Secondary Post Secondary
84.048	V048A160030	
Workforce Investment Opportunity Act (WIOA) Cluster:		
17.258	Not Applicable	WIOA - Adult
17.259	Not Applicable	WIOA - Youth
17.278	Not Applicable	WIOA - Dislocated Worker

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

---

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



**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

*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 2017-006 \_\_\_\_\_ No
- O) Identification of major programs:

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

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

*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 2017-001**

Significant Deficiency in Internal Control over Financial Reporting

Condition:

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

Criteria:

Grant subsidiary ledgers must be reconciled to the general ledger on a monthly basis to ensure completeness and accuracy of the general ledger and grant reporting.

Context:

The CDC administered \$3,140,079 in WIOA grants expenditures that flow through the District.

Effect:

The CDC grant subsidiary ledgers are materially adjusted and reconciled to the central administration's general ledger after the year end.

Cause:

Effective procedures or oversight have not been implemented to properly prepare CDC grant subsidiary ledgers nor timely reconcile such ledgers to the central administration's general ledger.

Questioned Costs:

None

Recommendation:

The Community Development Center (CDC), which administers the Workforce Investment Opportunity Act (WIOA) grants, must properly prepare grant subsidiary ledgers on a monthly basis and timely reconcile such ledgers to the central administration's to the general ledger.

View of Responsible Official and Planned Corrective Actions:

The District central administration will establish procedures and oversight to ensure the CDC grant subsidiary ledgers are prepared on a monthly basis and timely reconciled to the central administration's general ledger.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Finding 2017-002**

Significant Deficiency in Internal Control over Financial Reporting

Condition:

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

Criteria:

N.J.S.A.18A:17-9 provides that the chief school administrator or board designee other than the secretary must prepare the monthly reconciliations of all bank accounts prior to the completion of the secretary's monthly report. Timely preparation and review of monthly bank reconciliations are internal controls necessary for cash management, accurate financial reporting, and prevention or detection of fraud in a timely manner.

Context:

The CDC administered \$3,140,079 in WIOA grants expenditures that flow through the District.

Effect:

Monthly board secretary reports are not accurately reporting CDC operations for effective Board oversight and the internal controls over cash are not being effectively operated for proper cash management, or to prevent or detect fraud in a timely manner.

Cause:

The CDC Staff did not prepare monthly bank reconciliations timely for inclusion in the board secretary's monthly report nor timely available for central administration review or audit.

Questioned Costs:

None

Recommendation:

The Community Development Center (CDC), which administers the Workforce Investment Opportunity Act (WIOA) grants, must perform monthly bank reconciliations timely for inclusion in the board secretary's monthly report and timely available for central administration review and audit.

View of Responsible Official and Planned Corrective Actions:

The CDC will begin to prepare monthly bank reconciliations timely and central administration will increase oversight of CDC and review bank reconciliations on a monthly basis.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Finding 2017-003**

Significant Deficiency in Internal Control over Financial Reporting

Condition:

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

Criteria:

Subsidiary cash ledgers must be reconciled on a daily basis to the cash deposit records to ensure proper collection and timely deposit.

Context:

The District had \$667,334 in Food Service program sales.

Cause:

Immaterial differences between subsidiary cash ledgers and cash deposit records are not being investigated to individual point of sale transactions. Nor have procedures been established to guide staff with reconciling nor preventing such differences.

Effect:

Although the unreconciled differences are immaterial in the Food Service program cash receipts process, fraud may not be prevented or detected on a timely basis.

Questioned Costs:

None

Recommendation:

Food Service program point of sale records must be reconciled to cash deposits made by the central administration cash deposits and any differences resolved in a timely manner.

View of Responsible Official and Planned Corrective Actions:

The District will continue to increase oversight of the Food Service program cash receipts process and establish procedures to guide staff with investigating any differences between the subsidiary cash ledgers and cash receipts records and preventing such differences going forward.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

[This section identifies audit findings required to be reported by 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 Labor

Passed-through County of Hudson

Workforce Investment Opportunity Act (WIOA) Cluster:

WIOA - Adult, CFDA Number: 17.258

WIOA - Youth Activities, CFDA Number: 17.259

WIOA - Dislocated Workers, CFDA Number: 17.278

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

**Finding 2017-004**

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

As discussed in Finding 2017-001, The Community Development Center (CDC), which administers the Workforce Investment Opportunity Act (WIOA) grants, is not properly preparing grant subsidiary ledgers nor timely reconciling such ledgers to the central administration's general ledger. Grant subsidiary ledgers must be reconciled to the general ledger on a monthly basis to ensure completeness and accuracy of the general ledger and grant reporting. Effective procedures or oversight have not been implemented and the grant subsidiary ledgers are materially adjusted and reconciled to the central administration's general ledger after the year end. This was a prior year audit finding number 2016-002.

**Finding 2017-005**

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

As discussed in Finding 2017-002, The Community Development Center (CDC), which administers the Workforce Investment Opportunity Act (WIOA) grants, is not performing monthly bank reconciliations on a timely basis. Timely preparation and review of monthly bank reconciliations are internal controls necessary for cash management, accurate financial reporting, and prevention or detection of fraud in a timely manner. Monthly board secretary reports are not accurately reporting CDC operations for effective Board oversight and the internal controls over cash are not being effectively operated for proper cash management, or to prevent or detect fraud in a timely manner. This was a prior year audit finding number 2016-001.

HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATE FINANCIAL ASSISTANCE

New Jersey Department of Education:

General State Aid Cluster:

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

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

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

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

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

Year ended June 30, 2017

**Finding 2017-006**

Other Instance of Noncompliance of Major Program

Condition:

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

Criteria:

N.J.A.C. 6A:23A-6.13, 7.2 and N.J.S.A. 18A:11-12 require the District adopt a resolution authorizing a maximum travel expenditure amount for each budget year, which the school district shall not exceed.

Context:

Could not be determined.

Questioned Costs

None

Effect:

The District is not in compliance with N.J.A.C. 6A:23A-6.13, 7.2 and N.J.S.A. 18A:11-12.

Cause:

The District did update travel reimbursement policies, as required. However, the District did not follow such policies of adopting a resolution authorizing the maximum travel expenditures for the fiscal year ended June 30, 2017 and maintaining separate accounting records for travel.

Questioned Costs:

None

HUDSON COUNTY SCHOOLS OF TECHNOLOGY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**STATE FINANCIAL ASSISTANCE (Continued)**

**Finding 2017-006 (Continued)**

**Recommendation:**

The District adopt a resolution establishing the maximum travel expenditure amount for each budget year and maintain separate accounting records for such travel expenditures.

**View of Responsible Official and Planned Corrective Actions:**

The District will adopt a resolution establishing the maximum travel expenditure amount for each budget year and will maintain separate accounting records for such travel expenditures.

**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, 2017**

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

**FINANCIAL STATEMENTS**

**Finding FS2016-001**

Material Weakness in Internal Control over Financial Reporting

Condition:

The Career Development Center (CDC) has not reconciled their bank account since January 2016.

Current Status:

The Career Development Center (CDC) has improved their process for reconciling their bank accounts, however they are still not being reconciled timely and the finding remains in the current year as a significant deficiency in internal control over financial reporting as Finding 2017-001.

**Finding FS2016-002**

Material Weakness in Internal Control over Financial Reporting

Condition:

The Career Development Center (CDC) grant subsidiary ledgers are not being reconciled to the general ledger.

Current Status:

The Career Development Center (CDC) has improved their process for reconciling their grant subsidiary ledgers to the central administration's general ledger, however they are still not being reconciled timely and the finding remains in the current year as a significant deficiency in internal control over financial reporting as Finding 2017-002.



**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, 2017**

**FINANCIAL STATEMENTS (Continued)**

**Finding FS2016-03**

Material Weakness in Internal Control over Financial Reporting

Condition:

Food Service program point of sale records were not being reconciled to cash receipts on a daily basis.

Current Status:

Differences between Food Service Program point of sale records and cash receipts have decreased substantially. However immaterial differences are not being investigated to individual point of sale transactions, nor have procedures been established to guide staff with reconciling nor preventing such differences. Therefore, the finding remains in the current year as a significant deficiency in internal control over financial reporting as Finding 2017-003.

**FEDERAL AWARDS**

U.S. Department of Labor

Passed-through County of Hudson

Workforce Investment Opportunity Act (WIOA) Cluster:

WIOA - Adult, CFDA Number: 17.258

WIOA - Youth Activities, CFDA Number: 17.259

WIOA - Dislocated Workers, CFDA Number: 17.278

**Finding FS2016-001**

Material Weakness in Internal Control over Compliance of Major Program

Condition:

The Career Development Center (CDC) bank account has not been reconciled since January 2016.

Current Status:

The Career Development Center (CDC) has improved their process for reconciling their bank accounts, however they are still not being reconciled timely and the finding remains in the current year as a significant deficiency in internal control over compliance of major program as Finding 2017-004.

**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, 2017**

**FEDERAL AWARDS (Continued)**

U.S. Department of Labor

Passed-through County of Hudson

Workforce Investment Opportunity Act (WIOA) Cluster:

WIOA - Adult, CFDA Number: 17.258

WIOA - Youth Activities, CFDA Number: 17.259

WIOA - Dislocated Workers, CFDA Number: 17.278

**Finding FS2016-002**

Material Weakness in Internal Control over Compliance of Major Program

Condition:

The Career Development Center (CDC) grant subsidiary ledgers are not being reconciled to the general ledger.

Current Status:

The Career Development Center (CDC) has improved their process for reconciling their grant subsidiary ledgers to the central administration's general ledger, however they are still not being reconciled timely and the finding remains in the current year as a significant deficiency in internal control over compliance of major program as Finding 2017-005.

U.S. Department of Education

Carl D. Perkins P.L. Vocational Education Secondary, CFDA Number: 84.048

**Finding 2016-04**

Condition:

In general State Agencies shall use funds received under this subpart only for programs and projects that supports the grant and it may include the acquisition of equipment. Equipment must be recorded as required as assets purchased with grant funds. The District made purchases of items requiring listing in active assets and failed to record these items. Several items were purchased under the Perkins Vocational Education for Secondary schools which were not recorded and tagged as fixed assets.

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, 2017**

**STATE FINANCIAL ASSISTANCE**

**New Jersey Department of Education  
Equalization Aid, State Grant Number: 495-034-5120-078**

**Finding 2016-05**

Other Instance of Noncompliance of Major Program

Condition:

Regulation 16-11-OMB and 11-09-OMB outlines specific allowable expenditures eligible for reimbursement. In addition, the Board shall establish a resolution authorizing a maximum travel expenditure amount for each budget year, which the school district shall not exceed. The Board did update travel reimbursement policies, as required, but did not adhere to them. The Board did not adopt a resolution authorizing the maximum travel expenditure amount for the fiscal year ended June 30, 2016. The District did not adopt a resolution authorizing the maximum travel expenditure amount for the fiscal year ended June 30, 2016, 2015, 2014, 2013, 2012 or 2011.

Current Year Status:

This finding remains in the current year as Finding 2017-006.