

HUDSON COUNTY SCHOOLS OF TECHNOLOGY

**AUDITOR'S MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

HUDSON COUNTY SCHOOLS OF TECHNOLOGY

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

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INDEPENDENT AUDITOR'S REPORT

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 generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Hudson County Schools of Technology in the County of Hudson for the year ended June 30, 2017, and have issued our report dated March 1, 2018.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Hudson County Schools of Technology's management, the New Jersey Department of Education and federal and state audit agencies. However, this report is a matter of public record and its distribution is not limited.



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

Donohue, Gironda, Doria & Tomkins LLC
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Bayonne, New Jersey
March 1, 2018

**INDEPENDENT AUDITORS' MANAGEMENT REPORT OF
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

SCOPE OF AUDIT

The Audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Hudson Schools of Technology, the records of various funds under the auspices of the Board of Education.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

Insurance coverage was carried in the amounts as detailed on Exhibit J-20 Insurance Schedule contained in the District's CAFR.

Official Bonds at June 30, 2017 (N.J.S.A. 18A:17-26, 18A:17:32)

Adequacy of insurance coverage is the responsibility of the Board of Education.

| <u>Name</u> | <u>Position</u> | <u>Amount of Bonds</u> |
|-----------------|-------------------------------|----------------------------|
| Joseph M. Muniz | Board Secretary | \$150,000 |
| Nicholas Fargo | Business Administrator | \$150,000 |
| All Employees | All Employee Blanket Position | \$100,000 |

The District also has an errors and omissions policy with the New Jersey School Boards Insurance Association Insurance Group with coverage of \$16,000,000 total for all fees and claims.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Accounts

The net salaries of all employees of the District were deposited in the Net Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

**INDEPENDENT AUDITORS' MANAGEMENT REPORT OF
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Continued)

Payroll Accounts (Continued)

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

The following was noted with regard to the payroll agency account:

Finding: 2017-001

Several outstanding payroll checks at the June 30, 2017 have been outstanding for more than 18 months.

Recommendation:

Payroll checks outstanding for more than 18 months should be investigated, and appropriate disposition made.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30, 2016 for proper classification of orders as reserve for encumbrances and accounts payable. No discrepancies were noted.

Travel

Finding: 2017-002 (CAFR Finding 2017-006)

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.

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.

**INDEPENDENT AUDITORS' MANAGEMENT REPORT OF
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Continued)

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of less than 1% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings - No findings were noted

B. Administrative Classification Findings – No findings were noted

Board Secretary's Records/Business Administrator

Our review of the financial and accounting records maintained by the Board Secretary/Business Administrator disclosed the following findings:

Finding: 2017-003

The District did make budget transfers at the year end to offset an increase in general fund appropriations and over-expended general fund appropriations by \$3,397,050.

Recommendation:

The District make appropriate and timely budget transfers to offset any increases in budget appropriations and properly project salary obligations when preparing the budget.

Finding: 2017-004

The District has been carrying a receivable, in the Special Revenue Fund, due from the County of Hudson for several years.

Recommendations:

The collectability of the receivable in the Special Revenue Fund, due from the County of Hudson for several years should be determined and any appropriate disposition made.

**INDEPENDENT AUDITORS' MANAGEMENT REPORT OF
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Continued)

Board Secretary's Records/Business Administrator (Continued)

Finding: 2017-005

The District transferred \$367,912 net position from the transportation fund and \$354,475 from the youth house fund to the general fund fund balance without a formal resolution of the District Board authorizing such transfer.

Recommendations:

All fund balance transfers should be performed with a formal resolution of the District Board authorizing such transfer.

Elementary and Secondary School Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary School Education Act as amended.

The study of compliance for E.S.E.A. indicated no noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the K-Section of the CAFR.

Our audit of the federal and the state funds, on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the special projects indicated the following areas of noncompliance and/or questioned costs.

Finding 2017-006 (CAFR Findings 2017-001 and 2017-004)

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.

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.

**INDEPENDENT AUDITORS' MANAGEMENT REPORT OF
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Continued)

Other Special Federal and/or State Projects (Continued)

Finding 2017-007 (CAFR Findings 2017-002 and 2017-005)

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

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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The reimbursements to the State for the amount of the expenditure charged to the current year's Financial Report for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The following exception was noted:

Finding: 2017-008

The District did not file the T.P.A.F. Reimbursement to the State for Federal Salary Expenditures.

Recommendations:

The District must file the T.P.A.F. Reimbursement to the State for Federal Salary Expenditures even if no balances exist.

**INDEPENDENT AUDITORS' MANAGEMENT REPORT OF
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter, the bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:39-3(a) are \$40,000 with a Qualified Purchasing Agent (QPA) and \$29,000 without a QPA, respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is currently \$18,800 for 2016-17.

The results of our examination indicated that no individual payments, contracts or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of *N.J.S.A.* 18A:18A-4 amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for “Professional Services” per *N.J.S.A.* 18A:18A-5.

The District should consider designing a uniform quote sheet to be used for all purchases that require quotes to be included with the voucher package.

SCHOOL FOOD SERVICE

The financial transactions and statistical records of the School Food Service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. The following exceptions were noted:

Finding: 2017-009

Food Service program cash receipts are not being turned over by school campuses to the central administration’s office in a timely manner for deposit within 48 hours of receipt.

Recommendations:

Food Service program cash receipts be turned over by school campuses to the central administration’s office in a timely manner for deposit within 48 hours of receipt.

Finding: 2017-010 (CAFR Finding 2017-003)

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

Recommendations:

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.

**INDEPENDENT AUDITORS' MANAGEMENT REPORT OF
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

SCHOOL FOOD SERVICE (Continued)

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supplies were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Non-program foods were purchased, prepared, sold, and/or offered for sales. The Statement of Revenue, Expenses, and Changes in Net Position (CAFR Schedule B-5) does separate program and non-program revenue, but the following exception was noted with non-program cost of goods sold:

Finding: 2017-011

Food Service program does not separate reimbursable program and non-reimbursable non-program revenues and costs of goods sold.

Recommendation:

Food Service program separate reimbursable program and non-reimbursable non-program revenues and costs of goods sold.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process, the Edit Check Worksheet was completed. Reimbursement claims were submitted/ certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal policy was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

**INDEPENDENT AUDITORS' MANAGEMENT REPORT OF
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

STUDENT BODY ACTIVITIES

Our audit of the Student Activity Funds found the following:

Finding: 2017-012

Student activity account cash receipts were not deposited on a timely basis.

Recommendations:

Student activity account cash receipts should be deposited within 48 hours of receipt.

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low income and bilingual. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to the District's work papers. The information that was included in the work papers was also verified. The results of our procedures are presented in the Schedule of Audited Enrollment.

The District maintained workpapers on the prescribed state forms or their equivalent.

The District written procedures appear to be adequate for the recording of student enrollment data.

PUPIL TRANSPORTATION

Our audit procedures included a test of on-roll status reported in the 2016-17 District Report of transported Resident Students (DRTRS). The information that was included in the DRTRS was verified to the DRTRS Eligibility Summary Report. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

FACILITIES AND CAPITAL ASSETS

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account and awarding of contracts for eligible facilities construction. No exceptions were noted.

**INDEPENDENT AUDITORS' MANAGEMENT REPORT OF
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

MISCELLANEOUS

Testing For Lead of All Drinking Water in Educational Facilities

The District adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

OTHER MATTERS

The District, on an ongoing basis, experiences significant cash flow shortages during the year which impact the ability of the accounting staff to pay invoices in a timely manner. The District should continue to improve cash flow projections in anticipation of these shortages for planning and remittance request purposes.

If the District is projecting a year-end deficit on a budgetary basis in the general fund, the District should follow procedures outlined in N.J.A.C. 6A:23A-16.10.4(b).

FOLLOW-UP ON PRIOR YEAR FINDINGS

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all prior year findings with the exception of the following, which are repeated in this year's recommendations noted as follows:

Finding 2017-002

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

Finding 2017-004

- The collectability of the receivable in the Special Revenue Fund, due from the County of Hudson for several years should be determined and any appropriate disposition made.

Finding 2017-006

- The Community Development Center (CDC), which manages 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.

Finding 2017-007

- The Community Development Center (CDC), which manages 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.

**INDEPENDENT AUDITORS' MANAGEMENT REPORT OF
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

FOLLOW-UP ON PRIOR YEAR FINDINGS (Continued)

Finding 2017-008

- The District must file the T.P.A.F. Reimbursement to the State for Federal Salary Expenditures even if no balances exist.

Finding 2017-009

- Food service program cash receipts be turned over by school campuses to the central administration's office in a timely manner for deposit within 48 hours of receipt.

Finding 2017-010

- 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.


Finding 2017-012

- Student activity account cash receipts should be deposited within 48 hours of receipt.

ACKNOWLEDGMENT

We received the complete cooperation of all the officials of the School District and we greatly appreciate the courtesies extended to the members of the audit team.

This report is intended for the information of the Hudson County Schools of Technology's management, the New Jersey Department of Education and federal and state audit agencies. However, this report is a matter of public record and its distribution is not limited.



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

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Application for State School Aid Summary
Enrollment as of October 14, 2016

Schedule of Audited Enrollments

| | 2017-2018 Application for State School Aid | | | | | | Sample of Verification | | | | | |
|------------------------------|--|--------|--------------------------------------|--------|--------|--------|---------------------------------------|--------|--------------------------------------|--------|------------------------------------|--------|
| | Reported on ASSA On Roll | | Reported on Workpapers On Roll | | Errors | | Sample Selected from Workpapers | | Verified per Registers On Roll | | Errors per Registers On Roll | |
| | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared |
| Adult HS (15+ Credits) | 356 | - | 356 | - | - | - | - | - | - | - | - | - |
| Subtotal | 356 | - | 356 | - | - | - | - | - | - | - | - | - |
| Special Education-Middle | 7 | - | 7 | - | - | - | 1 | - | 1 | - | - | - |
| Special Education-Highschool | 174 | 105 | 174 | 105 | - | - | 33 | 40 | 33 | 40 | - | - |
| Subtotal | 181 | 105 | 181 | 105 | - | - | 34 | 40 | 34 | 40 | - | - |
| Co. Voc - Regular | 2,007 | 240 | 2,007 | 240 | - | - | 389 | 197 | 389 | 197 | - | - |
| Co. Voc. Ft. Post Sec | 877 | - | 877 | - | - | - | - | - | - | - | - | - |
| TOTALS | 3,421 | 345 | 3,421 | 345 | - | - | 423 | 237 | 423 | 237 | - | - |
| | | | | | 0.00% | | | | | | 0.00% | |

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
 Application for State School Aid Summary
 Enrollment as of October 14, 2016

| | Resident Low Income | | | Sample of Verification | | | Resident LEP Low Income | | | Sample of Verification | | |
|---------------------------------------|-----------------------------------|---|--------|---------------------------------------|--|------------------|---|---|--------|---------------------------------------|--|------------------|
| | Reported on ASSA Low Income | Reported on Workpapers Low Income | Errors | Sample Selected from Workpapers | Verified to Application and Registers | Sample Errors | Reported on ASSA as LEP Low Income | Reported on Workpapers as LEP Low Income | Errors | Sample Selected from Workpapers | Verified to Application and Registers | Sample Errors |
| Special Education-Middle | 4 | 4 | - | - | - | - | - | - | - | - | - | - |
| Special Education-Highschool | 143 | 143 | - | 25 | 25 | - | 1 | 1 | - | 1 | 1 | - |
| Subtotal | 147 | 147 | - | 25 | 25 | - | 1 | 1 | - | 1 | 1 | - |
| | | | | | | | | | | | | |
| Co. Voc - Regular | 1,111 | 1,111 | - | 274 | 274 | - | 5 | 5 | - | 2 | 2 | - |
| TOTALS | 1,258 | 1,258 | 0.00% | 299 | 299 | - | 6 | 6 | 0.00% | 3 | 3 | 0.00% |
| Transportation | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Reported on DRTRS by DOE/County | 1,223 | 1,223 | - | 250 | 250 | - | | | | | | |
| DRTRS by District | 184 | 184 | - | 40 | 40 | - | | | | | | |
| Courtesy | 781 | 781 | - | - | - | - | | | | | | |
| TOTALS | 2,188 | 2,188 | 0.00% | 290 | 290 | - | | | | | | |
| Reg - Public Schools | | | | | | | | | | | | |
| Reported on DRTRS by DOE/County | 1,223 | 1,223 | - | 250 | 250 | - | | | | | | |
| DRTRS by District | 184 | 184 | - | 40 | 40 | - | | | | | | |
| Courtesy | 781 | 781 | - | - | - | - | | | | | | |
| TOTALS | 2,188 | 2,188 | 0.00% | 290 | 290 | - | | | | | | |

Reg Avg (Mileage) = Regular including Grade PK Students (Part A)
 Reg Avg (Mileage) = Regular excluding Grade PK Students (Part B)
 Special Avg = Special Ed w/ Special Needs

Reported
n/a

Verified to
Application
and
Registers
n/a

Recalculated
n/a

HUDSON COUNTY SCHOOLS OF TECHNOLOGY
Application for State School Aid Summary
Enrollment as of October 14, 2016

| Resident LEP NOT Low Income | | Sample of Verification | |
|--|--|---------------------------------------|---|
| Reported on ASSA NOT LOW Income | Reported on Workpapers NOT LOW Income | Sample Selected from Workpapers | Verified per Application and Registers |
| 2.00 | 2.00 | 1.00 | 1.00 |
| 2.00 | 2.00 | 1.00 | 1.00 |
| | | | Errors |
| | | | Errors |
| | - | | - |
| | - | | - |
| | 0.00% | | 0.00% |

Co. Voc - Regular
TOTALS

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1

A. 6% Calculation of Excess Surplus (2016-17 expenditures of \$100 million or less)

| | | | |
|--|--|----|-----------------------------|
| 2016-2017 Total General Fund Expenditures per the CAFR, Exhibit C-1 | | \$ | <u>59,118,733</u> (B) |
| Increased by: | | | |
| Transfer from Capital Outlay to Capital Projects | | | <u>-</u> (B1a) |
| Transfer from Reserve to Capital Projects | | | <u>-</u> (B1b) |
| Decreased by: | | | |
| On-Behalf TPAF Pension & Social Security | | | <u>(5,500,565)</u> (B2a) |
| Assets Acquired Under Capital Leases | | | <u>-</u> (B2b) |
| Adjusted 2016-17 General Fund Expenditures [(B) - (B1s)-(B2s)] | | | <u>53,618,168</u> (B3) |
| 6% of Adjusted 2016-2017 General Fund Expenditures [(B3) times .06] | | | <u>3,217,090</u> (B4) |
| Enter Greater of (B4) or \$250,000 | | | <u>3,217,090</u> (B5) |
| Increased by: Allowable Adjustment* | | | <u>-</u> (K) |
| Maximum Unassigned/Unreserved-Undesignated Fund Balance [(B5) + (K)] | | \$ | <u><u>3,217,090</u></u> (M) |

* This adjustment line (line (K) as detailed below) is to utilized for Impact Aid, Sale and Lease-back, Extraordinary Aid, and Additional Nonpublic School Transportation Aid, and unbudgeted FICA Wage Freeze Grant Revenue, if applicable. Extraordinary Aid and Additional Nonpublic School Transportation Aid for 2016-17 received after June 30 is limited to the amount of revenue recognized in

SECTION 2

| | | | |
|---|--|----|----------------------------|
| Total General Fund - Fund Balances at June 30, 2017 (Per CAFR Budgetary Comparison Schedule C-1) | | \$ | <u>269,934</u> (C) |
| Decreased by: | | | |
| Year-end Encumbrances | | | <u>-</u> (C1) |
| Legally Restricted - Designated for Subsequent Year's Expenditures | | | <u>-</u> (C2) |
| Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures** | | | <u>-</u> (C3) |
| Other Restricted/Reserved Fund Balances**** | | | <u>-</u> (C4) |
| Assigned-Unreserved-Designated for Subsequent Year's Expenditures | | | <u>-</u> (C5) |
| Total Unassigned Fund Balance [(C) - (C1) - (C2) - (C3) - (C4) - (C5)] | | \$ | <u><u>269,934</u></u> (U1) |

SECTION 3

| | | | |
|--|--|----|--------------|
| Restricted Fund Balance - Excess Surplus***[(U) - (M)] IF NEGATIVE ENTER -0- | | \$ | <u>-</u> (E) |
|--|--|----|--------------|

Recapitulation of Excess Surplus as of June 30, 2017

| | | | |
|---|--|----|---------------------|
| Restricted/Reserved Excess Surplus -- Designated for Subsequent Year's Expenditures** | | \$ | <u>-</u> (C3) |
| Restricted/Reserved Excess Surplus***[(E)] | | | <u>-</u> (E) |
| Total Excess Surplus [(C3) + (E)] | | \$ | <u><u>-</u></u> (D) |

Detail of Allowable Adjustments

| | | | |
|---|--|----|---------------------|
| Impact Aid | | \$ | <u>-</u> (H) |
| Sale & Lease-back | | | <u>-</u> (I) |
| Extraordinary Aid | | | <u>-</u> (J1) |
| Additional Nonpublic School Transportation Aid | | | <u>-</u> (J2) |
| Current Year School Bus Advertising Revenue Recognized | | | <u>-</u> (J3) |
| Family Crisis Transportation Aid | | | <u>-</u> (J4) |
| Total Adjustments [(H) + (I) + (J1) + (J2) + (J3) + (J4)] | | \$ | <u><u>-</u></u> (K) |

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 3 (Continued)

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line

*** Amount must agree with the June 30, 2017 CAFR and Audit Summary Worksheet Line 90030.

Detail of Other Restricted/Reserved Fund Balance

Statutory restrictions:

| | | |
|---|--------|------------|
| Approved unspent separate proposal | \$ | - |
| Sale/lease-back reserve | | - |
| Capital reserve | | - |
| Maintenance reserve | | - |
| Emergency reserve | | - |
| Tuition reserve | | - |
| School Bus Advertising 50% Fuel Offset Reserve - current year | | - |
| School Bus Advertising 50% Fuel Offset Reserve - prior year | | - |
| Impact Aid General Fund Reserve | | - |
| Impact Aid Capital Fund Reserve | | - |
| Other state/government mandated reserves | | - |
| Other Restricted/Reserved Fund Balance not noted above**** | | - |
| Total Other Restricted/Reserved Fund Balance | \$ | - (C4) |

**** Amount for Other Restricted/Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Payroll checks outstanding for more than 18 months should be investigated, and appropriate disposition made.

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

The District make appropriate and timely budget transfers to offset any increases in budget appropriations and properly project salary obligations when preparing the budget.

The collectability of the receivable in the Special Revenue Fund, due from the County of Hudson for several years should be determined and any appropriate disposition made.

All fund balance transfers should be performed with a formal resolution of the District Board authorizing such transfer.

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.

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.

The District must file the T.P.A.F. Reimbursement to the State for Federal Salary Expenditures even if no balances exist.

3. School Purchasing Programs

None

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

4. School Food Service

Food Service program cash receipts be turned over by school campuses to the central administration's office in a timely manner for deposit within 48 hours of receipt.

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.

Food Service program separate reimbursable program and non-reimbursable non-program revenues and costs of goods sold.

5. Student Body Activities

Student activity account cash receipts should be deposited within 48 hours of receipt.

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

**HUDSON COUNTY SCHOOLS OF TECHNOLOGY
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings with the exception of the following, which are repeated in this year's recommendations noted as follows:

- The District must adopt a resolution establishing the maximum travel expenditure amount for each budget year and maintain separate accounting records for such travel expenditures.
- The collectability of the receivable in the Special Revenue Fund, due from the County of Hudson for several years should be determined and any appropriate disposition made.
- The Community Development Center (CDC), which manages 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.
- The Community Development Center (CDC), which manages 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.
- The District must file the T.P.A.F. Reimbursement to the State for Federal Salary Expenditures even if no balances exist.
- Food service program cash receipts be turned over by school campuses to the central administration's office in a timely manner for deposit within 48 hours of receipt.
- 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.
- Student activity account cash receipts should be deposited within 48 hours of receipt.