

AREA VOCATIONAL-
TECHNICAL SCHOOLS
OF MERCER COUNTY
SCHOOL DISTRICT

County of Mercer
New Jersey

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2015*

**Area Vocational-Technical Schools
of Mercer County School District**

Hamilton, New Jersey

Comprehensive Annual Financial Report
Year Ended June 30, 2015

Prepared by

Business Office

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Organizational Chart	6
Roster of Officials	7
Independent Auditors and Advisors	8
Certificate of Excellence	9
FINANCIAL SECTION	
Independent Auditors' Report	10
Required Supplementary Information – Part I	
Management's Discussion and Analysis	13
Basic Financial Statements	
Government-wide Financial Statements:	
A-1 Statement of Net Position	24
A-2 Statement of Activities	25
Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	26
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	27
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Proprietary Fund:	
B-4 Statement of Fund Net Position	29
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	30
B-6 Statement of Cash Flows	31
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	32
B-8 Statement of Changes in Fiduciary Net Position	33
Notes to the Basic Financial Statements	34
Required Supplementary Information – Part II	
Schedule of the District's Proportionate Share of the Net Pension Liability – Public Employee's Retirement System	68
Schedule of District Contributions – Public Employee's Retirement System	69

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Required Supplementary Information – Part II (continued)	
Schedule of State’s Proportionate Share of the Net Pension Liability Associated with the District – Teacher’s Pension and Annuity Fund	70
Required Supplementary Information – Part III	
Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund (Budgetary Basis)	
C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – Not Applicable	71 N/A
C-1b Community Development Block Grant – Budget and Actual (Budgetary Basis) – Not Applicable	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund (Budgetary Basis)	76
Note to Required Supplementary Information	
C-3 Budget to GAAP Reconciliation	77
Supplementary Information	
Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	78
E-2 Schedule of Preschool Education Aid Expenditures – Budgetary Basis – Not Applicable	N/A
Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	80
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	81
F-2a- Schedule of Project Revenues, Expenditures, Project Balance F-2b and Project Status – Budgetary Basis	82
Enterprise Fund:	
G-1 Statement of Fund Net Position – Not Applicable	N/A
G-2 Statement of Revenues, Expenses and Changes in Fund Net Position – Not Applicable	N/A
G-3 Statement of Cash Flows – Not Applicable	N/A

Table of Contents (continued)

FINANCIAL SECTION (continued)

Supplementary Information (continued)

	<u>Page</u>
Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	84
H-2 Combining Statement of Changes in Fiduciary Net Position – Not Applicable	N/A
H-3 Schedule of Cash Receipts and Disbursements – Student Activity Agency Fund	85
H-4 Schedule of Cash Receipts and Disbursements – Payroll Agency Fund	86
Long-Term Debt:	
I-1 Schedule of Serial Bonds Payable – Not Applicable	N/A
I-2 Schedule of Obligations Under Capital Leases	87
I-3 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund – Not Applicable	N/A

STATISTICAL SECTION (Unaudited) – Other Information

Financial Trends:	
J-1 Net Position by Component	88
J-2 Changes in Net Position	89
J-3 Fund Balances – Governmental Funds	90
J-4 Changes in Fund Balances – Governmental Funds	91
J-5 General Fund – Other Local Revenue by Source	92
Revenue Capacity:	
J-6 Assessed Value and Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Tax Payers (Current and Nine Years Ago)	N/A
J-9 Property Tax Levies and Collections	N/A
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	N/A
J-11 Ratios of General Bonded Debt Outstanding	N/A
J-12 Ratios of Overlapping Governmental Activities Debt	N/A
J-13 Legal Debt Margin Information	N/A

Table of Contents (continued)

	<u>Page</u>
STATISTICAL SECTION (Unaudited) – Other Information (continued)	
Demographic and Economic Information:	
J-14 Demographic and Economic Statistics	93
J-15 Principal Employers	N/A
Operating Information:	
J-16 Full-Time Equivalent District Employees by Function/Program	94
J-17 Operating Statistics	95
J-18 School Building Information	96
J-19 Schedule of Required Maintenance	97
J-20 Insurance Schedule	98
SINGLE AUDIT SECTION	
K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	99
K-2 Report on Compliance For Each Major Federal and State Program and Report on Internal Control Over Compliance Required by OMB A-133 and New Jersey OMB 15-08	101
K-3 Schedule A – Schedule of Expenditures of Federal Awards – Supplementary Information	104
K-4 Schedule B – Schedule of Expenditures of State Financial Assistance –Supplementary Information	105
K-5 Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	106
K-6 Schedule of Findings and Questioned Costs	109
K-7 Summary Schedule of Prior Year Audit Findings	113

Introductory Section

December 14, 2015

Honorable President and
Members of the Board of Education
of the Area Vocational-Technical Schools
of Mercer County
Hamilton, New Jersey 08690

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report (CAFR) of the Area Vocational-Technical Schools of Mercer County (District) as of and for the year ended June 30, 2015, 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 Board of Education (Board). 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 government-wide financial statements of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this Transmittal Letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's Organizational Chart list of Principal Officials, a list of independent auditors and advisors and the International Association of School Business Officials Certificate of Excellence. The Financial section includes the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements and related footnotes and schedules. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. 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 U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, and the State Treasury Circular Letter OMB 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. Information related to this single audit, including the auditors' report on internal control 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 considered fiscally dependent upon County Government; therefore, it is an entity that must report under the Government Accounting Standards Board (GASB) Statement No. 34. All funds and the government-wide financial statements of the District are included in this report.

The District provides a full range of educational services appropriate to grade levels 9 to 12 in a full-time Academy and grades 11 to 12 in shared-time secondary programs, adult, and post-secondary programs. These include regular vocational, as well as, vocational special education for handicapped students. The District completed the 2014-2015 fiscal year with an average daily enrollment of 883.0 students. Following are the District's average daily enrollments over the last five (5) years:

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>
2014-2015	883.0
2013-2014	883.0
2012-2013	847.0
2011-2012	836.0
2010-2011	699.7

2. ECONOMIC CONDITION AND OUTLOOK:

The District is primarily a shared-time vocational-education delivery system serving all of the secondary public and non-public school districts in Mercer County and has introduced a full-time Health Science Academy (HSA) to better meet the needs of the students and industry. The District was formed in 1968 as a result of a resolution passed by the Mercer County Board of Chosen Freeholders. Under the auspices of a seven-member Board of Education, the District also sponsors a comprehensive adult and post-secondary vocational-technical program.

The District is currently operating two secondary schools and one post-secondary school. The Assunpink Center houses both the full time HSA Academy, as well as, shared time programs and the Sypek Center operates shared-time vocational-technical facilities serving 11th and 12th grade students and other out-of-school youth who require entry-level career training. The Career Tech Program, located on the West Windsor Campus of the Mercer County Community College, is also a shared-time educational program designed to serve 11th and 12th grade students who are seeking careers in Theatre Entertainment Technology, Professional Cooking, Computer Systems & Networking, Criminal Justice, Fire Science and EMT Technology, Business Foundations, and Radio & TV Production which are sponsored by the school district.

The Health Careers Center (HCC) is a post-secondary educational facility designed to serve individuals who are interested in pursuing careers in practical nursing, medical assisting, massage therapy, and other allied health careers. Part-time adult evening programs are available at the Assunpink and HCC. The adult evening school currently maintains approximately 25 different occupational programs at various levels, in the areas of apprenticeship, business, trade and industry, health, and wastewater management.

The District also serves as the local educational agency for the Thomas J. Rubino Academy, an alternative high school which serves all of Mercer County. The alternative education program is designed to offer a structure which is different from the traditional form of education to assist students in realizing their life goals and choices, talents, abilities, and career interests. The education services for the alternative program are provided by Camelot Educational Resources LLC, an educational service provider to assist New Jersey's public schools, private schools, and state agencies to meet their ever-increasing needs and demands. The education program is delivered at the Alfred Reed School in Ewing, New Jersey through an inter-local agreement with the Mercer County Special Services School District. During the 2014-2015 school year, the average student enrollment in the alternative education program was 139.

The District acquires its funding from federal, state, county, and local sources. As per the 2014-15 budget of \$13,027,201, approximately 50% of the budget is supported by county tax, 19% by state aid, 4% by federal/state special revenue aid, and 27% from tuition, fees, miscellaneous income and through the addition of fund balance.

Mercer County is home of a wide range of industries including education, health services, business services, leisure and hospitality. The highly skilled workforce includes those in the professional, scientific and technical services industries. Mercer County has experienced a rise in economic activity over the more recent past with the expansion of the local airport, development of local businesses and education facilities, the growth of sports and entertainment across the county and the recent opening of two (2) large scale hospitals.

It is projected that Mercer County will add 19,550 jobs from 2012 to 2022. Professional, scientific, and technical services (+6,050 or +25.7%) is projected to experience the largest employment growth, followed by healthcare and social services (+4,600 or +16.6%), educational services (+1,650), and retail trade (+1,500). The county's employment is projected to grow by 8.0 percent, as compared to the statewide rate of 7.5 percent. The state unemployment rate in June 2015 was 5.6%; while the Mercer County unemployment rate was 4.9% for the same period.

Mercer County Technical Schools is striving to align programs and prepare students to meet the demands of today and the future through additional Career Prep and full time Academy Programs for students to earn the credentials for high school and beyond in conjunction with Mercer County Community College, business and industry apprenticeships and partnerships.

3. **MAJOR INITIATIVES:**

Capital Project Initiatives:

The conversion from a shared-time facility to a full-time facility remains an ongoing capital improvement project as part of the Long-Range Facility Plan. This facility proposal was initiated as a result of the new educational reforms established by the State Department of Education. Given the impact of the New Jersey Core Curriculum Content Standards, The Elementary and Secondary Education Act reauthorized as the No Child Left Behind Act (ESEA-NCLB), and the County Vocational Competitive Grant (2015). It has become more evident that "full-time" career and technical education programs will offer students an integrated academic and technical comprehensive educational program. The design schematics for the proposed full-time educational program will include specialized laboratory facilities and academic classrooms for career programs in six (6) distinct academies: Retail/Personal Services, Design and Construction, Transportation, Fashion/Creative Arts, and Health Sciences. The Academy concept incorporates innovative approaches to education such as flexible scheduling, integrated curriculum, industry-school mentorship and partnership, technology, project-based research experiences, and internships. The first Academy in Health Science is designed to meet the needs of those students who wish to prepare for careers in the Health and Medical Sciences. During the 2014-2015 school year, the District had ongoing capital projects which included renovations to classrooms, cafeterias, physical education space, lockers, restrooms, doors and entrance access, as well as, planning for S.T.E.M. (science, technology, engineering and mathematics) Academy as part of a partnership with Mercer County Community College.

Program Initiatives:

- Partnered with Mercer County Community College for the development of a full time S.T.E.M. Academy.
- The District prepared and collected data and self-study surveys for the application of Middle States Accreditation for its Secondary Programs.
- Development of student centered programs with higher education, business/industry, labor and government in collaborative partnerships to meet the future demands of the economy and workforce requirements.
- HCC completed its self-study accreditation for Middle States Accreditation.
- HCC/Adult Evening School was granted eligibility for participation in Title IV student loan funding for the following programs: Cosmetology, Electrical, Health Technician, HVAC, License Practical Nursing and Medical Assistant. HCC/Adult Evening School will begin the process of applying for Title IV funding.

4. INTERNAL ACCOUNTING CONTROLS:

Management of the District is responsible for establishing and maintaining an internal control environment 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 generally accepted accounting principles (GAAP). The internal control environment is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (a) the cost of a control should not exceed the benefits likely to be derived; and (b) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State financial assistance, the District is also responsible for ensuring that an adequate internal control environment is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control environment is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control environment, 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. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of School Estimate. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount 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-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance on June 30, 2015.

6. **ACCOUNTING SYSTEM AND REPORTS:**

The District's accounting records reflect GAAP as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 1.

7. **FINANCIAL INFORMATION AT FISCAL YEAR-END:**

As demonstrated by the various statements and schedules included in the financial section of the report, the District continues to meet its responsibility for sound financial management. Financial summaries and detail should be reviewed in the Management's Discussion and Analysis for the Fiscal Year ended June 30, 2015.

8. **DEBT ADMINISTRATION:**

At June 30, 2015, the District had no outstanding debt other than obligations under capital leases.

9. **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm Wiss and Company, L.L.P. 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 related State OMB Circular 15-08. The auditors' report on the basic financial statements and footnotes, required supplementary information, combining and individual fund statements and schedules is included in the financial section of this report. The auditors' report related specifically to the single audit is included in the single audit section of this report.

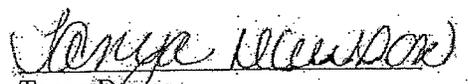
Awards - The District had applied to the Association of School Business Officials (ASBO) International for the "Certificate of Excellence in Financial Reporting" for its comprehensive annual financial report for the fiscal year ended June 30, 2014, and was granted the award. In order to be awarded this certificate, the District published an easily readable and efficiently organized comprehensive annual financial report and satisfied both generally accepted accounting principles and applicable legal requirements. This is the first year the District has received this award. We believe that our current comprehensive annual financial report continues to meet the Program's rigorous requirements, and we are submitting it to ASBO to determine its eligibility for the fiscal year 2014-15 award.

10. **ACKNOWLEDGEMENTS:**

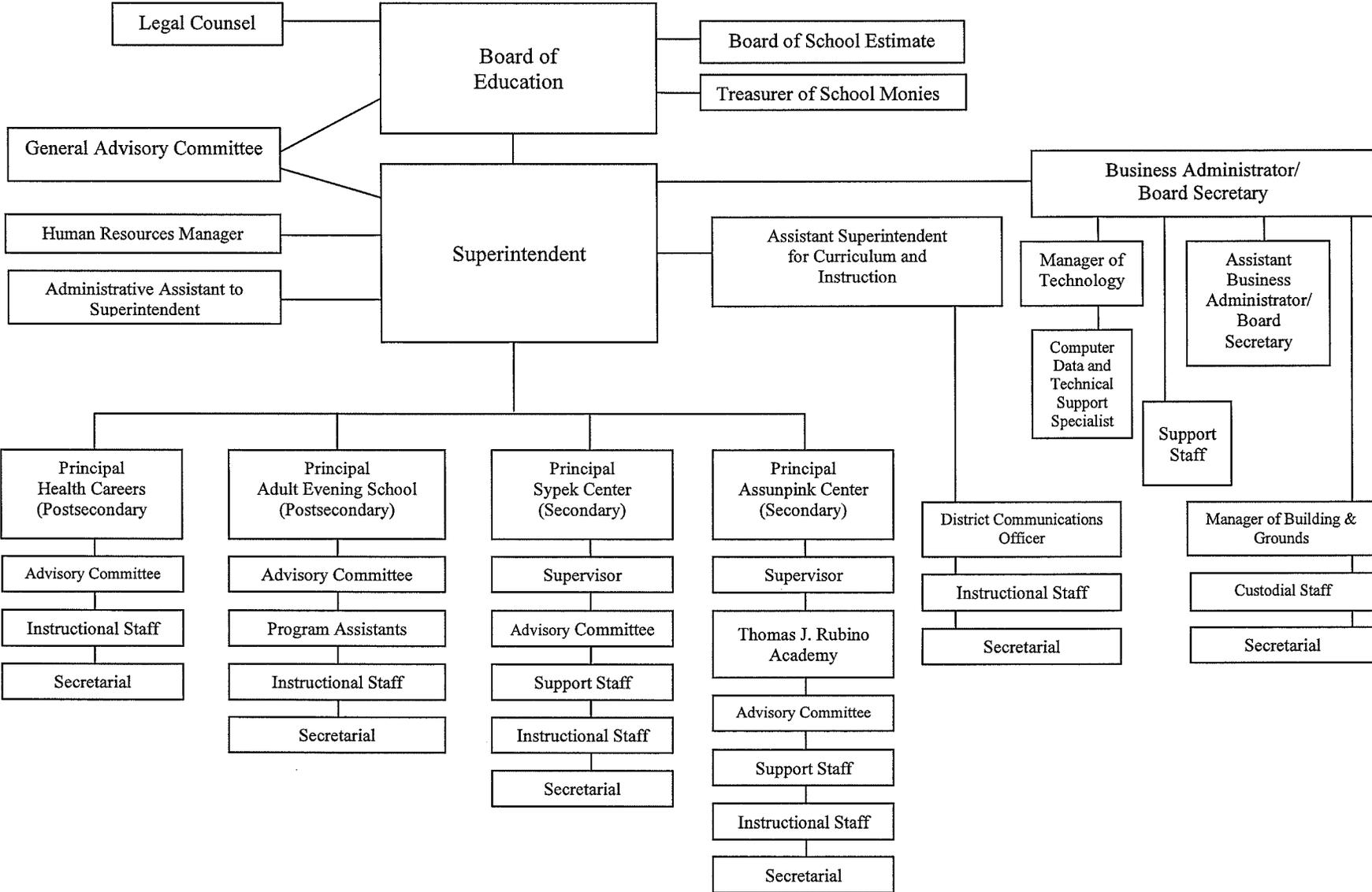
We would like to express our appreciation to the members of the Area Vocational-Technical Schools of Mercer County Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial staff.

Respectfully submitted:


Kimberly J. Schneider, Ed.D.
Superintendent


Tanya Dawson
Business Administrator/Board Secretary

Mercer County Technical School District Organization Chart



Area Vocational-Technical Schools
Of Mercer County School District
Mercer County, New Jersey

Roster of Officials

June 30, 2015

Members of the Board of Education

Term Expires

Albert W. Pitman, President	2018
John Zoller, Vice- President	2016
Judith Iszard	2015
Yolanda Stinger	2016
Vacancy	
Vacancy	
Dr. Laura Morana, Interim Executive County Superintendent of Schools	Ex-Officio

Other Officials

Dr. Kimberly Schneider, Superintendent of Schools – Chief School Administrator
Tanya Dawson, School Business Administrator / Board Secretary
Thomas Venanzi, Treasurer of School Monies

Area Vocational-Technical Schools
Of Mercer County School District
Mercer County, New Jersey

Independent Auditors and Advisors

Independent Auditors

Wiss and Company, LLP
Iselin, New Jersey 08830

Attorneys

Herbert, Van Ness, Cayci & Goodell
Lawrenceville, New Jersey 08648

Walter R. Bliss, Jr.
321 W. State Street
Trenton, New Jersey 08618

Official Depositories

New Jersey Cash Management
PNC Bank
Investors Bank
Bank of America
Deutsche Bank

Association of School Business Officials International

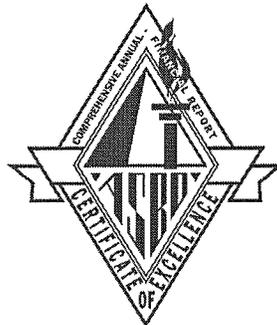


*The Certificate of Excellence in Financial Reporting Award
is presented to*

Area Vocational Technical Schools of Mercer County School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



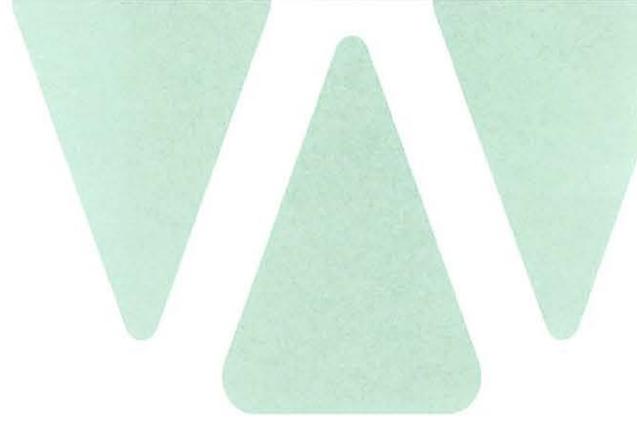
A handwritten signature in black ink, appearing to read "M. Pepera", written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO
President

A handwritten signature in black ink, appearing to read "John D. Musso", written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

Financial Section



Independent Auditors' Report

Honorable President and Members
of the Board of Education
Area Vocational-Technical Schools of Mercer County School District
Hamilton, New Jersey
County of Mercer

Report on the Financial Statements

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 Area-Vocational Technical Schools of Mercer County School District, in the County of Mercer, New Jersey (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors' 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District'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 previously 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 District as of June 30, 2015, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.R. to the financial statements, during the fiscal year ended June 30, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, which represents a change in accounting principle. As discussed in Note 16 to the financial statements, as of July 1, 2014 the District's net position was restated to reflect the impact of this change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the District's proportionate share of the net pension liability-PERS, schedule of District contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF and budgetary comparison information as identified in the table of contents 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.

Supplementary and Other Information

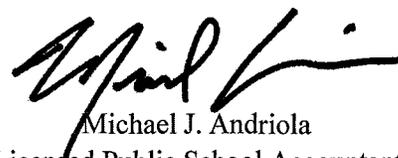
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, which consists of the combining and individual fund financial statements, long-term debt schedules and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

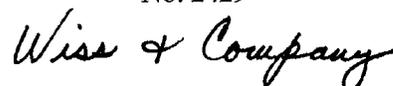
The other information identified above has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

December 14, 2015
Iselin, New Jersey

Required Supplementary Information – Part I
Management's Discussion and Analysis

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Management's Discussion and Analysis (MD&A) of the Area Vocational-Technical Schools of Mercer County School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements, notes to the basic financial statements and additional information in the transmittal letter to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis is Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2015 are as follows:

- ◆ In total, net position decreased by \$4,510,424, which represents a 22.7% decrease from 2014. This decrease was mainly the result of the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, which resulted in a restatement of beginning net position of \$5,775,933.
- ◆ Total assets of governmental activities increased by \$539,746, as capital assets increased by \$194,938 and cash and cash equivalents increased by \$205,726.
- ◆ Total liabilities of governmental activities increased by \$5,303,583, which was largely caused by the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, which resulted in a net pension liability of \$6,091,945 at June 30, 2015. The increase in total liabilities attributable to the net pension liability was offset by decreases in non-current liabilities (sick leave reimbursement and long term debt) of \$683,078 and accounts payable and other liabilities of \$105,284.
- ◆ General revenues accounted for \$12,464,712 of revenue or 71.5% of all revenues. Program specific revenues in the form of charges for services accounted for \$4,458,907 or 25.6% of total revenues of \$17,440,929.

- ◆ Total spending for all programs was \$16,175,420, including expenses of \$1,324,658 for allocated depreciation. Expenses in the amount of \$2,250,690 were offset by specific charges for services and operating grants and contributions. General revenues (primarily county tax levy and state and federal aid) of \$11,477,284 were adequate to provide for the balance of these programs, exclusive of the charge for depreciation.
- ◆ The General Fund had \$12,256,720 in revenues and \$11,831,526 in expenditures. The General Fund's fund balance increased \$365,194 from 2014.
- ◆ The activity in the Special Revenue Fund remained relatively consistent with the prior year, experiencing a slight increase in revenue from federal sources.
- ◆ Capital Projects Fund revenue and expenditures significantly decreased from the prior year due to the spending of a county appropriation for capital improvements which was largely spent in the prior year with a decreasing amount of activity being conducted in the current year.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of basic financial statements and notes to those basic statements. These statements are organized so the reader can understand the Area Vocational-Technical Schools of Mercer County District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The three (3) components that comprise the District's basic financial statements are: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The CAFR also contains required and supplementary information in addition to the basic financial statements themselves.

Reporting the School District as a Whole

Government-wide Activities

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. In the case of Area Vocational-Technical Schools of Mercer County School District, the General Fund is by far the most significant fund.

While this document 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 2014-15?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two (2) statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District has the following distinct kinds of activity:

- ◆ Governmental Activities – All of the District's programs and services, aside from the District's operation of its alternative high school, are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ◆ Business-Type Activities – All revenues and expenses pertaining to the operation of the Rubino Academy, the District's alternative high school, as well as the HOSA program are reported here.

The government-wide financial statements are Schedules A-1 and A-2.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major (all) funds is included in the 2014-15 Comprehensive Annual Financial Report as presented by the District. Fund financial statements provide detailed information about the District's major funds. All of the funds of the District can be divided into three (3) categories: governmental funds, proprietary funds and fiduciary funds. The fund financial statements are utilized for District financial decision making.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The District maintains three (3) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue fund and capital projects fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and supplementary information for the special revenue fund to demonstrate compliance with this budget. The basic governmental fund financial statements are Schedules B-1, B-2 and B-3.

General Fund

The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$429,573, while total fund balance was \$3,666,629. The fund balance increased \$365,194 during the current fiscal year primarily due to an increase in tuition from other LEAs.

Special Revenue Fund

The special revenue fund is the fund that accounts for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. During the current fiscal year, the District expended \$491,137 from federal sources, \$16,360 from state sources and \$9,813 from other local sources.

Capital Projects Fund

The District uses the capital projects fund to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by proprietary funds and trust funds). During the current fiscal year, the District expended \$1,211,359 for improvements to both the Assunpink and Sypek centers.

Enterprise Fund

The District maintains two enterprise funds, which are proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the operations of its Alternative High School, the Rubino Academy, which is considered to be a major fund of the District. The District also accounts for the revenues and expenses associated with its HOSA program in an enterprise fund. The basic enterprise fund financial statements are Schedules B-4, B-5 and B-6.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses trust funds to account for the activity in its private-purpose scholarship fund and unemployment compensation trust fund. The District uses agency funds to account for resources held for student activities and groups and payroll-related liabilities. The basic fiduciary fund financial statements are Schedules B-7 and B-8.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34 through 67 of this report.

Required Supplementary Information

The District is required to present certain supplementary information for its participation in the Public Employees' Retirement System ("PERS") and Teachers' Pension and Annuity Fund ("TPAF"). Schedules of the District's proportionate share of the PERS net pension liability, contributions made to this program and a schedule of the State's proportionate share of the net pension liability related to TPAF are reported as required supplementary information and can be found on pages 68-70 of this report.

Other Information

The individual and combining statements referred to earlier in connection with governmental funds are presented immediately following the required supplementary information to the financial statements. Combining and individual fund statements and schedules can be found on pages 71-87 of this report.

The School District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve as an indicator of a government's financial position. However, as noted earlier, net position is not the primary basis for decision making for each budget cycle. The District's financial position is the product of several financial transactions including the net results of activities, the increase and decrease of compensated absences and capital leases, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table provides a summary of the District's net position as of June 30, 2015 and 2014:

**Net Position
June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$4,515,973	\$ 4,171,165	\$ 36,398	\$ -	\$4,552,371	\$ 4,171,165
Capital assets, net	27,501,560	27,306,622			27,501,560	27,306,622
Total assets	<u>32,017,533</u>	<u>31,477,787</u>	<u>36,398</u>	<u>-</u>	<u>32,053,931</u>	<u>31,477,787</u>
Deferred Outflow of Resources	<u>833,458</u>				<u>833,458</u>	
Current liabilities and other	1,185,427	1,290,711	15,690		1,201,117	1,290,711
Net pension liability	6,091,945				6,091,945	
Long-term liabilities	9,228,520	9,911,598			9,228,520	9,911,598
Total liabilities	<u>16,505,892</u>	<u>11,202,309</u>	<u>15,690</u>		<u>16,521,582</u>	<u>11,202,309</u>
Deferred Inflows of Resources	<u>1,011,842</u>	<u>411,089</u>			<u>1,011,842</u>	<u>411,089</u>
Net position:						
Net investment in capital assets	18,021,560	17,146,622			18,021,560	17,146,622
Restricted	2,722,326	2,565,448			2,722,326	2,565,448
Unrestricted (deficit)	(5,410,629)	152,319	20,708		(5,389,921)	152,319
Total net position	<u>\$15,333,257</u>	<u>\$19,864,389</u>	<u>\$20,708</u>	<u>\$ -</u>	<u>\$15,353,965</u>	<u>\$19,864,389</u>

Total assets increased by \$576,144. The majority of the increase resulted from the site improvements to capital assets.

Total liabilities increased by \$5,319,273. The District's non-current liabilities decreased \$683,078 and current and other liabilities decreased \$89,594. The decrease in current liabilities primarily resulted from the decrease in accounts payable and the decrease in non-current liabilities resulted from the principal payment to the ESIP capital lease. The net pension liability was recorded as a result of the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This also resulted in an increase in deferred outflows of resource and deferred inflows of resources.

Unrestricted net position, the part of net position that can be used to finance day-to day activities, without constraints, established by grants or legal requirements of the District, decreased by \$5,542,240 as a result of the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, which resulted in a restatement to beginning net position of \$5,775,933.

The Net Position for Business-Type Activities is \$20,708 at June, 30, 2015.

The following table provides a comparison of government-wide changes in net position for the 2015 and 2014 fiscal years:

Changes in Net Position

Years ended June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,733,380	\$ 1,397,363	\$ 2,725,527	\$ 2,792,285	\$4,458,907	\$ 4,189,648
Operating grants and contributions	517,310	476,502			517,310	476,502
General revenues:						
County Appropriation/Taxes	7,631,695	12,944,147			7,631,695	12,944,147
State and Federal Sources	3,845,589	3,002,117			3,845,589	3,002,117
Miscellaneous	987,428	1,155,451			987,428	1,155,451
Total revenues	14,715,402	18,975,580	2,725,527	2,792,285	17,440,929	21,767,865
Expenses:						
Instructional services	5,731,298	5,034,046	2,704,819	2,792,285	8,436,117	7,826,331
Support services	5,519,914	5,057,029			5,519,914	5,057,029
Special schools	1,853,901	1,901,174			1,853,901	1,901,174
Interest on long term obligations	365,488	427,910			365,488	427,910
Total expenses	13,470,601	12,420,159	2,704,819	2,792,285	16,175,420	15,212,444
Change in net position	1,244,801	6,555,421	20,708	-	1,265,509	6,555,421
Net position – beginning	19,864,389	13,308,968	-	-	19,864,389	13,308,968
Restatement	(5,775,933)				(5,775,933)	
Net position – beginning (as restated)	14,088,456	13,308,968	-	-	14,088,456	13,308,968
Net position – ending	\$ 15,333,257	\$ 19,864,389	\$ 20,708	\$ -	\$ 15,353,965	\$ 19,864,389

Charges for services include tuition and registration fees for full-time Health Science Academy and Special Education students, day school, summer program, health careers post-secondary program, and the adult evening school. Increases in charges for services are mainly attributable to increased enrollment and tuition rates.

County Appropriations/Taxes decreased due to less capital improvement projects taking place in the current year.

Financial Analysis of the District's Funds

The District uses funds to control and manage money for particular purposes. The Fund's basic financial statements allow the District to demonstrate its stewardship over and accountability for resources received from the County of Mercer, State of New Jersey and other entities. These statements also allow the reader to obtain more insight into the financial workings of the District, and assess further the District's overall financial health.

As the District completed the fiscal year ended June 30, 2015, it reported a general fund balance of \$3,666,629, which is an increase of \$365,194 from the prior year. The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, Schedule B-3, presents the reader with a detailed explanation of the increase in fund balance for the fiscal year.

Governmental Funds (Schedules B-1 and B-2)

Governmental funds are accounted for using the modified accrual basis of accounting. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources. Such information is essential in assessing the District's financing requirements.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility of sound financial management. The following schedules represent revenues and expenditures from a New Jersey budgetary viewpoint. The first schedule presents a summary of the revenues of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2015, and the amount and percentage of increases in relation to prior year revenues.

**Revenues
Year Ended June 30, 2015**

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase from 2014</u>	<u>Percent of Increase</u>
Local sources	\$ 9,142,315	71.6%	\$ 88,070	1.0 %
State sources	3,140,578	24.6	124,160	4.1 %
Federal sources	491,137	3.8	36,976	8.1 %
Total	\$ 12,774,030	100.0%	\$ 249,206	2.0 %

The increase in the local sources was mainly attributable to the increase in enrollment and general tuition fees. Federal sources increased primarily due to the District receiving additional grant funds. The increase in State sources is primarily attributable to an increase in additional state aid.

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the year ended June 30, 2015, and the amount and percentage of increases and (decreases) in relation to prior year expenditures.

**Expenditures
Year Ended June 30, 2015**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2014</u>	<u>Percent of Increase (Decrease)</u>
Current:				
Instruction	\$ 3,557,355	28.8%	\$179,449	5.3 %
Undistributed expenditures	6,046,990	49.0	233,729	4.0 %
Capital outlay	322,653	2.6	(12,442)	(3.7) %
Debt Service – capital lease	1,057,487	8.6	3,814	0.4 %
Special schools	1,364,351	11.0	(136,291)	(9.1) %
Total	\$ 12,348,836	100.0%	\$268,259	2.2 %

The increase in current expenditures is due to the increase in tuition and the increasing cost of providing quality education. The decrease in special schools expenditures is due to a lower assessment for children attending special schools.

Capital Assets

At the end of fiscal years 2015 and 2014, the District had \$27,501,560 and \$27,306,622, respectively invested in a broad range of capital assets, including construction in progress, buildings, furniture, vehicles, computers, instructional equipment and other equipment. This amount is net of accumulated depreciation. Increases during the year represent additions to those categories, while decreases represent retirement of assets during the year, and depreciation of depreciable assets for the year. The table below shows the net book value of governmental activities capital assets at the end of the 2015 and 2014 fiscal years.

Capital Assets (Net of Depreciation)

	<u>2015</u>	<u>2014</u>
Construction in Progress	\$ 7,852,577	\$ 6,951,041
Buildings and Building Improvements	18,657,158	19,449,881
Machinery and Equipment	<u>991,825</u>	<u>905,700</u>
Total	<u>\$ 27,501,560</u>	<u>\$ 27,306,622</u>

During the current fiscal year, \$1,529,213 of capital assets were capitalized as additions. Increases in capital assets were offset by depreciation expense for the year. The District's capital additions for the 2014-15 fiscal year included site improvements to both Assunpink and Sypek Centers.

Long Term Debt

The District maintains a liability for vested compensated absences which is recorded in the government-wide financial statements. This liability is attributable to unused sick and vacation time that is due to employees at retirement or termination. Of the \$403,835 and \$441,431 liabilities at June 30, 2015 and 2014, respectively, \$315 and \$9,833 are due within one year, respectively.

In July 2011, the District entered into a long-term capital lease to obtain funding sources for an Energy Savings Improvement Plan (ESIP). The lease agreement requires the District to make annual principal and interest payments from its general fund budget. Of the \$9,480,000 liability at June 30, 2015, \$655,000 is due within one year.

Governmental Activities

	<u>2015</u>	<u>2014</u>
Compensated Absences Payable	\$ 403,835	\$ 441,431
ESIP Capital Lease	<u>9,480,000</u>	<u>10,160,000</u>
Total	<u>\$ 9,883,835</u>	<u>\$ 10,601,431</u>

For additional information on Capital Assets or Long Term Debt, see Notes 4 and 5, respectively, to the Basic Financial Statements.

General Fund Budgetary Highlights

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

During the course of the year, the District revises its budget as it attempts to take into consideration unexpected changes in revenues and expenditures.

A schedule showing the District's original and final budget compared with actual operating results is provided in Section C of the CAFR, entitled Budgetary Comparison Schedules. The District generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind.

The General Fund finished the fiscal year \$39,659 less than had been budgeted in terms of revenues and \$1,362,125 better in terms of expenditures. Both the revenues and appropriations were adjusted for \$714,672 of non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions and on-behalf TPAF post-retirement medical contributions.

Due to the high precision of the District's formulated budget, significant transfers between various account lines were not necessary.

Economic Factors and Next Year's Budget

For the 2014-15 school year, the Area Vocational-Technical Schools of Mercer County School District was able to sustain its general operating budget through the County Aid Levy, State Education Aid and Local Revenue Sources. Approximately 26% of the District's general fund revenue was from State Aid (Restricted and Not Restricted), while 53% of total general fund revenue was from the County Tax Levy. The balance of the general fund revenue was comprised of Tuition, Registration Fees and Miscellaneous Income.

The 2014-15 budget was adopted on March 25, 2014 by the County Freeholders based in part on the State Education Aid the District anticipated receiving. Any future increases in State aid based on the State School Financing Reform Act will be based on the County Wealth based calculation and the minimum tax levy. Predicting future State Aid will be dependent upon new State formula-driven funding initiatives such as presented by the New Jersey Department of Education Acting Commissioner in his Education Funding Report of February 23, 2012.

The District anticipates an increase in enrollment for the 2015-16 fiscal year but, due to the elective nature of its programs, the District cannot accurately forecast future enrollment.

If the District were to experience a significant increase in enrollment with no appreciable increase in the County Tax Levy for future budgets, the District will be faced with the following alternatives: (a) reduce programs and services; (b) propose a Tuition Plan for the sending school districts; or (c) increase Tuition and other related fees for adult students.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Dr. Kimberly J. Schneider, Superintendent at the Board of Education Area Vocational-Technical Schools of Mercer County, 1085 Old Trenton Road, Trenton, New Jersey 08690. Also, please visit our website to learn more about our District at www.mcts.edu.

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2015.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 959,195		\$ 959,195
Accounts Receivable	862,658	\$ 490,220	1,352,878
Internal Balances	453,822	(453,822)	-
Other Assets	93,312		93,312
Restricted Assets:			
Cash and Cash Equivalents	2,146,986		2,146,986
Capital Assets, Non-Depreciable	7,852,577		7,852,577
Capital Assets, Depreciable, Net	19,648,983		19,648,983
Total Assets	<u>32,017,533</u>	<u>36,398</u>	<u>32,053,931</u>
Deferred Outflow of Resources			
Pension Deferrals	<u>833,458</u>		<u>833,458</u>
	833,458		833,458
Liabilities			
Accounts Payable	328,742	15,690	344,432
Accrued Interest Payable	167,283		167,283
Unearned Revenue	32,957		32,957
Other Liabilities	1,130		1,130
Net Pension Liability	6,091,945		6,091,945
Noncurrent Liabilities:			
Due Within One Year	655,315		655,315
Due Beyond One Year	9,228,520		9,228,520
Total Liabilities	<u>16,505,892</u>	<u>15,690</u>	<u>16,521,582</u>
Deferred Inflows of Resources			
Pension Deferrals	363,047		363,047
Advance of Tax Levy	648,795		648,795
Total Deferred Inflows of Resources	<u>1,011,842</u>		<u>1,011,842</u>
Net Position			
Net Investment in Capital Assets	18,021,560		18,021,560
Restricted For:			
Capital Projects	12,375		12,375
Other Purposes	2,709,951		2,709,951
Unrestricted (Deficit)	(5,410,629)	20,708	(5,389,921)
Total Net Position	<u>\$ 15,333,257</u>	<u>\$ 20,708</u>	<u>\$ 15,353,965</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 3,848,035		\$ 269,349	\$ (3,578,686)		\$ (3,578,686)
Special Education	1,883,263			(1,883,263)		(1,883,263)
Support Services:						
Student and Instruction Related Services	1,367,682		247,961	(1,119,721)		(1,119,721)
General Administrative Services	733,432			(733,432)		(733,432)
School Administrative Services	934,242			(934,242)		(934,242)
Central Administrative Services	302,731			(302,731)		(302,731)
Administrative Information Technology	404,399			(404,399)		(404,399)
Plant Operations and Maintenance	1,746,017			(1,746,017)		(1,746,017)
Pupil Transportation	31,411			(31,411)		(31,411)
Interest on Long-Term Obligations	365,488			(365,488)		(365,488)
Special Schools	1,853,901	\$ 1,733,380		(120,521)		(120,521)
Total Primary Government	<u>13,470,601</u>	<u>1,733,380</u>	<u>517,310</u>	<u>(11,219,911)</u>		<u>(11,219,911)</u>
Business-type Activities:						
Enterprise Fund	<u>2,704,819</u>	<u>2,725,527</u>			\$ 20,708	<u>(20,708)</u>
Total Business-type Activities	<u>2,704,819</u>	<u>2,725,527</u>			<u>20,708</u>	<u>(20,708)</u>
Total Primary Government	<u>\$ 16,175,420</u>	<u>\$ 4,458,907</u>	<u>\$ 517,310</u>	<u>(11,219,911)</u>		<u>(11,240,619)</u>
General Revenues:						
County Appropriation/Taxes				7,631,695		7,631,695
State and Federal Sources				3,845,589		3,845,589
Miscellaneous				987,428		987,428
Total General Revenues				<u>12,464,712</u>		<u>12,464,712</u>
Changes in Net Position				1,244,801	-	1,244,801
Net Position - Beginning (as restated)				14,088,456	-	14,088,456
Net Position - Ending				<u>\$ 15,333,257</u>	<u>\$ 20,708</u>	<u>\$ 15,353,965</u>

See accompanying notes to the basic financial statements.

Fund Financial Statements

Governmental Funds

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents	\$ 959,195			\$ 959,195
Interfund Receivable	1,074,216			1,074,216
Accounts Receivable:				
State	2,177	\$ 8,197		10,374
Federal		180,437		180,437
Other	234,214	1,100	\$ 436,533	671,847
Restricted Cash and Cash Equivalents	2,146,986			2,146,986
Total Assets	\$ 4,416,788	\$ 189,734	\$ 436,533	\$ 5,043,055
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Interfund Payable	\$ 20,708	\$ 175,528	\$ 424,158	\$ 620,394
Accounts Payable	46,569	14,206		60,775
Unearned Revenue	32,957			32,957
Other Liabilities	1,130			1,130
Total Liabilities	101,364	189,734	424,158	715,256
Deferred Inflows of Resources:				
Advance of Tax Levy	648,795			648,795
Fund Balances:				
Restricted for:				
Excess Surplus - current year	284,096			284,096
Prior Year Excess Surplus - Designated for Subsequent Year's Expenditures	278,869			278,869
Capital Reserve	2,146,986			2,146,986
Capital Projects			12,375	12,375
Assigned to:				
Designated for Subsequent Years' Expenditures	368,306			368,306
Other Purposes	158,799			158,799
Unassigned	429,573			429,573
Total Fund Balances	3,666,629		12,375	3,679,004
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,416,788	\$ 189,734	\$ 436,533	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Solar renewable energy certificates were not available in the current period and therefore were not reported as assets in the funds.	93,312
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$47,109,908 and the accumulated depreciation is \$19,608,348 (See Note 4).	27,501,560
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	470,411
Accrued interest on long - term liabilities is not due and payable in the current period and therefore is not reported as a liability in the funds.	(167,283)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(6,091,945)
Accrued pension contributions for the June 30, 2015 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(267,967)
Long-term liabilities, including compensated absences and principal on long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund (See Note 5).	(9,883,835)
Net Position of Governmental Activities	\$ 15,333,257

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 6,467,961		\$ 1,163,734	\$ 7,631,695
Tuition from Other Districts	1,250			1,250
Tuition from Individuals	59,000			59,000
Tuition From Other LEA's	1,543,650			1,543,650
Non-Resident Fees	129,480			129,480
Interest	1,827			1,827
Miscellaneous	929,334	\$ 9,813		939,147
Total - Local Sources	9,132,502	9,813	1,163,734	10,306,049
State Sources	3,124,218	16,360		3,140,578
Federal Sources		491,137		491,137
Total Revenues	12,256,720	517,310	1,163,734	13,937,764
Expenditures:				
Current:				
Regular Vocational - Instruction	2,152,890	269,349		2,422,239
Special Vocational - Instruction	1,135,116			1,135,116
Support Services and Undistributed Costs:				
Student and Instruction Related Services	797,502	45,935		843,437
General Administration	473,236			473,236
School Administration	550,415			550,415
Central Services	188,303			188,303
Administrative Information Technology	267,552			267,552
Plant Operations and Maintenance	1,179,485			1,179,485
Pupil Transportation	26,463			26,463
Unallocated Benefits	1,803,427			1,803,427
On-behalf TPAF FICA and Pension	714,672			714,672
Capital Outlay	120,627	202,026	1,211,359	1,534,012
Debt Service:				
Principal	680,000			680,000
Interest	377,487			377,487
Special Schools	1,364,351			1,364,351
Total Expenditures	11,831,526	517,310	1,211,359	13,560,195
Excess (deficiency) of revenues over (under) expenditures	425,194	-	(47,625)	377,569
Other Financing Sources (Uses):				
Transfers in	-		60,000	60,000
Transfers out	(60,000)		-	(60,000)
Total Other Financing Sources (Uses)	(60,000)		60,000	-
Net Change in Fund Balances	365,194	-	12,375	377,569
Fund Balance, July 1	3,301,435	-	-	3,301,435
Fund Balance, June 30	\$ 3,666,629	\$ -	\$ 12,375	\$ 3,679,004

The reconciliation of the fund balances of the governmental funds to the net position of the governmental activities is presented in an accompanying schedule (B-3).

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2015

Total Net Change in Fund Balances - Governmental Funds (B-2) \$ 377,569

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

Capital additions for capital assets are reported in governmental funds as expenditures. However, on 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 additions, net exceeded depreciation in the current fiscal year.

Depreciation Expense	\$ (1,324,658)	
Capital Additions, net	<u>1,529,213</u>	204,555

Loss on disposal of assets (9,617)

The issuance of long - term debt (e.g. capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term liabilities and related items.

Obligations Under Capital Leases		680,000
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In the Statement of Activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is recorded when due. The decrease in accrued interest from the prior year is a addition to the reconciliation.

11,999

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Pension Expense		(113,568)
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In the statement of net position and statement of activities the investment value of solar renewable energy certificates are presented at market value, and not portrayed in the governmental funds. This amount reflects the change in value at June 30, 2015.

56,267

In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) 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 a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.

37,596

Change in Net Position of Governmental Activities (A-2)		<u>\$ 1,244,801</u>
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Proprietary Fund

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
PROPRIETARY FUND

STATEMENT OF NET POSITION

June 30, 2015

	Major Enterprise Funds		
	Rubino Academy	H.O.S.A.	Totals
Assets			
Current Assets:			
Interfund Receivable	\$	20,708	\$ 20,708
Accounts Receivable - Other	\$ 490,220		490,220
Total Assets	490,220	20,708	510,928
Liabilities			
Accounts Payable	15,690		15,690
Interfund Payable	474,530		474,530
Total Liabilities	490,220		490,220
Net Position			
Unrestricted	-	20,708	20,708
Total Net Position	\$ -	20,708	20,708

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION

Year ended June 30, 2015

	Major Enterprise Funds		
	Rubino Academy	H.O.S.A.	Total
Operating Revenues:			
Tuition	\$ 2,639,250		\$ 2,639,250
Activity Membership Fees		\$ 86,277	86,277
Total Operating Revenues	<u>2,639,250</u>	<u>86,277</u>	<u>2,725,527</u>
Operating Expenses:			
Purchased Professional - Educational Services	2,339,250		2,339,250
Rental	300,000		300,000
Supplies		14,179	14,179
Miscellaneous		51,390	51,390
Total Operating Expenses	<u>2,639,250</u>	<u>65,569</u>	<u>2,704,819</u>
Operating Income and Change in Net Position	<u>-</u>	<u>20,708</u>	<u>20,708</u>
Total Net Position-Beginning	-		
Total Net Position-Ending	<u>\$ -</u>	<u>\$ 20,708</u>	<u>\$ 20,708</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
PROPRIETARY FUND

STATEMENT OF CASH FLOWS

Year ended June 30, 2015

	Major Enterprise Funds		
	Rubino Academy	H.O.S.A.	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,422,775	\$ 86,277	\$ 2,509,052
Payments to suppliers	(2,422,775)	(86,277)	(2,509,052)
Net cash provided by operating activities	-	-	-
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -
Reconciliation of operating income to net cash provided by operating activities			
Operating income	-	\$ 20,708	\$ 20,708
Adjustments to reconcile operating income to net cash provided by operating activities:			
Changes in assets and liabilities:			
Decrease in accounts receivable	\$ 273,745		273,745
Increase in accounts payable	15,690		15,690
(Decrease) in interfund payable	(289,435)		(289,435)
(Increase) in interfund receivable		(20,708)	(20,708)
Net cash provided by operating activities	\$ -	\$ -	\$ -

Fiduciary Funds

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund	Agency Fund
Assets			
Cash and Cash Equivalents	\$ 10,586	\$ 14,261	\$ 105,466
Total Assets	<u>10,586</u>	<u>14,261</u>	<u>\$ 105,466</u>
Liabilities			
Accounts Payable		721	
Payroll Deductions and Withholdings			\$ 77,190
Due to Student Groups			28,276
Total Liabilities		<u>721</u>	<u>\$ 105,466</u>
Net Position			
Held in Trust for Unemployment Claims		<u>\$ 13,540</u>	
Held in Trust for Scholarships	<u>\$ 10,586</u>		

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2015

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund
Additions		
Interest Income	\$ 4	\$ 5
Employee Contributions		10,733
Board Contributions		18,000
Other Contributions	6,339	
Total Additions	6,343	28,738
Deductions		
Scholarship Payments	3,300	
Unemployment Benefits		21,495
Total Deductions	3,300	21,495
Change in Net Position	3,043	7,243
Net Position - Beginning of Year	7,543	6,297
Net Position - End of Year	\$ 10,586	\$ 13,540

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements

Year ended June 30, 2015

1. Summary of Significant Accounting Policies

The financial statements of the Area Vocational-Technical Schools of Mercer County School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are disclosed below.

The District is a Type I school district located in Mercer County, New Jersey. The District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of appointed officials and is responsible for the fiscal control of the District. The Board is comprised of six members appointed to four year terms by the Mercer County Board of Chosen Freeholders, as well as, the Executive County Superintendent of Schools (statutory member). The operations of the District include two Vocational-Technical Schools and an Adult Health Career Center. The District is also the Local Educational Authority for an Alternative Education Program located in the Township of Ewing. There are no additional entities required to be included in the reporting entity under the criteria described here.

A. Reporting Entity

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Area Vocational-Technical Schools of Mercer County School District in Hamilton, New Jersey.

The District receives funding from county, state, and federal government sources and must comply with the requirements of these funding source entities. The District is a component unit of Mercer County, however, the County reports its financial statements on a regulatory-basis of accounting which does not recognize or report component units.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, county appropriations and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires that all funds be reported as major to promote consistency among the school districts in the State of New Jersey.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues, to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and capital lease obligations are recorded only when payment is due.

County taxes, interest, and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when the District receives cash.

The District has reported the following major governmental funds:

General Fund: The general fund is the general operating fund of the District and 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 subfund.

Special Revenue Fund: The District maintains one special revenue fund which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than capital projects.

Capital Projects Fund: The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets. The financial resources are derived mainly from approved county funds and the Energy Savings Improvement Program (ESIP) capital lease.

The District reports the following major proprietary funds:

Rubino Academy Enterprise Fund: The Rubino Academy fund accounts for all revenues and expenses pertaining to the alternative high school's operations. The Rubino Academy enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing services to the students on a continuing basis are financed or recovered primarily through tuition charges.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

H.O.S.A Fund: The Health Occupation Students of America Fund (“H.O.S.A”) accounts for all revenues and expenses pertaining to membership in the statewide organization. The H.O.S.A. enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing services to the students on a continuing basis are financed or recovered primarily through membership fees.

Additionally, the District reports the following fiduciary fund types:

Fiduciary Funds of the District include the Student Activities Agency Fund, Payroll Agency Fund, the Unemployment Compensation Trust Fund and Private Purpose Scholarship Trust Fund. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations. The following is a description of the fiduciary funds of the District.

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Trust Funds: The unemployment compensation and private purpose scholarship trust funds are accounted for using the economic resources measurement focus. The unemployment compensation trust fund is used to account for contributions from the District and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private purpose scholarship trust fund is utilized to provide scholarships to students and to account for the related transactions.

Agency Funds (Payroll and Student Activity Fund): 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for tuition and membership fees. Operating expenses for the enterprise funds include purchases of professional – educational services, rental expenses, supplies and miscellaneous expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports unearned revenue on its statement of net position and balance sheet. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when federal or state assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and balance sheet and revenue is recognized.

Ad Valorem (Property) taxes are susceptible to accrual as, under New Jersey State Statute, a County is required to remit to the school district the entire balance of taxes. 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 County Board of Taxation is responsible for the assessment of properties. Assessments are certified and taxes are levied on January 1; taxes are due February 1, May 1, August 1 and November 1. Unpaid taxes are considered delinquent the following January 1 and are then subject to lien.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County Office and Board of School Estimates for approval. Budgets are prepared using the modified accrual basis of accounting, except the Special Revenue Fund. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referred in N.J.A.C. 6A:23. All budget amendments / transfers must be approved by Board resolution. All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally-authorized revisions of the annual budgets during the year). The over-expenditures in the general fund are due to the inclusion of the non-budgeted on behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent overexpenditures.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the last two 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.

E. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, amounts on deposit, money market accounts, short-term investments and certificates of deposit with original maturities of three months or less.

F. Tuition Receivable / Payable

Tuition charges were established by the District based on estimated costs. The charges are subject to adjustment when the final costs are determined. These adjustments are recorded upon certification by the State Department of Education, which is usually one to two years following the contract year. The cumulative adjustments through June 30, 2015 which have not been recorded, are not determinable.

G. Interfund Receivables/Payables

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

H. Capital Assets

Capital assets, which include construction in progress, buildings and improvements and machinery and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost through estimation procedures performed

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date of donation.

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

Capital assets, being depreciated, of the District are depreciated using the straight line method. The following estimated useful lives are used to compute depreciation:

<u>Asset Class</u>	<u>Years</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment and Software	5-10
Instructional Equipment	10
Grounds Equipment	15

I. Compensated Absences

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 employer and employee is accrued as employees earn the rights to the benefits. The District uses the “vesting method” for estimating its accrued sick and vacation leave liability.

District employees are granted vacation and sick leave in varying amounts under the District’s personnel policies and collective bargaining agreements. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service. Upon retirement, employees are paid by the District for the unused sick time in accordance with the District’s agreements with the various employee unions.

Under terms of association agreements, employees earn vacation and sick leave in amounts varying with tenure and classification by the District for the unused sick leave in accordance with District agreements with the various employee unions.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

The liability for vested compensated absences of the District is recorded in the government-wide financial statements and includes salary related payments. As of June 30, 2015, a liability existed for compensated absences in the government-wide financial statements in the amount of \$403,835.

J. Unearned Revenue

Unearned revenue in the general fund represents cash receipts received from tuition for future classes that have been received in advance.

K. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. Currently, the District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the District has two items that qualify for reporting in this category, including deferred amounts related to pensions and the portion of next year's county tax levy that the District received in advance.

L. Long-Term Obligations

Bonds are issued by the County pursuant to the provisions of Title 18A of the State of New Jersey Statutes and are required to be approved by the Mercer County Board of School Estimates. Type I School Bonds are issued by the County of Mercer and the proceeds are recorded in the records of the County. All debt service requirements for Type I School Bonds are provided for in the annual budgets of the County. All bonds are retired in serial instruments within the statutory period of usefulness.

The District has a long-term capital lease related to the Energy Savings Improvement Plan (ESIP). The lease agreement requires the District to make annual principal and interest payments from its general fund budget.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

M. Fund Balances

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 balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

- 1) Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) Restricted - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) Committed - includes amounts that can be used only for the specific purposes imposed by a formal action of the government’s highest level of decision-making authority. The District’s highest level of decision-making authority is the Board of Education (the “Board”) and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- 4) Assigned – amounts 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 Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) Unassigned - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

Of the \$3,666,629 of fund balance in the General Fund, \$158,799 are encumbrances assigned to other purposes, \$2,146,986 has been restricted in the capital reserve account, \$284,096 has been restricted for excess surplus – current year, \$278,869 has been restricted for prior year excess surplus that has been designated for subsequent year's expenditures, \$368,306 has been classified as assigned fund balance designated for subsequent year expenditures, and the remaining \$429,573 is classified as unassigned.

N. Calculation of Excess Surplus

The designation for restricted fund balance -- excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve general fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. Excess surplus of \$278,869, which was generated during 2014 will be utilized in the 2015-16 budget. The current year excess surplus at June 30, 2015 was \$284,096, which will be utilized in the 2016-17 budget.

O. Net Position

Net position represents the difference between assets, deferred inflows of resources, deferred outflows of resources, and liabilities in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

P. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

Q. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security contributions and post-retirement pension and medical contributions for certified teachers and other 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 by \$721,371 to adjust for 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.

R. GASB Pronouncements

GASBs Implemented in the 2015 Fiscal Year

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (“GASB No. 68”). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68* (“GASB 71”). The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68 concerning the transition provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of that Statement by employers and nonemployer contributing entities. The requirements of this Statement will eliminate the source of a potential understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

1. Summary of Significant Accounting Policies (continued)

GASB to be Implemented in the 2016 Fiscal Year

In February, 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (“GASB 72”). The objective of this Statement is to provide guidance for applying fair value for certain assets and liabilities and disclosures related to all fair value measurements. The requirements of this Statement mandate the use of valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The District has not completed the process of evaluating the impact that will result from adopting GASB No. 72.

S. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2015 through December 14, 2015, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including the compensated absences and capital leases in the amount of \$9,883,835 are not due and payable in the current period and therefore are not reported in the funds.

3. Deposits and Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools.” The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

3. Deposits and Investments (continued)

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 Government 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 last 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.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

3. Deposits and Investments (continued)

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2015, the District's carrying amount of deposits was \$1,378,535 and the bank balance was \$2,041,042. Of the bank balance, \$276,879 of the District's cash deposits on June 30, 2015 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$1,611,934. \$152,229 held in the District agency accounts are not covered by GUDPA.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

At least five percent of the District's deposits were fully collateralized by funds held by the financial institution, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Investments

New Jersey statutes permit the District to purchase the following types of investments:

- a. Bonds and other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank which have a maturity date not greater than twelve months from the date of purchase.
- c. New Jersey Cash Management Fund and New Jersey Asset and Rebate Management Fund.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

3. Deposits and Investments (continued)

New Jersey Cash Management Fund

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund (“NJCMF”) as its sole investment. The NJCMF is administered by the State of New Jersey, Department of the Treasury and issues a separate report that can be obtained directly from the Department of the Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. The fair value of the District’s portion in the pool is the same as the fair value of the pool shares. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investments rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2015, the District’s balance was \$1,857,959 and is classified as cash equivalents due to its short-term nature.

All investments in the Fund are governed by the regulations of the Investment Council, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

Custodial Credit Risk: The District does not have any investments that are exposed to custodial credit risk and does not have a policy for custodial credit risk.

Credit Risk: The District does not have any investments exposed to credit risk and does not have an investment policy regarding the management of credit risk.

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer and does not have a policy for limiting the concentration of investments. At June 30, 2015, the District’s investments were invested in the NJCMF.

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The average maturity of the District’s investments, the NJCMF, are less than one year.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$6,951,041	\$1,182,785	\$281,249	\$7,852,577
Total Capital Assets, Not Being Depreciated:	6,951,041	1,182,785	281,249	7,852,577
Capital Assets, Being Depreciated:				
Buildings & Building Improvements	35,990,205	350,989		36,341,194
Machinery and Equipment	3,133,507	276,688	494,058	2,916,137
Total Capital Assets, Being Depreciated	39,123,712	627,677	494,058	39,257,331
Less accumulated depreciation for:				
Buildings & building improvements	(16,540,324)	(1,143,712)		(17,684,036)
Machinery and equipment	(2,227,807)	(180,946)	(484,441)	(1,924,312)
Total accumulated depreciation	(18,768,131)	(1,324,658)	(484,441)	(19,608,348)
Total capital assets being depreciated, net	20,355,581	(696,981)	9,617	19,648,983
Governmental activities capital assets, net	<u>\$ 27,306,622</u>	<u>\$ 485,804</u>	<u>\$ 290,866</u>	<u>\$ 27,501,560</u>

Depreciation expense was charged to functions/programs of the District as follows:

Regular Instruction	\$ 452,797
Special Education Instruction	212,191
Student and Instruction Related Services	157,667
General Administrative Services	88,464
School Administrative Services	102,891
Central Services	35,200
Administrative Information Technology	50,014
Plant operations and maintenance	220,486
Pupil Transportation	4,948
	<u>\$ 1,324,658</u>

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

5. Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences Payable	\$ 441,431	\$ 134,776	\$ 172,372	\$ 403,835	\$ 315
ESIP Capital Lease	10,160,000		680,000	9,480,000	655,000
Governmental Activities					
Total long-term liabilities	<u>\$ 10,601,431</u>	<u>\$ 134,776</u>	<u>\$ 852,372</u>	<u>\$ 9,883,835</u>	<u>\$ 655,315</u>

The District expects to liquidate the compensated absences and the ESIP Capital Lease with payments made from the District's general fund.

As of June 30, 2015, the District had no bonds payable and no authorized but not issued bonds or notes.

Energy Savings Improvement Plan

The District maintains a capital lease through energy conservation measures and a solar project pursuant to an Energy Savings Improvement Plan ("ESIP"). The District has capitalized building and building improvements in an amount of \$11,200,000 as a result of this project. The District is utilizing the savings from the energy plan to make the lease payments to PNC Equipment Finance, LLC. Principal and interest due on the capital lease outstanding are as follows:

Year:	<u>Amount</u>
2016	\$ 1,007,371
2017	1,016,480
2018	1,019,338
2019	967,099
2020	974,668
2021 - 2025	4,859,038
2026 - 2027	1,974,112
Total minimum lease payments	<u>11,818,106</u>
Less amounts representing interest	<u>(2,338,106)</u>
Present value of net minimum lease payments	<u>\$ 9,480,000</u>

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans

Description of Systems

Substantially all of the District's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased in over the next seven years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2015, the State of New Jersey contributed \$469,349 to the TPAF for on-behalf medical and pension and post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$245,323 during the year ended June 30, 2015 for the employer's share of social security contributions for TPAF members as calculated on their base salaries.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2015, 2014 and 2013 were \$268,236, \$253,560 and \$260,531, respectively.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the 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.

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

Public Employee's Retirement System (PERS)

At June 30, 2015, the District reported a liability of \$6,091,945 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2013, which was rolled forward to June 30, 2014. 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 school districts, actuarially determined. At June 30, 2014, the District's proportion was 0.0325376872 percent, which was an increase of 0.0023161646 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized full accrual pension expense of \$381,804 in the government-wide financial statements. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 191,563	\$ -
Net difference between projected and actual earnings on pension plan investments	-	363,047
Changes in proportion and differences between District contributions and proportionate share of contributions	373,928	-
District contributions subsequent to the measurement date	267,967	-
	\$ 833,458	\$ 363,047

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

\$267,967 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 13,189
2017	13,189
2018	13,189
2019	13,190
2020	103,951
Thereafter	45,736
	<u>\$ 202,444</u>

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.01%
Salary increases	
2012-2021	2.15 - 4.40%
	based on age
Thereafter	3.15 - 5.40%
	based on age
Investment rate of return	7.90%

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Mortality Rates

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions 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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability as of June 30, 2014 calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	At 1% Decrease (4.39%)	At Current Discount Rate (5.39%)	At 1% Increase (6.39%)
District's proportionate share of the net pension liability	\$ 7,663,874	\$ 6,091,945	\$ 4,771,924

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances at June 30, 2014 are as follows:

Collective deferred outflows of resources	\$ 1,452,705,538
Collective deferred inflows of resources	\$ 2,146,719,012
Collective net pension liability - Local Group	\$ 18,722,735,003
District's Proportion	0.0325376872%

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Collective pension expense for the Local Group for the measurement period ended June 30, 2014 is \$968,532,408.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 6.44 years.

Teachers Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2014 was \$16,777,039. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2014, the State's proportionate share of the TPAF net pension liability associated with the District was 0.0313901977 percent, which was a decrease of 0.0001145363 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$902,762 for contributions incurred by the State.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Actuarial assumptions

The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality Rates

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Fund / Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%
	100.00%	

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.90%, and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. 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 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, 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 net pension liability associated with the District to changes in the discount rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (3.68 percent) or 1-percentage-point higher (5.68 percent) than the current rate:

	At 1% Decrease (3.68%)	At Current Discount Rate (4.68%)	At 1% Increase (5.68%)
State's proportionate share of the net pension liability associated with the District	\$ 20,178,371	\$ 16,777,039	\$ 13,948,021

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

6. Pension Plans (continued)

Additional Information

Collective balances at June 30, 2014 are as follows:

Collective deferred outflows of resources	\$	2,389,959,068
Collective deferred inflows of resources	\$	1,846,540,800
Collective net pension liability - Local Group	\$	53,813,067,539

State's proportionate share associated with the District	0.0313901977%
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Collective pension expense for the plan for the measurement period ended June 30, 2014 is \$2,906,835,786.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 8.5 years.

7. Post-Retirement Benefits

Plan Description

The District contributes to the New Jersey School Employees Health Benefits Program (“SEHBP”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SEHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The School Employees Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

Funding Policy

P.L. 1987, Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

7. Post-Retirement Benefits (continued)

after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the 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, 2014, there were 103,432 retirees eligible for post-retirement medical benefits, and the State contributed \$1.04 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 employer paid 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 \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in fiscal year 2014.

The State will set the contribution rate based on the *annual required contribution of the employers* (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the 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 SEHBP Fund for TPAF retirees' post-retirement medical benefits on behalf of the District for the years ended June 30, 2015, 2014 and 2013 were \$287,958, \$217,730, and \$230,185, respectively, which equaled the required contributions for each year. The State's contributions to the SEHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

8. 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 disasters.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds and does not retain risk of loss. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverage over the past three years.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

8. Risk Management (continued)

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.

The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's unemployment trust fund for the past three years:

Fiscal Year	Board Contributions	Employee Contributions	Interest on Investments	Amount Paid	Ending Balance
2014-15	\$ 18,000	\$ 10,733	\$ 5	\$ 21,495	\$ 13,540
2013-14	8,670	10,987	4	13,364	6,297
2012-13	1,330	10,403	4	17,460	-

Joint Insurance Pool

The District is a member of the Burlington County Insurance Pool Joint Insurance Fund.

The Fund provides the District with the following coverage:

- Property, Inland Marine and Automobile Physical Damage
- Boiler and Machinery
- Crime
- General and Automobile Liability
- Workers' Compensation
- Educators' Legal Liability
- Pollution Legal Liability

Annual contributions to the Fund are determined by the Fund's Board of Trustees. The District is jointly and personally liable for claims insured by the Fund and its members during the period of its membership, including liability for supplemental assessments, if necessary. The Fund's Board of Trustees may authorize refunds to its members in any fund year for which contributions exceed the amount necessary to fund all obligations for that year.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

9. 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 Lincoln Investment Planning, Inc., Met Life, and AXA Equitable 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.

Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of the deferred account of each participant. The District has no liability for losses under the plan. Since the District does not hold the assets in a trustee capacity, the related assets are not included in the District's Fiduciary Fund Financial Statements.

10. Interfund Receivables and Payables

The total interfund accounts receivables and payables for the District amounted to the following as of June 30, 2015:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,074,216	\$ 20,708
Special Revenue Fund		175,528
Capital Projects Fund		424,158
Rubino Academy Enterprise Fund		474,530
H.O.S.A. Enterprise Fund	20,708	
	\$ 1,094,924	\$ 1,094,924

The interfund receivable of \$1,074,216 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$175,528, the Capital Projects Fund for \$424,158, and the Rubino Academy Enterprise Fund for \$474,530, which represent funds advanced to these funds to cover temporary cash flow shortages. The interfund receivable of \$20,708 in the H.O.S.A. Enterprise Fund is offset with an interfund payable in the General Fund for \$20,708, which represents funds received for membership fees which were recorded in the General Fund, but are due to the H.O.S.A. Enterprise Fund. All interfunds are expected to be repaid within one year.

11. Economic Dependency

The District receives a substantial amount of its support from federal, state and county 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.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

12. Contingent Liabilities

The District is also involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

The District participates in numerous state and federal grant programs, which are governed by the various rules and regulations of the grantor agencies. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing other federal and state grants; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

13. Capital Reserve Account

A capital reserve account was established by the District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfers by a Board resolution at year end (June 1 and June 30) of any unanticipated revenue or unexpended line item appropriation amounts, or both. Pursuant to N.J.A.C. 6A:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$ 1,706,189
Interest Earnings	797
Deposits:	
Approved in June 2015 Board Resolution	500,000
Withdrawals approved by Board Resolution	<u>(60,000)</u>
Ending balance, June 30, 2015	<u>\$ 2,146,986</u>

\$1,437,394 of the above capital reserve balance was been included as a budgeted withdrawal in the District's 2015-16 budget. At June 30, 2015, the amount deposited in the capital reserve account does not exceed the District's local share reported in its Long-Range Facility Plan.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2015

14. Commitments

The District has contractual commitments at June 30, 2015 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$214,044. The District also has contractual commitments at June 30, 2015 to various vendors recorded in the Capital Projects Fund. However, these commitments are not shown as fund balance assigned to other purposes because that would result in an unassigned deficit in the capital projects fund balance, which is not permissible under GASB 54.

15. Restricted Assets

The District has \$2,146,986 of capital reserve funds that are classified as restricted assets on the statement of net position in the General Fund because they are restricted by the District to be utilized for future capital projects that have been approved in the District's Long-Range Facility Plan.

16. Change in Accounting Principle / Restatement

Effective in the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.

The implementation of the Statements required a restatement of prior year net position in the government-wide financial statements.

	Governmental Activities
Beginning Net Position - June 30, 2014	\$ 19,864,389
Adjustments:	
Recognition of Net Pension Liability	(5,775,933)
Deferred outflow for PERS FY2015 Pension Payment	268,236
Accounts Payable for PERS FY2015 Pension Payment	(268,236)
Adjustment	(5,775,933)
Beginning Net Position - June 30, 2014 (as restated)	\$ 14,088,456

Required Supplementary Information – Part II

Area Vocational-Technical Schools
Of Mercer County School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee's Retirement System

Last Ten Fiscal Years*

	Year Ended June 30, 2015
District's proportion of the net pension liability (asset) - Local Group	0.0325376872%
District's proportionate share of the net pension liability (asset)	\$ 6,091,945
District's covered-employee payroll	\$ 2,266,652
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	268.76%
Plan fiduciary net position as a percentage of the total pension liability - Local Group	52.08%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Notes to Required Supplementary Information:

Benefit Changes

None.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014.

Area Vocational-Technical Schools
 Of Mercer County School District
 Schedule of District Contributions
 Public Employee's Retirement System

Last Ten Fiscal Years*

	Year Ended June 30,
	2015
Contractually required contribution	\$ 267,967
Contributions in relation to the contractually required contribution	(267,967)
Contribution deficiency (excess)	\$ -
 District's covered-employee payroll	\$ 2,266,652
 Contributions as a percentage of covered-employee payroll	11.82%

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Area Vocational-Technical Schools
Of Mercer County School District
Schedule of the State's Proportionate Share of the Net Pension Liability Associated With the District
Teachers' Pension and Annuity Fund

Last Ten Fiscal Years*

	Year Ended June 30, 2015
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.0313901977%
District's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 16,777,039
Total proportionate share of the net pension liability (asset) associated with the District	\$ 16,777,039
Plan fiduciary net position as a percentage of the total pension liability	33.64%

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

* This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, governments should present information for those years for which information is available.

Notes to Required Supplementary Information:

Benefit Changes

None.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014.

Required Supplementary Information – Part III

Budgetary Comparison Schedules

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES:					
Local Sources:					
County Appropriation / Tax Levy	\$ 6,467,961		\$ 6,467,961	\$ 6,467,961	
Tuition From Other Districts	7,500		7,500	1,250	\$ (6,250)
Tuition from Individuals	75,000		75,000	59,000	(16,000)
Tuition From Other LEA's	1,609,500		1,609,500	1,543,650	(65,850)
Non-Resident Fees	113,400		113,400	129,480	16,080
Interest Earned	1,800		1,800	1,030	(770)
Interest Earned on Capital Reserve Funds	500		500	797	297
Rentals	700		700		(700)
Unrestricted Miscellaneous Revenues	895,800		895,800	929,334	33,534
Total Local Sources	9,172,161		9,172,161	9,132,502	(39,659)
State Sources:					
Special Education Aid	221,405		221,405	221,405	
Equalization Aid	2,030,220		2,030,220	2,030,220	
Categorical Security Aid	43,495		43,495	43,495	
Adjustment Aid	106,758		106,758	106,758	
PARCC Readiness Aid	4,260		4,260	4,260	
Per Pupil Growth Aid	4,260		4,260	4,260	
On-Behalf TPAF Pension Contributions (Non-Budgeted)				469,349	469,349
Reimbursed TPAF Social Security (Non-Budgeted)				245,323	245,323
Total State Sources	2,410,398		2,410,398	3,125,070	714,672
Total Revenues	11,582,559		11,582,559	12,257,572	675,013
EXPENDITURES:					
Current Expense:					
Instruction:					
Regular Vocational Programs:					
Salaries of Teachers	1,839,808	\$ (445)	1,839,363	1,742,675	96,688
Purchased Professional Educational Services	80,000	(860)	79,140	78,510	630
Purchased Technical Services	17,500	(1,640)	15,860	5,956	9,904
Other Purchased Services	30,925	3,685	34,610	32,835	1,775
General Supplies	253,149	(6,722)	246,427	215,877	30,550
Textbooks	65,450	(2,495)	62,955	57,499	5,456
Other Objects	12,850	8,477	21,327	19,538	1,789
Total Regular Vocational Programs - Instruction	2,299,682	-	2,299,682	2,152,890	146,792
Special Vocational Programs:					
Salaries of Teachers	778,620	(100)	778,520	746,574	31,946
Other Salaries for Instruction	263,229		263,229	227,780	35,449
Purchased Technical Services	4,500	(1,750)	2,750	599	2,151
Other Purchased Services	25,175	1,875	27,050	18,094	8,956
General Supplies	132,665	4,683	137,348	131,823	5,525
Textbooks	8,275	(5,850)	2,425		2,425
Other Objects	9,450	1,142	10,592	10,246	346
Total Special Vocational Programs	1,221,914	-	1,221,914	1,135,116	86,798
Total Instruction	3,521,596		3,521,596	3,288,006	233,590
Undistributed Expenditures:					
Attendance and Social Work Services					
Salaries	9,459		9,459	7,896	1,563
Total Attendance and Social Work Services	9,459		9,459	7,896	1,563
Health Services:					
Salaries	134,502		134,502	127,039	7,463
Purchased Professional and Technical Services	7,080		7,080	7,000	80
Other Purchased Services	12,364	(4,330)	8,034	2,059	5,975
Supplies and Materials	11,000	4,330	15,330	14,724	606
Total Health Services	164,946	-	164,946	150,822	14,124

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES:					
Undistributed Expenditures (continued):					
Guidance:					
Salaries Other Prof. Staff	\$ 301,383	\$ (13,038)	\$ 288,345	\$ 276,158	\$ 12,187
Other Salaries	13,000	2,267	15,267	15,267	
Other Purchased Services	46,340	8,099	54,439	50,523	3,916
Supplies and Materials	21,800	(828)	20,972	20,556	416
Other Objects	1,250	3,500	4,750	4,382	368
Total Guidance	383,773		383,773	366,886	16,887
Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff:					
Salaries of Supervisors of Instruction	200,390	19,434	219,824	167,045	52,779
Salaries of Secretarial and Clerical Assistants	58,790	(180)	58,610	57,971	639
Salaries of Other Professional Staff	2,500	(2,500)			
Other Purchased Services	10,000		10,000	9,016	984
Total Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff	271,680	16,754	288,434	234,032	54,402
Instructional Staff Training Services:					
Salaries Superv. of Instruction	25,806		25,806	15,054	10,752
Salaries Other Professional Staff	1,000		1,000		1,000
Purchased Professional Educational Services	9,000		9,000	4,319	4,681
Other Purchased Services	33,600	(2,870)	30,730	13,623	17,107
Supplies and Materials	2,000	2,870	4,870	4,870	
Total Instructional Staff Training Services	71,406	-	71,406	37,866	33,540
Support Services - General Administration:					
Salaries	324,983	(1,500)	323,483	312,202	11,281
Legal Services	74,487		74,487	56,824	17,663
Audit Fees	25,000		25,000	25,000	
Other Purchased Professional Services	9,000		9,000	8,040	960
Communications/Telephone	37,328		37,328	34,844	2,484
BOE Other Purchased Services	1,500		1,500		1,500
Other Purchased Services	23,250	3,575	26,825	23,014	3,811
General Supplies	13,000	(475)	12,525	5,346	7,179
BOE Membership Dues and Fees	17,500	(1,600)	15,900	7,966	7,934
Total Support Services - General Administration	526,048	-	526,048	473,236	52,812
Support Services - School Administration:					
Salaries Principals / Assistant Principals	243,319	(13,659)	229,660	207,719	21,941
Salaries Secretarial and Clerical Assistants	312,030	(4,315)	307,715	303,021	4,694
Purchased Professional and Technical Services	900		900	345	555
Other Purchased Services	27,180	1,220	28,400	18,582	9,818
Supplies and Materials	17,050		17,050	15,396	1,654
Other Objects	5,850		5,850	5,352	498
Total Support Services - School Administration	606,329	(16,754)	589,575	550,415	39,160
Support Services - Central Services:					
Salaries	169,121	(1,500)	167,621	144,034	23,587
Miscellaneous Purchased Services	58,055	1,500	59,555	35,269	24,286
Supplies and Materials	18,559		18,559	8,660	9,899
Other Objects	1,700		1,700	340	1,360
Total Support Services - Central Services	247,435	-	247,435	188,303	59,132
Support Services - Admin. Info. Tech. Services:					
Salaries	169,474		169,474	157,863	11,611
Purchased Technical Services	29,925	(2,303)	27,622	16,069	11,553
Other Purchased Services	56,300		56,300	49,794	6,506
Supplies and Materials	37,000	6,919	43,919	43,396	523
Other Objects	6,900	(4,616)	2,284	430	1,854
Total Support Services - Admin. Info. Tech. Services	299,599	-	299,599	267,552	32,047
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	59,621		59,621	59,445	176
Total Required Maintenance for School Facilities	59,621		59,621	59,445	176

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES:					
Undistributed Expenditures (continued):					
Other Operational & Maint. of Plant:					
Salaries	\$ 697,518	\$ (16,000)	\$ 681,518	\$ 629,103	\$ 52,415
Cleaning, Repair and Maintenance Services	90,450	(24,400)	66,050	60,541	5,509
Lease Purchase Pmts-Energy Savings Impr Prog	1,058,070		1,058,070	1,057,487	583
Other Purchased Property Services	65,085	(8,600)	56,485	35,920	20,565
Insurance	118,343	(14,000)	104,343	94,168	10,175
Miscellaneous Purchased Services	-	7,500	7,500	7,350	150
General Supplies	61,500	33,000	94,500	78,856	15,644
Energy (Natural Gas)	127,458	11,500	138,958	86,974	51,984
Energy (Electricity)	135,442	11,000	146,442	124,736	21,706
Other Objects	2,500		2,500	2,392	108
Total Other Oper. & Maint. of Plant:	2,356,366	-	2,356,366	2,177,527	178,839
Student Transportation Services:					
Cleaning, Repair & Maint. Svcs	750		750	733	17
Contracted Services (Other Than Bet. Home & School) - Vendors	33,250		33,250	25,667	7,583
General Supplies	500		500	63	437
Total Student Transportation Services	34,500		34,500	26,463	8,037
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	136,579	14,073	150,652	150,651	1
Other Retirement Contributions - PERS	278,455	(6,000)	272,455	270,296	2,159
Other Retirement Contributions - ERIP	27,500	(2,100)	25,400	18,319	7,081
Unemployment Compensation	18,000		18,000	18,000	
Worker's Compensation	90,706		90,706	90,280	426
Health Benefits	1,392,093	(5,973)	1,386,120	1,238,589	147,531
Tuition Reimbursement	6,000		6,000	5,985	15
Other Employee Benefits	47,425		47,425	11,307	36,118
Total Unallocated Benefits - Employee Benefits	1,996,758	-	1,996,758	1,803,427	193,331
On-Behalf Payments:					
On-Behalf TPAF Pension Contributions				469,349	(469,349)
Reimbursed TPAF Social Security				245,323	(245,323)
Total On-Behalf Contributions				714,672	(714,672)
Total Undistributed Expenditures	7,027,920	-	7,027,920	7,058,542	(30,622)
Total Expenditures - Current Expense	10,549,516	-	10,549,516	10,346,548	202,968
CAPITAL OUTLAY					
Interest Deposit To Capital Reserve	500		500		500
Total Interest Deposit To Capital Reserve	500		500		500
Equipment:					
Regular Vocational Programs	54,000	(8,946)	45,054	25,622	19,432
Special Vocational Programs		2,000	2,000		2,000
Undistributed Expenses - Support Services -					
Instruction	46,330	6,947	53,277	51,664	1,613
Central Services	15,000		15,000	10,970	4,030
Admin Info Tech.	4,000		4,000		4,000
Custodial Services	32,000	371	32,371	32,371	
Total Equipment	151,330	372	151,702	120,627	31,075
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	15,000	(372)	14,628		14,628
Total Facilities Acquisition and Construction Services	15,000	(372)	14,628		14,628
Total Expenditures - Capital Outlay	166,830	-	166,830	120,627	46,203

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
SPECIAL SCHOOLS					
Post-Secondary Programs - Instruction					
Salaries of Teachers	\$ 481,352	\$ (1,500)	\$ 479,852	\$ 330,609	\$ 149,243
Purchased Prof.-Tech Services	15,800		15,800	600	15,200
Other Purchased Services	3,300	2,295	5,595	3,974	1,621
General Supplies	33,400	(795)	32,605	11,990	20,615
Textbooks	12,700	(2,000)	10,700	1,102	9,598
Other Objects	2,000		2,000	1,658	342
Total Post-Secondary Programs - Instruction	548,552	(2,000)	546,552	349,933	196,619
Post-Secondary Programs - Support Services					
Salaries	302,923	(1,500)	301,423	277,884	23,539
Personal Services-Employee Benefits	155,970		155,970	134,225	21,745
Other Purchased Services	51,815	(5,222)	46,593	38,293	8,300
Supplies and Materials	62,000	8,722	70,722	52,658	18,064
Other Objects	4,000		4,000	2,664	1,336
Total Post-Secondary Programs - Support Services	576,708	2,000	578,708	505,724	72,984
Total Post Secondary Programs	1,125,260	-	1,125,260	855,657	269,603
Vocational evening - local - Instruction					
Salaries of Teachers	160,505		160,505	134,745	25,760
Other Salaries for Instruction	62,806		62,806	43,227	19,579
Purchased Professional and Technical Services	3,200		3,200		3,200
General Supplies	22,300	8,500	30,800	25,822	4,978
Textbooks	40,700	(8,500)	32,200	22,328	9,872
Other Objects	1,500		1,500		1,500
Total Vocational Evening Local Instruction	291,011	-	291,011	226,122	64,889
Vocational Evening - Local - Support Services					
Salaries	184,613		184,613	146,751	37,862
Personal services - Employee Benefits	30,943		30,943	24,035	6,908
Other Purchased Services	60,606	(7,000)	53,606	44,861	8,745
Supplies and materials	66,700	7,000	73,700	63,443	10,257
Other objects	3,500	-	3,500	3,482	18
Total Vocational Evening - Local - Support Services	346,362	-	346,362	282,572	63,790
Total Vocational Evening - Local	637,373	-	637,373	508,694	128,679
Total Special Schools Expenditures	1,762,633	-	1,762,633	1,364,351	398,282
Total Expenditures	12,478,979	-	12,478,979	11,831,526	647,453
(Deficiency) Excess of Revenues (Under) Over Expenditures	(896,420)	-	(896,420)	426,046	1,322,466
Other financing uses:					
Transfer to Capital Projects Fund				(60,000)	(60,000)
Total other financing uses				(60,000)	(60,000)
(Deficiency) excess of revenues (under) over expenditures and other financing uses	(896,420)	-	(896,420)	366,046	1,262,466
Fund Balances, July 1	3,541,621		3,541,621	3,541,621	
Fund Balances, June 30	\$ 2,645,201	\$ -	\$ 2,645,201	\$ 3,907,667	\$ 1,262,466

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2015

Recapitulation of fund balance:

Restricted Fund Balance:

Prior Year Excess Surplus Designated for Subsequent Year's Expenditures	\$ 278,869
Current Year Excess Surplus	284,096
Capital Reserve	2,146,986

Assigned to:

Designated for Subsequent Year's Expenditures	368,306
Year End Encumbrances	158,799
Unassigned Fund Balance	<u>670,611</u>
	3,907,667

Reconciliation to Governmental Funds Statements (GAAP):

Last State Aid Payments not recognized on GAAP Basis	<u>(241,038)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 3,666,629</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS

SPECIAL REVENUE FUND

Year ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Revenues:					
Local Sources		\$ 30,000	\$ 30,000	\$ 9,813	\$ 20,187
State Sources	\$ 15,000	4,000	19,000	16,360	2,640
Federal Sources	391,834	131,686	523,520	509,067	14,453
Total Revenues	406,834	165,686	572,520	535,240	37,280
Expenditures:					
Instruction:					
Salaries of Teachers	55,323	(20,388)	34,935	34,935	
Purchased Professional-Technical Services	47,365	(21,834)	25,531	24,185	1,346
Supplies & Materials	283,067	(41,823)	241,244	228,159	13,085
Total Instruction	385,755	(84,045)	301,710	287,279	14,431
Support Services:					
Salaries	15,000	11,325	26,325	17,249	9,076
Personal Services - Employee Benefits		8,066	8,066	8,066	
Purchased Professional - Technical Services	6,079	21,497	27,576	13,964	13,612
Other Purchased Services		4,405	4,405	4,270	135
Travel		390	390	390	
Supplies & Materials		2,000	2,000	1,996	4
Total Support Services	21,079	47,683	68,762	45,935	22,827
Capital Outlay:					
Equipment:					
Instructional Equipment		202,048	202,048	202,026	22
Total Equipment		202,048	202,048	202,026	22
Total Expenditures	406,834	165,686	572,520	535,240	37,280
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	\$ -	\$ -	\$ -	\$ -	\$ -

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET-TO-GAAP RECONCILIATION

Year ended June 30, 2015

	General Fund	Special Revenue Fund
SOURCES/INFLOWS OF RESOURCES		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedules (C-1, C-2)	\$ 12,257,572	\$ 535,240
GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior-Year Encumbrances		732
Current Year Encumbrances		(18,662)
State aid payments from prior year recognized in prior year for budgetary purposes, and recognized for GAAP statements statements in the current fiscal year.	240,186	
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	(241,038)	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	\$ 12,256,720	\$ 517,310
USES/OUTFLOWS OF RESOURCES		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 11,831,526	\$ 535,240
Difference - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(18,662)
Prior-Year Encumbrances		732
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	\$ 11,831,526	\$ 517,310

Supplementary Information

Special Revenue Fund

AREA VOCATIONAL-TECHNICAL SCHOOLS OF MERCER COUNTY SCHOOL DISTRICT
SPECIAL REVENUE FUND

E-1
p.1
(continued)

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year Ended June 30, 2015

	Carl D. Perkins	Title I Part A	Title II Part A	I.D.E.A. Part B Basic	Apprenticeship Coordinator
REVENUES:					
Local Sources					
State Sources					\$ 16,360
Federal Sources	\$ 320,200	\$ 87,651	\$ 7,576	\$ 93,640	
Total Revenues	\$ 320,200	\$ 87,651	\$ 7,576	\$ 93,640	\$ 16,360
EXPENDITURES:					
Instruction:					
Salaries of Teachers		\$ 34,935			
Purchased Professional - Technical Services		24,185			
Supplies & Materials	\$ 163,990	16,345		\$ 47,824	
Total Instruction	163,990	75,465		47,824	
Support Services:					
Salaries					\$ 13,824
Personal Services - Employee Benefits		8,066			
Purchased Professional - Technical Services			\$ 7,576		
Other Purchased Services		3,820			450
Travel					390
Supplies and Materials		300			1,696
Total Support Services		12,186	7,576		16,360
Equipment:					
Instructional Equipment	156,210			45,816	
Total Equipment	156,210			45,816	
Total Expenditures	\$ 320,200	\$ 87,651	\$ 7,576	\$ 93,640	\$ 16,360

EA VOCATIONAL-TECHNICAL SCHOOLS OF MERCER COUNTY SCHOOL DISTRICT
SPECIAL REVENUE FUND

COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS

Year Ended June 30, 2015

	HOSA	Totals
REVENUES:		
Local Sources	\$ 9,813	\$ 9,813
State Sources		16,360
Federal Sources		509,067
Total Revenues	\$ 9,813	\$ 535,240
EXPENDITURES:		
Instruction:		
Salaries of Teachers		\$ 34,935
Purchased Professional - Technical Services		24,185
Supplies & Materials		228,159
Total Instruction		287,279
Support Services:		
Salaries	\$ 3,425	17,249
Personal Services - Employee Benefits		8,066
Purchased Professional - Technical Services	6,388	13,964
Other Purchased Services		4,270
Travel		390
Supplies & Materials		1,996
Total Support Services	9,813	45,935
Equipment:		
Instructional Equipment		202,026
Total Equipment		202,026
Total Expenditures	\$ 9,813	\$ 535,240

Capital Projects Fund

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
CAPITAL PROJECTS FUND

SUMMARY SCHEDULE OF PROJECT EXPENDITURES

Year ended June 30, 2015

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations June 30, 2015
			Prior Years	Current Year	
Improvements and Upgrade to Technical Schools	4/25/2012	\$ 2,864,217	\$ 1,355,101	\$ 1,182,785	\$ 326,331
Various Improvements	4/17/2013	7,013,683	6,985,109	28,574	
Totals		\$ 21,077,900	\$ 19,540,210	\$ 1,211,359	\$ 326,331

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
CAPITAL PROJECTS FUND

SUMMARY SCHEDULE OF PROJECT REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

(BUDGETARY BASIS)

Year ended June 30, 2015

	<u>Current Year</u>
Revenues and Other Financing Sources:	
Transfer from capital reserve	\$ 60,000
Total Revenues and Other Financing Sources	<u>60,000</u>
Expenditures and Other Financing Uses:	
Construction Services	<u>1,211,359</u>
Total Expenditures and Other Financing Uses	<u>1,211,359</u>
Net Change in Fund Balance	(1,151,359)
Fund Balance, July 1	<u>1,477,690</u>
Fund Balance, June 30	<u><u>\$ 326,331</u></u>
 <u>Reconciliation of budgetary basis to GAAP basis:</u>	
Fund balance, budgetary basis, June 30, 2015	\$ 326,331
Less: Revenue not recognized on a GAAP basis	<u>(313,956)</u>
Fund balance, GAAP basis, June 30, 2015	<u><u>\$ 12,375</u></u>

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS - BUDGETARY BASIS

(BUDGETARY BASIS)

Improvements and Upgrade to Technical Schools

Year ended June 30, 2015

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
Transfer from capital reserve		\$ 46,317	\$ 46,317	\$ 46,317
County Sources	\$ 2,817,900		2,817,900	2,817,900
Total Revenues and Other Financing Sources	2,817,900	46,317	2,864,217	2,864,217
Expenditures and Other Financing Uses:				
Construction Services	1,355,101	1,182,785	2,537,886	2,864,217
Total Expenditures and Other Financing Uses	1,355,101	1,182,785	2,537,886	2,864,217
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 1,462,799	\$ (1,136,468)	\$ 326,331	\$ -

Additional Project Information:

Project number	09K077
Grant date	4/25/2012
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 2,817,900
Additional Authorized Cost	46,317
Revised Authorized Cost	\$ 2,864,217
Percentage Increase over Original Authorized Cost	2%
Percentage completion	88.61%
Target completion date	December 2015

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,
AND PROJECT STATUS - BUDGETARY BASIS

(BUDGETARY BASIS)

Various Improvements

Year ended June 30, 2015

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
Transfer from capital reserve		\$ 13,683	\$ 13,683	\$ 13,683
County Sources	\$ 7,000,000		7,000,000	7,000,000
Total Revenues and Other Financing Sources	7,000,000	13,683	7,013,683	7,013,683
Expenditures and Other Financing Uses:				
Construction Services	6,985,109	28,574	7,013,683	7,013,683
Total Expenditures and Other Financing Uses	6,985,109	28,574	7,013,683	7,013,683
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 14,891	\$ (14,891)	\$ -	\$ -

Additional Project Information:

Project number	4312/4313
Grant date	4/17/2013
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 7,000,000
Additional Authorized Cost	13,683
Revised Authorized Cost	\$ 7,013,683

Percentage Increase over Original
Authorized Cost

0.2%

Percentage completion
Target completion date

100.00%
Complete

Fiduciary Funds

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
TRUST AND AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Trust			Agency		
	Private Purpose Scholarship Fund	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
Assets						
Cash and Cash Equivalents	\$ 10,586	\$ 14,261	\$ 24,847	\$ 28,276	\$ 77,190	\$ 105,466
Total Assets	<u>\$ 10,586</u>	<u>\$ 14,261</u>	<u>\$ 24,847</u>	<u>\$ 28,276</u>	<u>\$ 77,190</u>	<u>\$ 105,466</u>
Liabilities						
Accounts Payable		721	721			
Payroll Deductions and Withholdings Payable Due to Student Groups				\$ 28,276	\$ 77,190	\$ 77,190
Total Liabilities		<u>721</u>	<u>721</u>	<u>\$ 28,276</u>	<u>\$ 77,190</u>	<u>\$ 105,466</u>
Net Position						
Held in Trust for Unemployment Claims		13,540	13,540			
Held in Trust	10,586		10,586			
Total net position	<u>\$ 10,586</u>	<u>\$ 13,540</u>	<u>\$ 24,126</u>			

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2015

	Balance July 1, 2014	Cash Receipts	Cash Disbursements	Balance June 30, 2015
High Schools:				
Assunpink	\$ 17,707	\$ 16,636	\$ 17,088	\$ 17,255
Sypek Center	12,008	20,980	21,967	11,021
Total	\$ 29,715	\$ 37,616	\$ 39,055	\$ 28,276

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
PAYROLL AGENCY FUND

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2015

	Balance July 1, 2014	Cash Receipts	Cash Disbursements	Balance June 30, 2015
Assets				
Cash and Cash Equivalents	\$ 76,535	\$ 7,056,631	\$ 7,055,976	\$ 77,190
Total Assets	<u>\$ 76,535</u>	<u>\$ 7,056,631</u>	<u>\$ 7,055,976</u>	<u>\$ 77,190</u>
Liabilities				
Payroll Deductions and Withholdings	\$ 76,535	\$ 7,056,631	\$ 7,055,976	\$ 77,190
Total Liabilities	<u>\$ 76,535</u>	<u>\$ 7,056,631</u>	<u>\$ 7,055,976</u>	<u>\$ 77,190</u>

Long-Term Debt

AREA VOCATIONAL - TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
LONG TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Year Ended June 30, 2015

<u>Purpose</u>	<u>Interest Rate</u> <u>Payable</u>	<u>Amount of</u> <u>Original Issue</u>	<u>Balance</u> <u>July 1, 2014</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2015</u>
Energy Savings Improvement Plan Capital Lease	3.85%	\$ 11,200,000	\$ 10,160,000	\$ 680,000	\$ 9,480,000
			<u>\$ 10,160,000</u>	<u>\$ 680,000</u>	<u>\$ 9,480,000</u>

<u>Annual Maturities</u>		<u>Interest</u> <u>Rate</u>
<u>Date</u>	<u>Amount</u>	
7/15/2015	\$ 655,000	3.85%
7/15/2016	690,000	3.85%
7/15/2017	720,000	3.85%
7/15/2018	695,000	3.85%
7/15/2019	730,000	3.85%
7/15/2020	770,000	3.85%
7/15/2021	810,000	3.85%
7/15/2022	790,000	3.85%
7/15/2023	840,000	3.85%
7/15/2024	880,000	3.85%
7/15/2025	925,000	3.85%
7/15/2026	975,000	3.85%
	<u>\$ 9,480,000</u>	

Statistical Section
(Unaudited)

**Statistical Section
Unaudited**

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.

Revenue Capacity

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax. These schedules are not applicable to Area Vocational-Technical Schools of Mercer County School District as property taxes are not a revenue source for the district.

Debt Capacity

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future. These schedules are not applicable to Area Vocational-Technical Schools of Mercer County School District as the district does not hold any debt.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 10,455,922	\$ 9,915,678	\$ 9,653,138	\$ 10,081,187	\$ 9,498,226	\$ 9,358,565	\$ 9,825,725	\$ 10,974,824	\$ 17,146,622	\$ 18,021,560
Restricted	1,804,097	2,506,925	1,900,625	2,918,581	2,446,789	2,422,154	1,486,672	2,231,457	2,565,448	2,722,326
Unrestricted (deficit)	910,790	(345,896)	547,467	489,328	429,540	525,834	451,476	102,687	152,319	(5,410,629)
Total governmental activities net position	\$ 13,170,809	\$ 12,076,707	\$ 12,101,230	\$ 13,489,096	\$ 12,374,555	\$ 12,306,553	\$ 11,763,873	\$ 13,308,968	\$ 19,864,389	\$ 15,333,257
Business-type activities:										
Unrestricted										\$ 20,708
Total business-type activities net position	\$ -	\$ 20,708								
Government-wide:										
Net investment in capital assets	\$ 10,455,922	\$ 9,915,678	\$ 9,653,138	\$ 10,081,187	\$ 9,498,226	\$ 9,358,565	\$ 9,825,725	\$ 10,974,824	\$ 17,146,622	\$ 18,021,560
Restricted	1,804,097	2,506,925	1,900,625	2,918,581	2,446,789	2,422,154	1,486,672	2,231,457	2,565,448	2,722,326
Unrestricted (deficit)	910,790	(345,896)	547,467	489,328	429,540	525,834	451,476	102,687	152,319	(5,389,921)
Total government-wide net position	\$ 13,170,809	\$ 12,076,707	\$ 12,101,230	\$ 13,489,096	\$ 12,374,555	\$ 12,306,553	\$ 11,763,873	\$ 13,308,968	\$ 19,864,389	\$ 15,353,965

Source: CAFR Schedule A-1 and District records.

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

GASB 68 was implemented in the 2015 fiscal year, which required a restatement of beginning net position in the amount of \$5,775,933. This amount is not reflected in the June 30, 2014 net position above.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Year Ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental Activities:										
Current:										
Regular Instruction	\$ 1,324,650									
Vocational Education	809,007	\$ 2,079,637	\$ 2,499,679	\$ 2,352,142	\$ 2,484,146	\$ 2,718,487	\$ 3,035,578	\$ 3,222,243	\$ 3,328,663	\$ 3,848,035
Special Vocational Education	779,643	781,860	1,156,244	1,301,839	1,283,951	1,302,667	1,440,109	1,668,596	1,705,383	1,883,263
Support Services and Undistributed Costs:										
Student and Instruction Related Services	479,222	513,957	683,678	806,123	918,286	1,024,692	1,103,425	1,229,170	1,238,275	1,367,682
General Administrative Services	419,617	1,582,752	676,924	325,040	353,298	521,291	604,246	584,712	622,392	733,432
School Administration	564,997	578,243	697,348	799,971	831,526	795,035	809,625	883,739	885,199	934,242
Plant Operations and Maintenance	1,516,092	1,539,799	1,705,387	1,923,237	2,077,956	1,877,929	1,588,410	1,596,178	1,600,634	1,746,017
Pupil Transportation	31,782	35,696	22,835	24,771	15,949	13,442	15,640	20,338	25,366	31,411
Central Services/Benefits/Admin Info Tech	2,436,667	2,382,732	529,237	631,379	580,226	604,450	610,222	608,669	685,163	707,130
Special Schools	2,235,055	2,229,872	4,618,243	3,916,996	4,295,947	4,103,164	3,960,236	1,922,022	1,901,174	1,853,901
Interest on Long Term Obligations							415,981	419,558	427,910	365,488
Total governmental activities expenses	<u>10,596,732</u>	<u>11,724,548</u>	<u>12,589,575</u>	<u>12,081,498</u>	<u>12,841,285</u>	<u>12,961,157</u>	<u>13,583,472</u>	<u>12,155,225</u>	<u>12,420,159</u>	<u>13,470,601</u>
Business-Type Activities:										
Rubino Academy								2,432,215	2,792,285	2,639,250
H.O.S.A.										65,569
Total business-type activities expenses								<u>2,432,215</u>	<u>2,792,285</u>	<u>2,704,819</u>
Total district expenses	<u>10,596,732</u>	<u>11,724,548</u>	<u>12,589,575</u>	<u>12,081,498</u>	<u>12,841,285</u>	<u>12,961,157</u>	<u>13,583,472</u>	<u>14,587,440</u>	<u>15,212,444</u>	<u>16,175,420</u>
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	1,503,121	264,962								
Special Schools (Tuition)			1,572,540	2,163,422	2,403,527	3,094,121	2,611,035	1,031,750	1,397,363	1,733,380
Operating Grants and Contributions	481,758	496,009			733,701	493,643	437,251	441,596	476,502	517,310
Capital Grants and Contributions					137,386					
Total governmental activities program revenues	<u>1,984,879</u>	<u>760,971</u>	<u>1,572,540</u>	<u>2,163,422</u>	<u>3,274,614</u>	<u>3,587,764</u>	<u>3,048,286</u>	<u>1,473,346</u>	<u>1,873,865</u>	<u>2,250,690</u>
Business-Type Activities:										
Charges for Services								2,432,215	2,792,285	2,725,527
Total business-type activities program revenues								<u>2,432,215</u>	<u>2,792,285</u>	<u>2,725,527</u>
Total district program revenues	<u>1,984,879</u>	<u>760,971</u>	<u>1,572,540</u>	<u>2,163,422</u>	<u>3,274,614</u>	<u>3,587,764</u>	<u>3,048,286</u>	<u>3,905,561</u>	<u>4,666,150</u>	<u>4,976,217</u>
Net (Expense)/Revenue:										
Governmental activities	(8,611,853)	(10,963,577)	(11,017,035)	(9,918,076)	(9,566,671)	(9,373,393)	(10,535,186)	(10,681,879)	(10,546,294)	(11,219,911)
Business-type activities										
Total district-wide net expense	<u>(8,611,853)</u>	<u>(10,963,577)</u>	<u>(11,017,035)</u>	<u>(9,918,076)</u>	<u>(9,566,671)</u>	<u>(9,373,393)</u>	<u>(10,535,186)</u>	<u>(10,681,879)</u>	<u>(10,546,294)</u>	<u>(11,219,911)</u>
General Revenues and Other Changes in Net Position:										
Governmental activities:										
County Taxes / Appropriation	5,991,827	6,374,479	6,615,946	7,339,488	6,134,097	6,134,097	6,134,097	8,243,485	12,944,147	7,631,695
State and Federal Sources	2,668,871	1,566,689	3,668,501	3,394,758	2,215,931	2,603,150	2,920,568	3,060,513	3,002,117	3,845,589
Local and State Aid Restricted	232,907	1,256,790			11,917					
Miscellaneous Income	603,192	1,933,399	677,579	571,697	642,782	568,144	937,841	922,976	1,155,451	987,428
Total governmental activities	<u>9,496,797</u>	<u>11,131,357</u>	<u>10,962,026</u>	<u>11,305,943</u>	<u>9,004,727</u>	<u>9,305,391</u>	<u>9,992,506</u>	<u>12,226,974</u>	<u>17,101,715</u>	<u>12,464,712</u>
Change in Net Position:										
Governmental activities	884,944	167,780	(55,009)	1,387,867	(561,944)	(68,002)	(542,680)	1,545,095	6,555,421	1,244,801
Business-type activities										
Total district	<u>\$ 884,944</u>	<u>\$ 167,780</u>	<u>\$ (55,009)</u>	<u>\$ 1,387,867</u>	<u>\$ (561,944)</u>	<u>\$ (68,002)</u>	<u>\$ (542,680)</u>	<u>\$ 1,545,095</u>	<u>\$ 6,555,421</u>	<u>\$ 1,244,801</u>

Source: CAFR Schedule A-2 and District records.

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

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved	\$ 1,757,649	\$ 2,506,925	\$ 2,582,769	\$ 3,675,763	\$ 3,024,043					
Unreserved	1,765,403	430,628	551,936	387,282	429,540					
Restricted for										
Assigned to						\$ 2,422,154	\$ 1,486,672	\$ 2,231,457	\$ 2,565,448	\$ 2,709,951
Unassigned (deficit)	(3,600)	(3,600)	(4,469)			450,686	692,391	230,185	316,031	527,105
Total General Fund	<u>\$ 3,519,452</u>	<u>\$ 2,933,953</u>	<u>\$ 3,130,236</u>	<u>\$ 4,063,045</u>	<u>\$ 3,453,583</u>	<u>\$ 3,383,713</u>	<u>\$ 2,712,140</u>	<u>\$ 2,857,188</u>	<u>\$ 3,301,435</u>	<u>\$ 3,666,629</u>
All Other Governmental Funds:										
Unreserved, Reported In:										
Special Revenue Fund (deficit)	\$ (3,600)	\$ (3,600)	\$ (4,469)							
Capital Projects Fund (deficit)						\$ (34,375)	\$ 518			
Restricted for Capital Projects										\$ 12,375
Total All Other Governmental Funds	<u>\$ (3,600)</u>	<u>\$ (3,600)</u>	<u>\$ (4,469)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,375)</u>	<u>\$ 518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,375</u>

Source: CAFR Schedule B-1 and District records.

GASB # 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years (See footnote 1.L. in the basic financial statements). Prior years have not been restated above and are not required to be.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Year ended June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
County Appropriation / Tax Levy	\$ 5,991,827	\$ 6,374,479	\$ 6,615,946	\$ 7,339,488	\$ 6,271,483	\$ 6,134,097	\$ 6,134,097	\$ 6,379,461	\$ 6,467,961	\$ 6,467,961
County Appropriation / Capital Projects Fund								1,864,024	6,476,186	1,163,734
Tuition	1,503,121	296,602	1,572,540	2,163,422	2,403,527	2,326,258	2,611,035	1,031,750	1,397,363	1,733,380
Interest Earnings	11,912	11,912	68,886	21,475	11,917	4,991	2,935	2,099	1,794	1,827
Miscellaneous	591,280	1,889,847	608,694	550,222	648,102	1,346,934	948,211	920,877	1,187,127	939,147
State Sources	3,141,438	3,020,037	3,393,389	3,067,068	1,941,806	2,634,481	2,867,786	3,080,982	3,016,418	3,140,578
Federal Sources	242,098	299,451	275,112	327,690	1,002,506	446,394	476,728	421,127	454,161	491,137
Total Revenues	11,481,676	11,892,328	12,534,567	13,469,365	12,279,341	12,893,155	13,040,792	13,700,320	19,001,010	13,937,764
Expenditures:										
Instruction:										
Regular Instruction	2,007,207	1,949,868	1,996,965	1,848,149	2,002,571	952,951	979,183	1,095,073	1,114,374	2,422,239
Special Education Instruction	1,711,048	1,679,115	1,584,815	1,731,970	1,699,488	2,086,611	2,140,412	2,220,331	2,263,532	1,135,116
Support Services:										
Student and Instruction Related Services	171,432	187,721	270,247	297,737	316,279	763,839	767,265	828,845	818,284	843,437
General Administration	419,617	1,582,752	416,600	351,428	392,353	404,000	403,236	416,844	433,215	473,236
School Administrative Services	553,264	566,564	579,815	499,518	553,121	570,982	542,501	571,793	571,123	550,415
Central Services	317,851	207,047	182,208	300,731	192,531	205,250	191,036	217,133	249,582	188,303
Admin. Information Technology	164,317	186,081	256,947	229,061	291,806	263,260	246,247	198,058	230,671	267,552
Plant Operations and Maintenance	1,085,898	1,101,133	1,203,410	1,348,338	1,447,898	1,550,228	1,185,631	1,068,878	1,136,740	1,179,485
Pupil Transportation	31,782	35,696	33,628	36,066	27,769	12,730	13,714	17,458	21,299	26,463
Other Support Services	802,751	820,947	334,733	401,463	522,091					
Employee Benefits	1,495,491	1,552,219	2,459,067	2,193,041	2,059,256	2,181,379	2,171,923	2,372,496	2,352,347	2,518,099
Special Schools	1,244,987	1,274,220	2,966,168	2,440,326	2,853,904	3,549,569	3,567,078	1,515,673	1,500,642	1,364,351
Debt Service:										
Principal								390,000	650,000	680,000
Interest								639,293	403,673	377,487
Cost of Issuance							41,200			
Capital Outlay	114,272	119,030	167,121	858,728	529,736	456,600	12,628,046	2,003,915	6,811,281	1,534,012
Total Expenditures	10,119,917	11,262,393	12,451,724	12,536,556	12,888,803	12,997,399	24,877,472	13,555,790	18,556,763	13,560,195
Excess/(Deficiency) of Revenues										
Over/(Under) Expenditures	1,361,759	629,935	82,843	932,809	(609,462)	(104,244)	(11,836,680)	144,530	444,247	377,569
Other Financing Sources/(Uses):										
Proceeds from Capital Leases							11,200,000			
Transfers In										60,000
Transfers Out										(60,000)
Total Other Financing Sources/(Uses)	-	-	-	-	-	-	11,200,000	-	-	-
Net Change in Fund Balances	\$ 1,361,759	\$ 629,935	\$ 82,843	\$ 932,809	\$ (609,462)	\$ (104,244)	\$ (636,680)	\$ 144,530	\$ 444,247	\$ 377,569
Debt Service as a Percentage of Noncapital Expenditures										
	-	-	-	-	-	-	-	9%	9%	9%

Source: CAFR Schedule B-2 and District records.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Fiscal Year Ending <u>June 30,</u>	<u>HCC/Evening School Fees</u>	<u>Interest on Investments</u>	<u>Textbook Sales</u>	<u>Prior-Year Refunds</u>	<u>Miscellaneous</u>	<u>Program Sales</u>	<u>Total</u>
2006	\$ 324,481	\$ 12,809	\$ 31,789	\$ 1,551	\$ 544,197		\$ 914,827
2007	324,481	12,809	31,789	1,551	544,197		914,827
2008	332,070	68,886	37,637		238,987		677,580
2009	366,104	21,475	37,919		145,338		570,836
2010	378,648	11,917	32,750		264,133		687,448
2011	338,366	4,370	22,567		197,850		563,153
2012	707,695	2,417	38,269		186,525		934,906
2013	686,473	2,099	23,337		165,912	\$ 45,155	922,976
2014	752,580	1,794	15,896	20,144	355,239	35,228	1,180,881
2015	664,816	1,827	18,069		206,907	39,542	931,161

Source: District records

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Per Capita Personal Income ^b	Unemployment Rate ^c
2006	362,813	\$ 50,471	4.2%
2007	363,402	53,156	3.8%
2008	364,571	53,961	4.9%
2009	366,222	51,947	7.8%
2010	366,511	52,496	7.8%
2011	367,063	54,445	7.7%
2012	368,303	55,714	7.8%
2013	370,414	56,906	6.7%
2014	371,537	Not available	5.7%
2015	Not available	Not available	Not available

Source:

- ^a US Bureau of the Census, Population Division, provided by the NJ Dept of Labor and Workforce Development
- ^b Per capita personal income estimated based upon the 2010 Census published by the US Bureau of Economic Analysis.
- ^c New Jersey Department of Labor and Workforce Development, Labor Planning and Analysis

Per capita personal income was computed using Census Bureau midyear population estimates.

Estimates for 2010-2013 reflect county population estimates available as of March 2014.

Data reflects revised estimates for 2006-2013.

Information Source: Regional Economic Information System, Bureau of Economic Analysis, November 2014.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Instruction:										
Vocational - Regular	26.0	26.0	25.0	25.0	25.0	22.0	25.0	25.5	25.0	26.0
Vocational - Special	12.0	12.0	11.0	11.0	11.0	10.0	10.0	10.0	11.0	11.5
Support Services:										
Student and Instruction Related Services	17.0	16.5	16.0	18.5	18.0	19.0	19.0	20.0	19.0	17.5
General Administration	2.5	2.5	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
School Administrative Services	10.0	10.0	10.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0
Central Services	16.0	17.0	17.0	16.0	18.0	21.5	21.5	21.0	22.0	20.0
Vocational - Post Secondary	11.0	11.0	10.0	12.0	11.0	15.0	15.0	15.0	13.0	11.0
Total	94.5	95.0	91.0	92.5	94.0	99.5	102.5	103.5	102.0	98.0

Source: District Personnel Records

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
OPERATING STATISTICS

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>Percentage Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2006	776.80	\$ 10,906,794	\$ 14,041	7.79%	49	15.85	776.80	705.50	-6.06%	90.82%
2007	797.70	9,706,152	12,168	-13.34%	49	16.28	797.70	723.60	2.69%	90.71%
2008	766.50	12,052,555	15,724	29.23%	46	16.66	766.50	705.60	-3.91%	92.05%
2009	783.90	11,497,549	14,667	-6.72%	48	16.33	783.90	714.80	2.27%	91.19%
2010	747.60	12,017,716	16,075	9.60%	47	15.91	747.60	682.30	-4.63%	91.27%
2011	699.70	12,540,799	17,923	11.50%	47	14.89	699.70	652.00	-6.41%	93.18%
2012	865.00	12,208,226	14,114	-21.25%	50	17.30	836.00	791.00	19.48%	94.62%
2013	877.00	10,522,582	11,998	-14.99%	51	17.37	847.00	784.00	1.32%	90.20%
2014	886.00	10,691,809	12,068	0.58%	45	19.69	883.00	846.00	-4.00%	95.49%
2015	884.00	10,968,696	12,408	2.82%	45	19.64	883.00	842.00	-4.00%	95.49%

Source: District records

Note: Enrollment based on annual October District count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>District/Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
High School:										
Assunpink										
Square Feet	90,768	90,678	90,678	90,678	90,678	90,678	90,678	90,678	90,678	90,678
Capacity (Students)	336	336	336	336	336	336	336	380	380	380
Enrollment	406	395	399	409	391	357	355	372	372	345
Sypek										
Square Feet	90,713	90,713	90,713	90,713	90,713	90,713	90,713	90,713	90,713	90,713
Capacity (Students)	444	444	444	444	444	444	444	444	444	444
Enrollment	413	392	396	401	395	386	339	368	368	481
Other:										
Health Careers Center										
Square Feet	26,984	26,984	26,984	26,984	26,984	26,984	26,984	26,984	26,984	26,984
Capacity (Students)	200	200	200	200	200	200	200	200	200	200
Enrollment	177	150	157	169	163	154	171	162	162	171

Number of Schools at June 30, 2015

High School = 2

Other = 1

Source: District Facilities Office

Note: Enrollment is based on the annual October District count.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

SCHEDULE OF REQUIRED MAINTENANCE

LAST TEN FISCAL YEARS
(UNAUDITED)

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-xxx

	Assunpink Building A	Assunpink Building B	Assunpink Building C	Sypek Building A	Sypek Building B	Sypek Building C	Sypek Building C Annex	Other Buildings	Total
2006	\$ 16,831	\$ 9,346	\$ 11,940	\$ 8,595	\$ 12,134	\$ 12,618	\$ 11,644	\$ 14,867	\$ 97,975
2007	5,000	8,500	7,500	5,000	8,500	7,500	6,100	8,300	56,400
2008	17,914	5,400	4,800	8,785	6,035	11,176	6,070	32,095	92,275
2009	11,182	9,000	9,000	8,250	8,250	8,250	8,250	8,800	70,982
2010	13,400	10,560	8,702	5,500	13,750	10,930	6,930	9,680	79,452
2011	13,400	10,560	8,140	5,500	13,734	10,120	6,930	9,291	77,675
2012	12,200	10,000	3,960	4,030	10,500	8,500	9,786	7,702	66,678
2013	11,944	9,717	3,559	4,000	10,479	8,452	3,032	6,902	58,085
2014	12,000	10,000	3,960	4,000	10,500	8,500	2,944	7,717	59,621
2015	12,000	10,000	3,960	4,000	10,500	8,500	2,944	7,541	59,445
Total School Facilities	\$ 138,584	\$ 100,142	\$ 74,540	\$ 64,152	\$ 113,547	\$ 104,077	\$ 73,425	\$ 124,125	\$ 792,592

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26-1.3)

Source: District records

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2015
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
Burlington County Insurance Pool Joint Insurance Fund:		
Property, Inland Marine and Automobile Physical Damages	\$ 150,000,000	\$ 500
Boiler and Machinery	125,000,000	1,000
Crime	500,000	500
General and Automobile Liability	15,000,000	
Workers' Compensation	Statutory	
Educator's Legal Liability	15,000,000	
Pollution Legal Liability	3,000,000	25,000

Source: District records

Single Audit Section

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*

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Area Vocational-Technical Schools of Mercer County School District
Hamilton, New Jersey
County of Mercer

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Area Vocational-Technical Schools of Mercer County School District, in the County of Mercer, New Jersey (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

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

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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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

December 14, 2015
Iselin, New Jersey

Report on Compliance For Each Major Federal and State Program
And Report on Internal Control Over Compliance Required by
OMB A-133 and New Jersey OMB 15-08

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Area Vocational-Technical Schools of Mercer County School District
Hamilton, New Jersey
County of Mercer

Report on Compliance for Each Major Federal and State Program

We have audited the Area Vocational-Technical Schools of Mercer County School District, in the County of Mercer, New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015. The District's major federal and state programs are identified in the summary of auditors' 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 each of its major federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on an 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; OMB Circular A-133, *Audits of*

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States, Local Governments and Non-Profit Organizations; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and requirements, OMB Circular A-133 and New Jersey OMB 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 and state program occurred. An audit includes examining, on a test basis, evidence about the District'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 on the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and 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 OMB Circular A-133 and New Jersey OMB 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 District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 OMB Circular A-133 and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.


Michael J. Andriola
Licensed Public School Accountant
No. 2429


WISS & COMPANY, LLP

December 14, 2015
Iselin, New Jersey

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From To		Balance, June 30, 2014			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2015		
						(Accounts Receivable)	Unearned Revenue	Due to Grantor				(Accounts Receivable)	Unearned Revenue	Due To Grantor
U.S. Department of Education:														
Passed-Through State Department of Education:														
Special Revenue Fund:														
Perkins (P.L. 101-391)	84.048	PERK310514	\$ 227,017	07/01/13	06/30/14	\$ (25,203)			\$ 25,203					
Perkins (P.L. 101-391)	84.048	PSFS310514	105,263	07/01/13	06/30/14			\$ 335			\$ (335)			
Perkins (P.L. 101-391)	84.048	PERK310515	212,768	07/01/14	06/30/15				91,474	\$ (211,050)		\$ (119,576)		
Perkins (P.L. 101-391)	84.048	PSFS310515	109,499	07/01/14	06/30/15				109,120	(109,150)		(30)		
Title I - Part A	84.010	NCLB310513	65,086	07/01/13	06/30/14	(65,086)			65,086					
Title II - Part A - Improving Teacher Quality State Grants	84.367	NCLB310513	7,152	09/01/13	06/30/14	(7,152)			7,152					
Title I - Part A	84.010	NCLB310515	95,301	07/01/14	06/30/15				57,281	(87,651)		(30,370)		
Title II - Part A - Improving Teacher Quality State Grants	84.367	NCLB310515	7,576	07/01/14	06/30/15				7,576	(7,576)				
I.D.E.A. Part B Basic	84.027	IDEA310513	98,376	07/01/14	06/30/15				44,517	(93,640)		(49,123)		
Total Special Revenue Fund						(97,441)			407,409	(509,067)		(199,099)		
Total Federal Awards						\$ (97,441)	\$ -	\$ 335	\$ 407,409	\$ (509,067)	\$ (335)	\$ (199,099)	\$ -	\$ -

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year ended June 30, 2015

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2014				Repayment of Prior Years' Balance	Balance, June 30, 2015			Memo		
			From	To	(Accounts Receivable)	Unearned Revenue	Due To Grantor	Cash Received		Budgetary Expenditures	(Accounts Receivable)	Unearned Revenue	Due To Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education															
General Fund:															
Equalization Aid	495-034-5120-078	\$ 2,030,220	07/01/13	06/30/14	\$ (203,022)			\$ 203,022							
Equalization Aid	495-034-5120-078	2,030,220	07/01/14	06/30/15				1,827,198	\$ (2,030,220)				\$ (203,022)	\$ (2,030,220)	
Special Education Categorical Aid	495-034-5120-089	221,405	07/01/13	06/30/14	(22,145)			22,145							
Special Education Categorical Aid	495-034-5120-089	221,405	07/01/14	06/30/15				199,264	(221,405)				(22,141)	(221,405)	
Security Aid	495-034-5120-084	43,495	07/01/13	06/30/14	(4,345)			4,345							
Security Aid	495-034-5120-084	43,495	07/01/14	06/30/15				39,147	(43,495)				(4,348)	(43,495)	
Adjustment Aid	495-034-5120-085	106,758	07/01/13	06/30/14	(10,674)			10,674							
Adjustment Aid	495-034-5120-085	106,758	07/01/14	06/30/15				96,083	(106,758)				(10,675)	(106,758)	
PARCC Readiness Aid	495-034-5120-097	4,260	07/01/14	06/30/15				3,834	(4,260)				(426)	(4,260)	
Per Pupil Growth Aid	495-034-5120-098	4,260	07/01/14	06/30/15				3,834	(4,260)				(426)	(4,260)	
On-Behalf TPAF Pension and Medical Contributions	495-034-5094-001/006/007	469,349	07/01/14	06/30/15				469,349	(469,349)					(469,349)	
Reimbursed TPAF Social Security Contributions	495-034-5094-003	257,687	07/01/13	06/30/14	(12,411)			12,411							
Reimbursed TPAF Social Security Contributions	495-034-5094-003	245,323	07/01/14	06/30/15				243,146	(245,323)			\$ (2,177)		(245,323)	
Total General Fund					<u>(252,597)</u>			<u>3,134,452</u>	<u>(3,125,070)</u>			<u>(2,177)</u>	<u>(241,038)</u>	<u>(3,125,070)</u>	
State Department of Education															
Special Revenue Fund:															
Apprentice Coordinator	99000127	15,000	07/01/13	06/30/14	(4,986)			4,986							
Apprentice Coordinator	99000127	19,000	07/01/14	06/30/15				8,163	(16,360)				(8,197)	(16,360)	
Total Special Revenue Fund					<u>(4,986)</u>			<u>13,149</u>	<u>(16,360)</u>			<u>(8,197)</u>		<u>(16,360)</u>	
Total State Financial Assistance					\$ (257,583)	\$ -	\$ -	\$ 3,147,601	\$ (3,141,430)	\$ -	\$ (10,374)	\$ -	\$ -	\$ (241,038)	\$ (3,141,430)
State Financial Assistance Not Subject to Single Audit Determination:															
On-Behalf TPAF Pension and Medical Contributions	495-034-5094-001/006/007	469,349	07/01/14	06/30/15				469,349	(469,349)					(469,349)	
Total State Financial Assistance Subject to Single Audit Determination					\$ (257,583)	\$ -	\$ -	\$ 2,678,252	\$ (2,672,081)	\$ -	\$ (10,374)	\$ -	\$ -	\$ (241,038)	\$ (2,672,081)

Area Vocational-Technical Schools
of Mercer County School District

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2015

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance programs of the District. All federal awards and state financial assistance 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 schedules of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the District's 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 award 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 of accounting with the exception of the revenue recognition of the two last state aid payments in the current year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent year due to the state deferral and recording of the last state aid payments in the subsequent year.

Area Vocational-Technical Schools
of Mercer County School District

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2015

3. Relationship to Basic Financial Statements

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 net adjustment to reconcile from the budgetary basis to the GAAP basis is \$852 for the general fund and \$17,930 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3). Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,124,218	\$ 3,124,218
Special Revenue Fund	\$ 491,137	16,360	507,497
Total award revenues	<u>\$ 491,137</u>	<u>\$ 3,140,578</u>	<u>\$ 3,631,715</u>

The adjustment to reconcile from budgetary basis accounts receivable to GAAP basis accounts receivable is (\$18,662) for the special revenue fund. This is a result of recognizing encumbrances as expenditures on the budgetary basis but not the GAAP basis.

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.

Area Vocational-Technical Schools
of Mercer County School District

Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance

Year ended June 30, 2015

5. Other

TPAF Social Security contributions 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, 2015.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2015 amounted to \$469,349. Since on-behalf post retirement pension and medical benefits are paid by the State directly, these expenditures are not subject to a single audit in accordance with New Jersey OMB's Circular 15-08, as directed by the funding agency.

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards Section

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

Type of auditors' report issued on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.048	Career and Technical Education – Basic Grants to States (Perkins IV)

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

State Awards Section

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 Yes X No

Type of auditors' report issued on compliance for major programs:

Unmodified

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 15-08?

 Yes X No

Identification of major programs:

GMIS/Program Number	Name of State Program or Cluster
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Categorical Aid
495-034-5120-084	Security Aid
495-034-5120-085	Adjustment Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-098	PARCC Readiness

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part II - Financial Statement Findings

No financial statement findings were noted that were required to be reported under *Government Auditing Standards*.

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Part III- Schedule of Federal Award and State Financial Assistance
Findings and Questioned Costs**

No compliance findings or internal control over compliance findings noted that are required to be reported under Federal OMB A-133 or State OMB Circular 15-08.

Area Vocational-Technical Schools
of Mercer County School District

Summary Schedule of Prior Years Findings

Year ended June 30, 2015

None.