

AREA VOCATIONAL-  
TECHNICAL SCHOOLS  
OF MERCER COUNTY  
SCHOOL DISTRICT

County of Mercer  
New Jersey

*Comprehensive Annual Financial Report  
For the Year Ended  
June 30, 2016*

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

**Hamilton, New Jersey**

Comprehensive Annual Financial Report  
Year Ended June 30, 2016

Prepared by

Business Office

## Table of Contents

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	1
Organizational Chart	7
Roster of Officials	8
Independent Auditors and Advisors	9
Certificate of Excellence	10
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	11
<b>Required Supplementary Information – Part I</b>	
Management's Discussion and Analysis	14
<b>Basic Financial Statements</b>	
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
<b>Required Supplementary Information – Part II</b>	
Schedule of the District's Proportionate Share of the Net Pension Liability – Public Employee's Retirement System (PERS)	67
Schedule of District Contributions – Public Employee's Retirement System (PERS)	68

## Table of Contents (continued)

	<u>Page</u>
<b>FINANCIAL SECTION (continued)</b>	
<b>Required Supplementary Information – Part II (continued)</b>	
Schedule of State’s Proportionate Share of the Net Pension Liability Associated with the District – Teacher’s Pension and Annuity Fund - (TPAF)	69
Notes to Required Supplementary Information	70
<b>Required Supplementary Information – Part III</b>	
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)	75
<b>Note to Required Supplementary Information</b>	
C-3 Budget to GAAP Reconciliation	76
<b>Supplementary Information</b>	
Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	77
E-2 Schedule of Preschool Education Aid Expenditures – Budgetary Basis – Not Applicable	N/A
Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	79
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	80
F-2a- Schedule of Project Revenues, Expenditures, Project Balance F-2c and Project Status – Budgetary Basis	81
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)

<b>Supplementary Information (continued)</b>	<b>Page</b>
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
<b>STATISTICAL SECTION (Unaudited) – Other Information</b>	
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>
<b>STATISTICAL SECTION (Unaudited) – Other Information (continued)</b>	
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
<b>SINGLE AUDIT SECTION</b>	
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 State Program and on Internal Control Over Compliance Required by 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 – Part I – Summary of Auditors’ Results	109
K-7 Schedule of Findings and Questioned Costs – Parts II and III – Schedule of Financial Statement Findings and Schedule of State Financial Assistance Findings and Questioned Costs	110
K-8 Summary Schedule of Prior Year Audit Findings	112

# Introductory Section

November 14, 2016

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, 2016, 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 and a list of independent auditors and advisors. 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 New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." Information related to this single audit, including the independent auditors' reports on internal control and compliance with applicable laws and regulations and findings and questioned costs, is included in the single audit section of this report. A federal single audit was not required in the 2016 fiscal year as federal expenditures did not exceed \$750,000.

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 full-time academies 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 2015-2016 fiscal year with an average daily enrollment of 887.0 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>
2015-2016	887.0
2014-2015	883.0
2013-2014	883.0
2012-2013	847.0
2011-2012	836.0

## 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 a full-time Health Science Academy (HSA) and a full-time Science, Technology, Engineering and Mathematics (S.T.E.M.) Academy 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 11<sup>th</sup> and 12<sup>th</sup> grade students and other out-of-school youth who require entry-level career training. The Career Prep Program, located on the West Windsor Campus of the Mercer County Community College, is also a shared-time educational program designed to serve 12<sup>th</sup> grade students who are seeking careers in Theatre, Dance, Professional Cooking, Business, Technology, Exercise Science, Criminal Justice, Fire Science and Radio & TV Production which are sponsored by the school district. The S.T.E.M. Academy is also located on the Mercer County Community College campus.

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 structure 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 2015-2016 school year, the average student enrollment in the alternative education program was 119.

The District acquires its funding from federal, state, county, and local sources. As per the 2015-16 budget of \$15,139,727, approximately 44% of the budget is supported by county tax, 16% by

state aid, 5% by federal/state special revenue aid, and 35% 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. Employment in Mercer County increased by 1.4 percent during the period of 2007 to 2012 as compared with a 4.7 percent decline statewide. Educational and health services was the fastest-growing industry sector in Mercer County over the five-year period, experiencing an employment gain of 12.5 percent. Manufacturing also experienced a notable employment increase of 6.5 percent in Mercer County during the same period.

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 2016 was 5.1%; while the Mercer County unemployment rate was 4.4% 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.

The District experienced a slight increase in enrollment during the 2015-2016 school year. The District cannot accurately forecast future enrollment. While the district does not anticipate a significant change in enrollment for the 2016-2017 school year, the District is aware that requirements for controlling out of District placements from sending districts and the 2% cap on the sending district's tax levy increases have the potential to impact future enrollment

### 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. 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. After successfully starting a full time Academy in Health Science, the district had added the STEM Academy during the 2015-16 school year. The district will start its third full time Academy during the 2016-17 school year in Culinary.

The District buildings range in age from 42 to 105 years old. The District is committed to the continued maintenance and repair of the buildings. During the 2015-2016 school year, the

District had ongoing capital projects which included the ROD project which provides for the replacement of existing fire alarm systems at both the Assunpink and Sypek Center. In addition HVAC upgrades to replace classroom unit ventilators and shop air handlers are underway at both campuses. Continued update and replacement of shop doors and security upgrades, also part of the original ROD scope, are anticipated to start shortly.

Additional ongoing projects include, network infrastructure improvements, burglar alarm replacement at all district sites, and perimeter security upgrades to limit unauthorized access to the facilities. In addition, the district is starting the preliminary curriculum and educational specification scope for anticipated new construction and remodeling that will occur at Sypek and Assunpink, as MCTS transitions to a full-time career academy.

#### **Program Initiatives:**

- The district completed its first year of the full-time S.T.E.M. Academy.
- The district completed its Middle States Accreditation for its Secondary Programs.
- Began the planning and implementation of a full-time Culinary Academy.
- 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/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. 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 referenced in N.J.A.C. 6A:23. 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, 2016.

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, 2016.

8. **DEBT ADMINISTRATION:**

At June 30, 2016, the District had no outstanding debt other than obligations under capital leases.

9. **CASH MANAGEMENT:**

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. The District has adopted a Cash Management Plan which requires it to deposit public funds in public depositories protected from a loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the act.

10. **RISK MANAGEMENT:**

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard, pollution, IT and theft insurance on property and contents, and fidelity bonds.

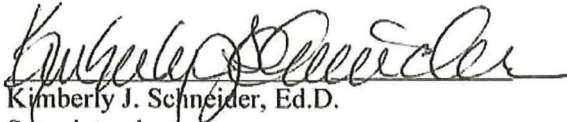
11. **OTHER INFORMATION:**

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

12. ACKNOWLEDGEMENTS:

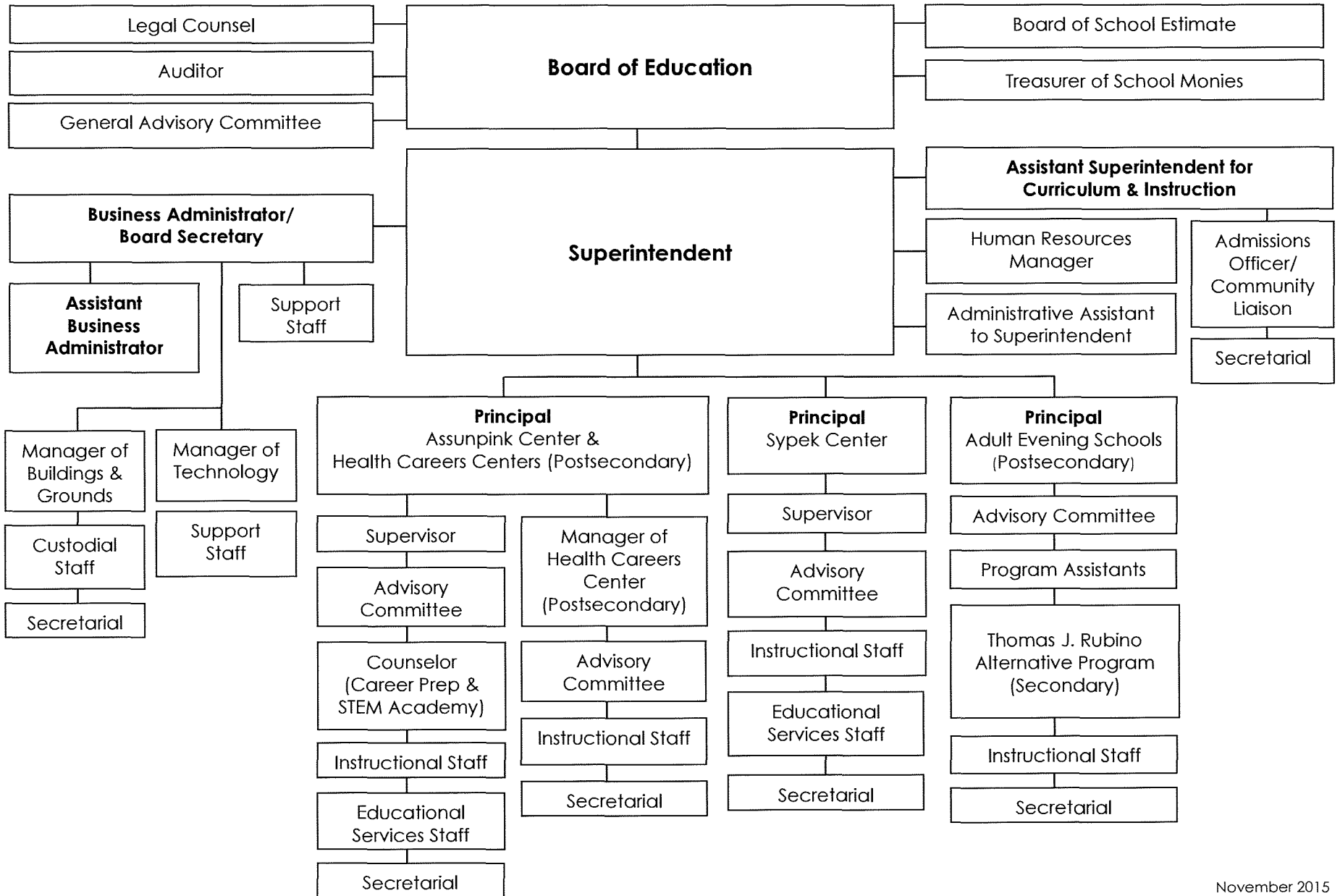
We would like to express our appreciation to the members of the Area Vocational-Technical Schools of Mercer County Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the District and thereby contributing their full support to the development and maintenance 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, 2016

**Members of the Board of Education**

**Term Expires**

Albert W. Pitman, President	2019
John Zoller, Vice- President	2016
Judith Iszard	2019
Yolanda Stinger	2019
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  
Livingston, New Jersey 07039

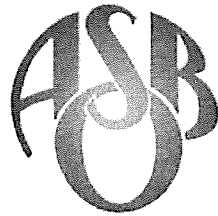
**Attorneys**

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





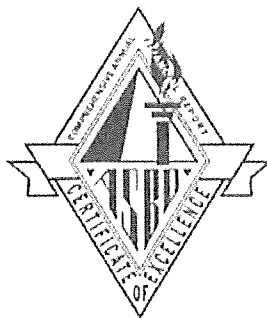
ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

**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, 2015.**

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



*Brenda Burkett*

Brenda R. Burkett, CPA, CSBA, SFO  
President

*John D. Musso*

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, 2016, 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.

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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that 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.

#### ***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 New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal*

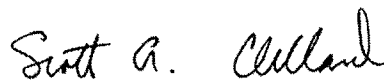
*Grants, State Grants and State Aid*, and the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and long-term debt schedules and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

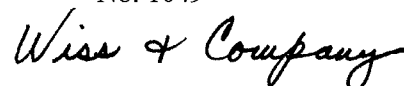
In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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.



Scott A. Clelland

Licensed Public School Accountant

No. 1049



WISS & COMPANY, LLP

Livingston, New Jersey  
November 14, 2016

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, 2016

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, 2016. 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 2016 are as follows:

- ◆ In total, net position increased by \$1,200,865, which represents a 7.8% increase from 2015. This increase was mainly the result of an increase in tuition.
- ◆ Total assets of governmental activities increased by \$1,142,100, as capital assets, net increased by \$404,349, accounts receivable increased \$964,319 and cash and cash equivalents, including cash held with fiscal agents, increased by \$787,287. This was partially offset by a decrease in restricted cash of \$834,018.
- ◆ Total liabilities of governmental activities increased by \$1,242,670, which was largely related to an increase in the net pension liability of \$904,798 at June 30, 2016. In addition, there was an increase in non-current liabilities for \$301,266 as a result of the District entering into a new capital lease in the current year.
- ◆ General revenues accounted for \$11,984,972 of revenue or 66.9% of all revenues. Program specific revenues in the form of tuition and other fees accounted for \$4,685,950 or 26.2% of total revenues of \$17,914,896.
- ◆ Total expenses for all programs was \$16,714,031, including expenses of \$1,335,069 for allocated depreciation. Expenses in the amount of \$5,306,256 were offset by specific tuition and operating grants and contributions. General revenues (primarily county tax levy and state and federal aid) of \$11,984,972 were adequate to provide for the balance of these programs, exclusive of the charge for depreciation.
- ◆ The General Fund had \$13,358,206 in revenues and \$12,301,760 in expenditures. The General Fund's fund balance decreased \$280,948 from 2015.

- ◆ The activity in the Special Revenue Fund increased from the prior year, experiencing an increase in revenue from state sources of \$134,992.
- ◆ 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. The decrease was offset by an increase in state sources due to the commencement of two new SDA projects 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 2015-16?" 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 2015-16 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 \$522,748, while total fund balance was \$3,385,681. The fund balance decreased \$280,948 during the current fiscal year primarily due to a transfer to the Capital Projects Fund.

## **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 \$468,354 from federal sources, \$151,352 from state sources and \$600 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 \$1,567,249 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 66 of this report.

## Required Supplementary Information and Other 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 67-70 of this report. 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, 2016 and 2015:

	<b>Net Position</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 5,253,724	\$ 4,515,973	\$179,375	\$36,398	\$5,433,099	\$4,552,371
Capital assets, net	27,905,909	27,501,560			27,905,909	27,501,560
<b>Total assets</b>	<b>33,159,633</b>	<b>32,017,533</b>	<b>179,375</b>	<b>36,398</b>	<b>33,339,008</b>	<b>32,053,931</b>
Deferred Outflow of Resources	1,527,578	833,458			1,527,578	833,458
Current liabilities and other	1,406,360	1,185,427	128,527	15,690	1,534,887	1,201,117
Net pension liability	6,996,743	6,091,945			6,996,743	6,091,945
Long-term liabilities	9,345,459	9,228,520			9,345,459	9,228,520
<b>Total liabilities</b>	<b>17,748,562</b>	<b>16,505,892</b>	<b>128,527</b>	<b>15,690</b>	<b>17,877,089</b>	<b>16,521,582</b>
Deferred Inflows of Resources	434,667	1,011,842			434,667	1,011,842
Net position:						
Net investment in capital assets	18,177,214	18,021,560			18,177,214	18,021,560
Restricted	4,459,879	2,722,326			4,459,879	2,722,326
Unrestricted (deficit)	(6,133,111)	(5,410,629)	50,848	20,708	(6,082,263)	(5,389,921)
<b>Total net position</b>	<b>\$ 16,503,982</b>	<b>\$ 15,333,257</b>	<b>\$ 50,848</b>	<b>\$ 20,708</b>	<b>\$ 16,554,830</b>	<b>\$ 15,353,965</b>

Total assets increased by \$1,285,077. The majority of the increase resulted from an increase in accounts receivable related to tuition.

Total liabilities increased by \$1,355,507. The District's long-term liabilities increased \$136,939 and current and other liabilities increased \$313,770. The increase in current liabilities and long-term liabilities resulted from the District entering into a new capital lease in the current year in addition to an increase in accounts payable. The net pension liability increased by \$904,798, deferred outflow of resources increased \$694,120 and deferred inflow of resources decreased by \$577,175.

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 \$692,342. The Net Position for Business-Type Activities is \$50,848 at June 30, 2016.

The following table provides a comparison of government-wide changes in net position for the 2016 and 2015 fiscal years:

### Changes in Net Position

Years ended June 30, 2016 and 2015

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$2,357,440	\$1,733,380	\$2,328,510	\$2,725,527	\$4,685,950	\$4,458,907
Operating grants and contributions	620,306	517,310			620,306	517,310
Capital grants and contributions	623,668				623,668	
General revenues:						
County Appropriation/Taxes	6,685,363	7,631,695			6,685,363	7,631,695
State and Federal Sources	4,310,883	3,845,589			4,310,883	3,845,589
Miscellaneous	988,726	987,428			988,726	987,428
Total revenues	15,586,386	14,715,402	2,328,510	2,725,527	17,914,896	17,440,929
Expenses:						
Instructional services	6,206,861	5,731,298	2,298,370	2,704,819	8,505,231	8,436,117
Support services	5,817,863	5,519,914			5,817,863	5,519,914
Special schools	2,034,478	1,853,901			2,034,478	1,853,901
Interest on long term obligations	356,459	365,488			356,459	365,488
Total expenses	14,415,661	13,470,601	2,298,370	2,704,819	16,714,031	16,175,420
Change in net position	1,170,725	1,244,801	30,140	20,708	1,200,865	1,265,509
Net position – beginning	15,333,257	14,088,456	20,708	-	15,353,965	14,088,456
Net position – ending	\$ 16,503,982	\$ 15,333,257	\$ 50,848	\$ 20,708	\$ 16,554,830	\$ 15,353,965

Charges for services includes tuition and registration fees for full-time Health Science Academy and Special Education students and day school. Increases in tuition 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, 2016, it reported a general fund balance of \$3,385,681, which is a decrease of \$280,948 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, 2016, and the amount and percentage of increases and decreases in relation to prior year revenues.

#### Revenues Year Ended June 30, 2016

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2015</u>	<u>Percent of Increase (Decrease)</u>
Local sources	\$ 10,069,738	72.0%	\$ 927,423	10.1%
State sources	3,440,420	24.6	299,842	9.6
Federal sources	468,354	3.4	(22,783)	(4.64)
Total	<u>\$ 13,978,512</u>	<u>100.0%</u>	<u>\$ 1,204,482</u>	<u>9.4%</u>

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, 2016, and the amount and percentage of increases and (decreases) in relation to prior year expenditures:

**Expenditures  
Year Ended June 30, 2016**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2015</u>	<u>Percent of Increase (Decrease)</u>
Current:				
Instruction	\$ 3,650,109	28.2%	\$ 92,754	2.6%
Support services	6,386,297	49.4	339,307	5.6
Capital outlay	198,053	1.5	(124,600)	(38.62)
Debt Service – capital lease	1,256,039	9.7	198,552	18.8
Special schools	1,431,568	11.2	67,217	4.9
Total	<u>\$ 12,922,066</u>	<u>100.0%</u>	<u>\$ 573,230</u>	<u>4.6%</u>

The increase in debt service - capital lease is due to the District entering into a new capital lease in the current year. This was offset by a decrease in Capital outlay related to PARCC related network upgrades during the prior school year which did not repeat and lower grant related instructional equipment purchases.

**Capital Assets**

At the end of fiscal years 2016 and 2015, the District had \$27,905,909 and \$27,501,560, 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 2016 and 2015 fiscal years.

**Capital Assets (Net of Depreciation)**

	<u>2016</u>	<u>2015</u>
Construction in Progress	\$ 9,419,736	\$ 7,852,577
Buildings and Building Improvements	17,529,246	18,657,158
Machinery and Equipment	<u>956,927</u>	<u>991,825</u>
Total	<u>\$ 27,905,909</u>	<u>\$ 27,501,560</u>

During the current fiscal year, \$1,739,418 of capital assets were capitalized as net additions. Increases in capital assets were offset by depreciation expense for the year. The District's capital additions for the 2015-16 fiscal year included site improvements to both Assunpink and Sypek Centers.

**Long Term Debt/Liabilities**

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 \$398,603 and \$403,835 liabilities at June 30, 2016 and 2015, respectively, \$20,000 and \$315 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 \$8,825,000 liability at June 30, 2016, \$690,000 is due within one year.

In July 2015, the District entered into a long-term capital lease to obtain funding sources for a capital project. The lease agreement requires the District to make annual principal and interest payments from its general fund budget. Of the \$961,498 liability at June 30, 2016, \$129,642 is due within one year.

**Governmental Activities**

	<u>2016</u>	<u>2015</u>
Compensated Absences Payable	\$398,603	\$403,835
ESIP Capital Lease	8,825,000	9,480,000
Capital Lease	<u>961,498</u>	<u>-</u>
Total	<u>\$ 10,185,101</u>	<u>\$ 9,883,835</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 \$439,978 more than had been budgeted in terms of revenues and \$1,526,441 better in terms of expenditures. Both the revenues and appropriations were adjusted for \$842,742 of non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions and on-behalf TPAF pension 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 2015-16 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 25% of the District's general fund revenue was from State Aid (Restricted and Not Restricted), while 50% 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 2015-16 budget was adopted on March 31, 2015 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 2016-17 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](http://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, 2016.

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,689,079		\$ 1,689,079
Cash Held with Fiscal Agent	57,403		57,403
Accounts Receivable	1,826,977	\$ 568,040	2,395,017
Internal Balances	388,665	(388,665)	-
Restricted Assets:			
Cash and Cash Equivalents	1,291,600		1,291,600
Capital Assets, Non-Depreciable	9,419,736		9,419,736
Capital Assets, Depreciable, Net	18,486,173		18,486,173
Total Assets	<u>33,159,633</u>	<u>179,375</u>	<u>33,339,008</u>
<b>Deferred Outflow of Resources</b>			
Pension Deferrals	1,527,578		1,527,578
	<u>1,527,578</u>		<u>1,527,578</u>
<b>Liabilities</b>			
Accounts Payable	387,043	128,527	515,570
Accrued Interest Payable	161,205		161,205
Unearned Revenue	15,530		15,530
Other Liabilities	2,940		2,940
Net Pension Liability	6,996,743		6,996,743
Noncurrent Liabilities:			
Due Within One Year	839,642		839,642
Due Beyond One Year	9,345,459		9,345,459
Total Liabilities	<u>17,748,562</u>	<u>128,527</u>	<u>17,877,089</u>
<b>Deferred Inflows of Resources</b>			
Pension Deferrals	329,954		329,954
Advance of Tax Levy	104,713		104,713
Total Deferred Inflows of Resources	<u>434,667</u>		<u>434,667</u>
<b>Net Position</b>			
Net Investment in Capital Assets	18,177,214		18,177,214
Restricted For:			
Capital Projects	1,604,088		1,604,088
Other Purposes	2,855,791		2,855,791
Unrestricted (Deficit)	(6,133,111)	50,848	(6,082,263)
Total Net Position	<u>\$ 16,503,982</u>	<u>\$ 50,848</u>	<u>\$ 16,554,830</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
Instruction:							
Regular	\$ 4,203,647		\$ 314,962		\$ (3,888,685)		\$ (3,888,685)
Special Education	2,003,214				(2,003,214)		(2,003,214)
Support Services:							
Student and Instruction Related Services	1,578,392		305,344		(1,273,048)		(1,273,048)
General Administrative Services	766,738				(766,738)		(766,738)
School Administrative Services	967,944				(967,944)		(967,944)
Central Administrative Services	327,788				(327,788)		(327,788)
Administrative Information Technology	378,716				(378,716)		(378,716)
Plant Operations and Maintenance	1,769,325			\$ 623,668	(1,145,657)		(1,145,657)
Pupil Transportation	28,960				(28,960)		(28,960)
Interest on Long-Term Obligations	356,459				(356,459)		(356,459)
Special Schools	2,034,478	\$ 2,357,440			322,962		322,962
Total Primary Government	<u>14,415,661</u>	<u>2,357,440</u>	<u>620,306</u>	<u>623,668</u>	<u>(10,814,247)</u>		<u>(10,814,247)</u>
<b>Business-type Activities:</b>							
Enterprise Fund	<u>2,298,370</u>	<u>2,328,510</u>				\$ 30,140	<u>30,140</u>
Total Business-type Activities	<u>2,298,370</u>	<u>2,328,510</u>				<u>30,140</u>	<u>30,140</u>
Total Primary Government	<u>\$ 16,714,031</u>	<u>\$ 4,685,950</u>	<u>\$ 620,306</u>	<u>\$ 623,668</u>	<u>(10,814,247)</u>	<u>30,140</u>	<u>(10,784,107)</u>
General Revenues:							
County Appropriation/Taxes					6,685,363		6,685,363
State and Federal Sources					4,310,883		4,310,883
Interest earnings					4,815		4,815
Miscellaneous					983,911		983,911
Total General Revenues					<u>11,984,972</u>		<u>11,984,972</u>
Changes in Net Position					1,170,725	30,140	1,200,865
Net Position - Beginning					<u>15,333,257</u>	<u>20,708</u>	<u>15,353,965</u>
Net Position - Ending					<u>\$ 16,503,982</u>	<u>\$ 50,848</u>	<u>\$ 16,554,830</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, 2016

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 708,259		\$ 980,820	\$ 1,689,079
Cash Held with Fiscal Agent			57,403	57,403
Interfund Receivable	616,478			616,478
Accounts Receivable:				
State	11,781	\$ 34,308	623,668	669,757
Federal		234,953		234,953
Other	922,267			922,267
Restricted Cash and Cash Equivalents	1,291,600			1,291,600
<b>Total Assets</b>	<b>\$ 3,550,385</b>	<b>\$ 269,261</b>	<b>\$ 1,661,891</b>	<b>\$ 5,481,537</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 43,990	\$ 38,979		\$ 82,969
Interfund Payable		227,813		227,813
Unearned Revenue	15,530			15,530
Due to Grantor		2,469		2,469
Other Liabilities	471			471
<b>Total Liabilities</b>	<b>59,991</b>	<b>269,261</b>		<b>329,252</b>
<b>Deferred Inflows of Resources:</b>				
Advance of Tax Levy	104,713			104,713
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Excess Surplus - current year	1,280,095			1,280,095
Prior Year Excess Surplus - Designated for Subsequent Year's Expenditures	284,096			284,096
Capital Reserve	1,291,600			1,291,600
Capital Projects			\$ 1,661,891	1,661,891
<b>Assigned to:</b>				
Other Purposes	7,142			7,142
Unassigned	522,748			522,748
<b>Total Fund Balances</b>	<b>3,385,681</b>		<b>1,661,891</b>	<b>5,047,572</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,550,385</b>	<b>\$ 269,261</b>	<b>\$ 1,661,891</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$48,849,326 and the accumulated depreciation is \$20,943,417 (See Note 4).	27,905,909
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	1,197,624
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.	(161,205)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(6,996,743)
Accrued pension contributions for the June 30, 2016 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.	(304,074)
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).	(10,185,101)
<b>Net Position of Governmental Activities</b>	<b>\$ 16,503,982</b>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2016

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
<b>Revenues:</b>				
<b>Local Sources:</b>				
County Appropriation/Tax Levy	\$ 6,629,660		\$ 55,703	\$ 6,685,363
Tuition from Individuals	53,500			53,500
Tuition From Other LEA's	2,187,940			2,187,940
Non-Resident Fees	116,000			116,000
Interest	4,815			4,815
Miscellaneous	1,077,223	\$ 600		1,077,823
<b>Total - Local Sources</b>	<b>10,069,138</b>	<b>600</b>	<b>55,703</b>	<b>10,125,441</b>
State Sources	3,289,068	151,352	623,668	4,064,088
Federal Sources		468,354		468,354
<b>Total Revenues</b>	<b>13,358,206</b>	<b>620,306</b>	<b>679,371</b>	<b>14,657,883</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Regular Vocational - Instruction	2,190,960	314,962		2,505,922
Special Vocational - Instruction	1,144,187			1,144,187
<b>Support Services:</b>				
Student and Instruction Related Services	813,064	131,159		944,223
General Administration	474,167			474,167
School Administration	565,965			565,965
Central Services	194,856			194,856
Administrative Information Technology	240,831			240,831
Plant Operations and Maintenance	1,168,244			1,168,244
Pupil Transportation	24,447			24,447
Unallocated Benefits	1,930,822			1,930,822
On-behalf TPAF FICA and Pension	842,742			842,742
Capital Outlay	23,868	174,185	1,567,249	1,765,302
<b>Debt Service:</b>				
Principal	893,502			893,502
Interest	362,537			362,537
Special Schools	1,431,568			1,431,568
<b>Total Expenditures</b>	<b>12,301,760</b>	<b>620,306</b>	<b>1,567,249</b>	<b>14,489,315</b>
Excess (deficiency) of revenues over (under) expenditures	1,056,446	-	(887,878)	168,568
<b>Other Financing Sources (Uses):</b>				
Capital lease			1,200,000	1,200,000
Transfers in			1,337,394	1,337,394
Transfers out	(1,337,394)			(1,337,394)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,337,394)</b>	<b>-</b>	<b>2,537,394</b>	<b>1,200,000</b>
<b>Net Change in Fund Balances</b>	<b>(280,948)</b>	<b>-</b>	<b>1,649,516</b>	<b>1,368,568</b>
Fund Balance, July 1	3,666,629	-	12,375	3,679,004
<b>Fund Balance, June 30</b>	<b>\$ 3,385,681</b>	<b>\$ -</b>	<b>\$ 1,661,891</b>	<b>\$ 5,047,572</b>

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, 2016

Total Net Change in Fund Balances - Governmental Funds (B-2)	\$	1,368,568
Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:		
<p>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 expense in the current fiscal year.</p>		
Depreciation Expense	\$ (1,335,069)	
Capital Additions, net	<u>1,739,418</u>	404,349
<p>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.</p>		
Obligations under Capital Leases		893,502
Capital Lease Issued		(1,200,000)
<p>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 an addition to the reconciliation.</p>		
		6,078
<p>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.</p>		
Pension Expense		(213,692)
<p>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, 2016.</p>		
		(93,312)
<p>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.</p>		
		<u>5,232</u>
Change in Net Position of Governmental Activities (A-2)	\$	<u><u>1,170,725</u></u>

## Proprietary Fund

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

STATEMENT OF NET POSITION

June 30, 2016

	Major Enterprise Fund Rubino Academy
Assets	
Current Assets:	
Accounts Receivable - Other	\$ 568,040
Total Assets	568,040
Liabilities	
Current Liabilities:	
Accounts Payable	128,527
Interfund Payable	388,665
Total Liabilities	517,192
Net Position	
Unrestricted	50,848
Total Net Position	\$ 50,848

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, 2016

	Major Enterprise Funds		
	Rubino Academy	H.O.S.A.	Total
Operating Revenues:			
Tuition	\$ 2,328,510		\$ 2,328,510
Total Operating Revenues	2,328,510	-	2,328,510
Operating Expenses:			
Purchased Professional - Educational Services	1,977,662		1,977,662
Rental	300,000		300,000
Miscellaneous		\$ 20,708	20,708
Total Operating Expenses	2,277,662	20,708	2,298,370
Operating Income (Loss) and Change in Net Position	50,848	(20,708)	30,140
Total Net Position-Beginning	-	20,708	20,708
Total Net Position-Ending	\$ 50,848	\$ -	\$ 50,848

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

STATEMENT OF CASH FLOWS

Year ended June 30, 2016

	Major Enterprise Funds		
	Rubino Academy	H.O.S.A.	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 2,250,690	\$ -	\$ 2,250,690
Payments to suppliers	(2,164,825)	(20,708)	(2,185,533)
Net cash provided by (used for) operating activities	85,865	(20,708)	65,157
<b>Cash flows from non-capital financing activities:</b>			
Prior year's interfund liquidated / funded	(85,865)	20,708	(65,157)
Net cash (used for) provided by non-capital financing activities	(85,865)	20,708	(65,157)
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>			
Operating income (loss)	\$ 50,848	\$ (20,708)	\$ 30,140
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Increase in accounts receivable	(77,820)		(77,820)
Increase in accounts payable	112,837	-	112,837
Decrease in interfund receivable		20,708	20,708
Net cash provided by (used for) operating activities	\$ 85,865	\$ -	\$ 85,865

## Fiduciary Funds

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

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund	Agency Fund
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,751	\$ 17,568	\$ 149,139
Total Assets	<u>4,751</u>	<u>17,568</u>	<u>\$ 149,139</u>
<b>Liabilities</b>			
Accounts Payable		7,908	
Payroll Deductions and Withholdings			\$ 129,749
Due to Student Groups			19,390
Total Liabilities		<u>7,908</u>	<u>\$ 149,139</u>
<b>Net Position</b>			
Held in Trust for Unemployment Claims		<u>\$ 9,660</u>	
Held in Trust for Scholarships	<u>\$ 4,751</u>		

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2016

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund
<b>Additions</b>		
Interest Income	\$ 4	\$ 5
Employee Contributions		10,872
Board Contributions		10,000
Total Additions	4	20,877
<b>Deductions</b>		
Scholarship Payments	5,839	
Unemployment Benefits		24,757
Total Deductions	5,839	24,757
Change in Net Position	(5,835)	(3,880)
Net Position - Beginning of Year	10,586	13,540
Net Position - End of Year	\$ 4,751	\$ 9,660



Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements

Year ended June 30, 2016

**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, 2016

**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, 2016

**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, 2016

**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. In fiscal year 2014/15, the District was the treasurer entity for H.O.S.A for the state of NJ. Duties were returned to Rutgers at the end of fiscal year 2014/15 and the fund balance was returned to Rutgers in fiscal year 2015/16.

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, 2016

**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, 2016

**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, 2016 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, 2016

**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, 2016

**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, 2016, a liability existed for compensated absences in the government-wide financial statements in the amount of \$398,603.

**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) and a five year capital equipment lease. The lease agreements require 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, 2016

**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, 2016

**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 \$3,385,681 of fund balance in the General Fund, \$7,142 are encumbrances assigned to other purposes, \$1,291,600 has been restricted in the capital reserve account, \$1,280,095 has been restricted for excess surplus – current year, \$284,096 has been restricted for excess surplus - prior year and \$522,748 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 \$284,096, which was generated during the 2015 fiscal year will be utilized in the 2016-17 budget. The current year excess surplus at June 30, 2016 was \$1,280,095, which will be utilized in the 2017-18 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, 2016

**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 \$1,021,815 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 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 District sold 606 Solar Renewable Energy Credits on August 15, 2016. Pursuant to this Statement, the District realized revenue in both the Government-Wide and Fund financial statements of \$145,978. The District does not have any SREC's remaining as of June 30, 2016.

Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB No. 75"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the District in the 2018 fiscal year. Management has not yet determined the impact of this Statement on the financial statements.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**S. Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2016 through November 14, 2016, 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 \$10,185,101 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” and Statement No. 72 “Fair Value Measurement and Application.” 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.

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.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**3. Deposits and Investments (continued)**

**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.

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2016, the District's carrying amount of deposits was \$1,706,333 including funds held with fiscal agent and the bank balance was \$2,731,235. Of the bank balance, \$328,569 of the District's cash deposits on June 30, 2016 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$2,177,721. \$224,944 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.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**3. Deposits and Investments (continued)**

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.

**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 investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2016, the District's balance was \$1,503,207 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.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**3. Deposits and Investments (continued)**

*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, 2016, 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.

**4. Capital Assets**

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 7,852,577	\$ 1,567,159		\$ 9,419,736
Total Capital Assets, Not Being Depreciated:	7,852,577	1,567,159		9,419,736
Capital Assets, Being Depreciated:				
Buildings & Building Improvements	36,341,194	23,868		36,365,062
Machinery and Equipment	2,916,137	153,791	\$ (5,400)	3,064,528
Total Capital Assets, Being Depreciated	39,257,331	177,659	(5,400)	39,429,590
Less accumulated depreciation for:				
Buildings & building improvements	(17,684,036)	(1,151,780)		(18,835,816)
Machinery and equipment	(1,924,312)	(188,689)	5,400	(2,107,601)
Total accumulated depreciation	(19,608,348)	(1,340,469)	5,400	(20,943,417)
Total capital assets being depreciated, net	19,648,983	(1,162,810)	-	18,486,173
Governmental activities capital assets, net	\$ 27,501,560	\$ 404,349	\$ -	\$ 27,905,909

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**4. Capital Assets (continued)**

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

Regular Instruction	\$	464,112
Special Education Instruction		211,013
Student and Instruction Related Services		174,877
General Administrative Services		87,819
School Administrative Services		104,821
Central Services		36,089
Administrative Information Technology		44,604
Plant operations and maintenance		212,605
Pupil Transportation		4,529
		\$ 1,340,469

**5. Long-Term Liabilities**

During the year ended June 30, 2016, the following changes occurred in governmental activities long-term liabilities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental Activities:					
Compensated Absences Payable	\$ 403,835	\$ 15,793	\$ 21,025	\$ 398,603	\$ 20,000
Capital Leases	9,480,000	1,200,000	893,502	9,786,498	819,642
Subtotal	9,883,835	1,215,793	914,527	10,185,101	839,642
Net pension liability	6,091,945	904,798	-	6,996,743	-
Governmental Activities					
Total long-term liabilities	\$ 15,975,780	\$ 2,120,591	\$ 914,527	\$ 17,181,844	\$ 839,642

The District expects to liquidate the compensated absences, capital leases and the net pension liability with payments made from the District's general fund.

As of June 30, 2016, 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



Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**5. Long-Term Liabilities – (continued)**

utilizing the savings from the energy plan to make the lease payments to PNC Equipment Finance, LLC.

**First Niagara Capital Lease**

The District entered into a \$1,200,000 capital lease in July 2015 with First Niagara Leasing, Inc. The lease is for a five year term expiring in February 2020 and carries an interest rate of 1.52%. The lease was issued to provide the local share of the state approved project for mechanical, electrical, security and general construction improvements and alterations to the Sypek Center Vocational School.

Principal and interest due on the capital leases outstanding are as follows:

	<b>Amount</b>
Year:	
2017	\$ 1,265,148
2018	1,268,005
2019	1,215,767
2020	1,223,335
2021	985,793
2022 - 2026	4,853,589
2027	993,769
Total minimum lease payments	11,805,406
Less amounts representing interest	(2,018,908)
Present value of net minimum lease payments	\$ 9,786,498

**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.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**6. Pension Plans (continued)**

**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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**6. Pension Plans (continued)**

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, 2016, the State of New Jersey contributed \$598,058 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 \$244,684 during the year ended June 30, 2016 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, 2016, 2015 and 2014 were \$267,967, \$268,236 and \$253,560, respectively.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**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, 2016, the District reported a liability of \$6,996,743 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2014, which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0311686736 percent, which was a decrease of 0.0013690136 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized full accrual pension expense of \$481,659 in the government-wide financial statements. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 166,918	
Changes of assumptions	751,394	
Net difference between projected and actual earnings on pension plan investments		- \$ 112,494
Changes in proportion and differences between District contributions and proportionate share of contributions	305,192	217,460
District contributions subsequent to the measurement date	304,074	-
	<b>\$ 1,527,578</b>	<b>\$ 329,954</b>

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**6. Pension Plans (continued)**

\$304,074 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:

<b>Year ended June 30:</b>	
2017	\$ 168,498
2018	168,498
2019	168,500
2020	259,258
2021	128,796
	<u>\$ 893,550</u>

*Actuarial Assumptions*

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.04%
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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**6. Pension Plans (continued)**

*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. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

*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, 2015 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds / Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%
	<u>100.00%</u>	

*Discount rate*

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. 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 3.80% as of June 30, 2015 based on the

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements

Year ended June 30, 2016

**6. Pension Plans (continued)**

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 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, 2015 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 (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	At 1% Decrease (3.90%)	At Current Discount Rate (4.90%)	At 1% Increase (5.90%)
District's proportionate share of the net pension liability	\$ 8,696,095	\$ 6,996,743	\$ 5,572,018

*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 of the Local Group at June 30, 2015 are as follows:

Collective deferred outflows of resources	\$ 3,578,755,666
Collective deferred inflows of resources	\$ 993,410,455
Collective net pension liability	\$ 22,447,996,119
District's Proportion	0.0311686736%

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements

Year ended June 30, 2016

**6. Pension Plans (continued)**

Collective pension expense for the Local Group for the measurement period ended June 30, 2015 is \$1,481,308,816.

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, 2014 (the beginning of the measurement period ended June 30, 2015) is 5.72 years and 6.44 years for the measurement period ended June 30, 2014.

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, 2015 was \$21,205,900. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. 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, 2015, the State's proportionate share of the TPAF net pension liability associated with the District was 0.0335513725 percent, which was a decrease of 0.0021611748 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$1,294,811 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, 2016

**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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

*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, 2015 are summarized in the following table:

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**6. Pension Plans (continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%
	<u>100.00%</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. 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 3.80% as of June 30, 2015 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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**6. Pension Plans (continued)**

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, 2016 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 (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	<b>Decrease (3.13%)</b>	<b>Discount Rate (4.13%)</b>	<b>Increase (5.13%)</b>
State's proportionate share of the net pension liability associated with the District	\$ 214,296	\$ 180,314	\$ 151,036

*Pension plan fiduciary net position*

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

**Additional Information**

Collective balances of the Local Group at June 30, 2015 are as follows:

Collective deferred outflows of resources	\$ 7,522,890,856
Collective deferred inflows of resources	\$ 623,365,110
Collective net pension liability	\$ 63,204,270,305
State's proportionate share associated with the District	0.0335513725%

Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2015 is \$3,854,529,454.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**6. Pension Plans (continued)**

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, 2014 (the beginning of the measurement period ended June 30, 2015) is 8.3 years and 8.5 years for the measurement period ended June 30, 2014.

**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 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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the state contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**7. Post-Retirement Benefits (continued)**

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, 2016, 2015 and 2014 were \$325,062, \$287,958, and \$217,730, 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.

**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.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**8. Risk Management (continued)**

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
2015-16	\$ 10,000	\$ 10,872	\$ 5	\$ 24,757	\$ 9,660
2014-15	18,000	10,733	4	21,495	13,540
2013-14	8,670	10,987	4	13,364	6,297

**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.

**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.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**9. Deferred Compensation (continued)**

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, 2016:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 616,478	
Special Revenue Fund		\$ 227,813
Rubino Academy Enterprise Fund		388,665
	\$ 616,478	\$ 616,478

The interfund receivable of \$616,478 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$227,813 and in the Rubino Academy Enterprise Fund for \$388,665, which represent funds advanced to these funds to cover temporary pooled cash shortages. 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.

**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.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2016

**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, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ 2,146,986
Interest Earnings	3,376
Deposits:	
Approved in June 2016 Board Resolution	500,000
Unspent Capital Outlay Funds Returned	78,632
Withdrawals:	
Transferred to Capital Projects Fund	(1,337,394)
Transferred to Capital Outlay	<u>(100,000)</u>
Ending balance, June 30, 2016	<u><u>\$ 1,291,600</u></u>

At June 30, 2016, 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, 2016

**14. Commitments**

The District has contractual commitments at June 30, 2016 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$7,142. The District also has contractual commitments at June 30, 2016 to various vendors recorded in the Capital Projects Fund in the amount of \$1,430,476. 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 \$1,291,600 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.

## 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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - Local Group	0.0311686736%	0.0325376872%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
District's proportionate share of the net pension liability (asset)	\$ 6,996,743	\$ 6,091,945	\$ 5,775,933	n/a	n/a	n/a	n/a	n/a	n/a	n/a
District's covered-employee payroll	\$ 2,266,652	\$ 2,190,683	\$ 2,179,379	\$ 2,089,934	\$ 2,260,433	\$ 2,439,281	\$ 2,110,454	\$ 2,234,207	\$ 2,388,476	\$ 2,388,476
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	308.68%	278.08%	265.03%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	47.93%	52.08%	48.72%	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

n/a - information not available

See notes to Required Supplementary Information

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

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 304,074	\$ 267,967	\$ 268,236	\$ 253,560	\$ 260,531	\$ 284,342	\$ 251,304	\$ 215,790	\$ 197,525	\$ 201,259
Contributions in relation to the contractually required contribution	(304,074)	(267,967)	(268,236)	(253,560)	(260,531)	(284,342)	(251,304)	(215,790)	(197,525)	(201,259)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$2,163,582	\$2,266,652	\$ 2,190,683	\$ 2,179,379	\$ 2,089,934	\$ 2,260,433	\$ 2,439,281	\$ 2,110,454	\$ 2,234,207	\$2,388,476
Contributions as a percentage of covered-employee payroll	14.05%	11.82%	12.24%	11.63%	12.47%	12.58%	10.30%	10.22%	8.84%	8.43%

*See notes to Required Supplementary Information*

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,	
	2016	2015
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.0335513725%	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	\$ 21,205,900	\$ 16,777,039
Total proportionate share of the net pension liability (asset) associated with the District	\$ 21,205,900	\$ 16,777,039
Plan fiduciary net position as a percentage of the total pension liability	28.71%	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.

Covered payroll information is not presented since the Teachers' Pension and Annuity Fund is a special funding situation in which the District does not make contributions to this plan.

*See notes to Required Supplementary Information*

AREA VOCATIONAL-TECHMICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

Notes to Required Supplementary Information

Year ended June 30, 2016

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.

TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

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, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>REVENUES:</b>					
Local Sources:					
County Appropriation / Tax Levy	\$ 6,629,660		\$ 6,629,660	\$ 6,629,660	
Tuition from Individuals	75,000		75,000	53,500	\$ (21,500)
Tuition From Other LEA's	1,881,000		1,881,000	2,187,940	306,940
Non-Resident Fees	152,300		152,300	116,000	(36,300)
Interest Earned	1,700		1,700	1,439	(261)
Interest Earned on Capital Reserve Funds	550		550	3,376	2,826
Rentals	700		700		(700)
Unrestricted Miscellaneous Revenues	888,250		888,250	1,077,223	188,973
<b>Total Local Sources</b>	<b>9,629,160</b>		<b>9,629,160</b>	<b>10,069,138</b>	<b>439,978</b>
State Sources:					
Special Education Categorical Aid	221,405		221,405	221,405	
Equalization Aid	2,030,220		2,030,220	2,030,220	
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	
Adult and Post Graduate Program Aid		\$ 39,927	39,927	39,927	
On-Behalf TPAF Pension Contributions (Non-Budgeted)				598,058	598,058
Reimbursed TPAF Social Security (Non-Budgeted)				244,684	244,684
<b>Total State Sources</b>	<b>2,410,398</b>	<b>39,927</b>	<b>2,450,325</b>	<b>3,293,067</b>	<b>842,742</b>
<b>Total Revenues</b>	<b>12,039,558</b>	<b>39,927</b>	<b>12,079,485</b>	<b>13,362,205</b>	<b>1,282,720</b>
<b>EXPENDITURES:</b>					
Current Expense:					
Instruction:					
Regular Vocational Programs:					
Salaries of Teachers	1,908,102	40,050	1,948,152	1,866,957	81,195
Purchased Professional Educational Services	80,000		80,000	62,022	17,978
Purchased Technical Services	19,400		19,400	4,234	15,166
Other Purchased Services	37,900	(718)	37,182	33,244	3,938
General Supplies	200,150	(366)	199,784	162,425	37,359
Textbooks	67,100	(744)	66,356	47,536	18,820
Other Objects	12,050	4,309	16,359	14,542	1,817
<b>Total Regular Vocational Programs - Instruction</b>	<b>2,324,702</b>	<b>42,531</b>	<b>2,367,233</b>	<b>2,190,960</b>	<b>176,273</b>
Special Vocational Programs:					
Salaries of Teachers	776,626	(6,757)	769,869	730,960	38,909
Other Salaries for Instruction	247,906	27,207	275,113	264,740	10,373
Purchased Technical Services	5,500	1,064	6,564	3,238	3,326
Other Purchased Services	33,460	(1,414)	32,046	20,969	11,077
General Supplies	118,536	1,394	119,930	105,469	14,461
Textbooks	13,175	(1,775)	11,400	6,676	4,724
Other Objects	9,450	2,950	12,400	12,135	265
<b>Total Special Vocational Programs</b>	<b>1,204,653</b>	<b>22,669</b>	<b>1,227,322</b>	<b>1,144,187</b>	<b>83,135</b>
<b>Total Instruction</b>	<b>3,529,355</b>	<b>65,200</b>	<b>3,594,555</b>	<b>3,335,147</b>	<b>259,408</b>
Support Services:					
Attendance and Social Work Services					
Salaries	9,012	1	9,013	8,969	44
<b>Total Attendance and Social Work Services</b>	<b>9,012</b>	<b>1</b>	<b>9,013</b>	<b>8,969</b>	<b>44</b>
Health Services:					
Salaries	133,828	(5,722)	128,106	123,083	5,023
Purchased Professional and Technical Services	7,080	70	7,150	7,150	
Other Purchased Services	12,364	7,974	20,338	17,721	2,617
Supplies and Materials	11,000	2,970	13,970	7,755	6,215
<b>Total Health Services</b>	<b>164,272</b>	<b>5,292</b>	<b>169,564</b>	<b>155,709</b>	<b>13,855</b>



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

BUDGETARY COMPARISON SCHEDULE  
(BUDGETARY BASIS)

Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES:</b>					
Support Services (continued):					
Guidance:					
Salaries Other Prof. Staff	\$ 307,883	\$ 16,674	\$ 324,557	\$ 324,555	\$ 2
Other Salaries	14,000	2,263	16,263	16,262	1
Other Purchased Services	46,340	(7,037)	39,303	37,081	2,222
Supplies and Materials	21,700	(1,319)	20,381	19,207	1,174
Other Objects	4,800	(3,373)	1,427	139	1,288
Total Guidance	394,723	7,208	401,931	397,244	4,687
Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff:					
Salaries of Supervisors of Instruction	241,415		241,415	165,903	75,512
Salaries of Secretarial and Clerical Assistants	60,419		60,419	60,010	409
Other Purchased Services	10,000		10,000	2,222	7,778
Total Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff	311,834	-	311,834	228,135	83,699
Instructional Staff Training Services:					
Salaries Superv. of Instruction	25,806		25,806	8,047	17,759
Salaries Other Professional Staff	500		500		500
Purchased Professional Educational Services	9,000		9,000	724	8,276
Other Purchased Services	33,600		33,600	12,736	20,864
Supplies and Materials	2,000		2,000	1,500	500
Total Instructional Staff Training Services	70,906	-	70,906	23,007	47,899
Support Services - General Administration:					
Salaries	327,058	(3,000)	324,058	315,157	8,901
Legal Services	70,000		70,000	45,314	24,686
Audit Fees	25,000	675	25,675	25,675	
Other Purchased Professional Services	9,000	(675)	8,325	8,040	285
Communications/Telephone	45,050	125	45,175	43,968	1,207
BOE Other Purchased Services	1,000	(600)	400		400
Other Purchased Services	22,750	4,001	26,751	26,155	596
General Supplies	12,500	(1,801)	10,699	2,064	8,635
BOE Membership Dues and Fees	16,000	1,275	17,275	7,794	9,481
Total Support Services - General Administration	528,358	-	528,358	474,167	54,191
Support Services - School Administration:					
Salaries Principals / Assistant Principals	232,268	(105,661)	126,607	120,654	5,953
Salaries Secretarial and Clerical Assistants	309,655	26,961	336,616	336,615	1
Purchased Professional and Technical Services	900	(366)	534	294	240
Other Purchased Services	29,380	84,166	113,546	92,999	20,547
Supplies and Materials	13,950	(200)	13,750	12,525	1,225
Other Objects	5,850	(400)	5,450	2,878	2,572
Total Support Services - School Administration	592,003	4,500	596,503	565,965	30,538
Support Services - Central Services:					
Salaries	168,806		168,806	149,034	19,772
Miscellaneous Purchased Services	59,712	(4,194)	55,518	33,109	22,409
Supplies and Materials	13,500	(210)	13,290	8,837	4,453
Other Objects	1,700	4,404	6,104	3,876	2,228
Total Support Services - Central Services	243,718	-	243,718	194,856	48,862
Support Services - Admin. Info. Tech. Services:					
Salaries	158,058		158,058	143,604	14,454
Purchased Technical Services	40,575		40,575	27,168	13,407
Other Purchased Services	53,196		53,196	32,483	20,713
Supplies and Materials	40,000		40,000	36,651	3,349
Other Objects	3,000		3,000	925	2,075
Total Support Services - Admin. Info. Tech. Services	294,829	-	294,829	240,831	53,998
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	59,621	176	59,797	55,802	3,995
Total Required Maintenance for School Facilities	59,621	176	59,797	55,802	3,995

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

BUDGETARY COMPARISON SCHEDULE  
(BUDGETARY BASIS)

Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>EXPENDITURES:</b>					
Support Services (continued):					
Other Operational & Maint. of Plant:					
Salaries	\$ 670,106	\$ (55,268)	\$ 614,838	\$ 592,431	\$ 22,407
Cleaning, Repair and Maintenance Services	69,650	26,780	96,430	94,291	2,139
Lease Purchase Pmts-Energy Savings Impr Prog	1,007,372		1,007,372	1,007,371	1
Other Purchased Property Services	62,000	(12,700)	49,300	35,979	13,321
Insurance	119,206	(17,000)	102,206	97,655	4,551
Miscellaneous Purchased Services		67,070	67,070	60,568	6,502
General Supplies	103,500	(10,750)	92,750	67,202	25,548
Energy (Natural Gas)	117,160	20,964	138,124	71,424	66,700
Energy (Electricity)	124,440	9,606	134,046	90,105	43,941
Other Objects	2,500	300	2,800	2,787	13
<b>Total Other Oper. &amp; Maint. of Plant:</b>	<b>2,275,934</b>	<b>29,002</b>	<b>2,304,936</b>	<b>2,119,813</b>	<b>185,123</b>
Student Transportation Services:					
Cleaning, Repair & Maint. Svcs	750		750	622	128
Contracted Services (Other Than Bet. Home & School) - Vendors	33,250		33,250	23,732	9,518
General Supplies	500		500	93	407
<b>Total Student Transportation Services</b>	<b>34,500</b>		<b>34,500</b>	<b>24,447</b>	<b>10,053</b>
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	150,000	20,655	170,655	170,654	1
Other Retirement Contributions - PERS	305,815	(7,682)	298,133	267,967	30,166
Other Retirement Contributions - ERIP	27,500		27,500	18,746	8,754
Unemployment Compensation	18,000	(1,000)	17,000	10,000	7,000
Worker's Compensation	90,000		90,000	90,000	
Health Benefits	1,553,878	(17,975)	1,535,903	1,327,014	208,889
Tuition Reimbursement	6,000	3,500	9,500	9,500	
Other Employee Benefits	47,050	3,642	50,692	36,941	13,751
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>2,198,243</b>	<b>1,140</b>	<b>2,199,383</b>	<b>1,930,822</b>	<b>268,561</b>
On-Behalf Payments:					
On-Behalf TPAF Pension Contributions				598,058	(598,058)
Reimbursed TPAF Social Security				244,684	(244,684)
<b>Total On-Behalf Contributions</b>				<b>842,742</b>	<b>(842,742)</b>
<b>Total Support Services</b>	<b>7,177,953</b>	<b>47,319</b>	<b>7,225,272</b>	<b>7,262,509</b>	<b>(37,237)</b>
<b>Total Expenditures - Current Expense</b>	<b>10,707,308</b>	<b>112,519</b>	<b>10,819,827</b>	<b>10,597,656</b>	<b>222,171</b>
<b>CAPITAL OUTLAY</b>					
Interest Deposit To Capital Reserve	550		550		550
<b>Total Interest Deposit To Capital Reserve</b>	<b>550</b>		<b>550</b>		<b>550</b>
Equipment:					
Regular Vocational Programs	12,700		12,700		12,700
Special Vocational Programs	2,100		2,100		2,100
Support Services					
Instruction	12,500		12,500		12,500
Central Services	4,000		4,000		4,000
General Administration	15,000		15,000		15,000
Custodial Services	233,000	25,668	258,668	251,168	7,500
<b>Total Equipment</b>	<b>279,300</b>	<b>25,668</b>	<b>304,968</b>	<b>251,168</b>	<b>53,800</b>
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	15,000		15,000		15,000
Construction Services	85,000		85,000	21,368	63,632
<b>Total Facilities Acquisition and Construction Services</b>	<b>100,000</b>	<b>-</b>	<b>100,000</b>	<b>21,368</b>	<b>78,632</b>
<b>Total Expenditures - Capital Outlay</b>	<b>379,850</b>	<b>25,668</b>	<b>405,518</b>	<b>272,536</b>	<b>132,982</b>

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

BUDGETARY COMPARISON SCHEDULE  
(BUDGETARY BASIS)

Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>SPECIAL SCHOOLS</b>					
Post-Secondary Programs - Instruction					
Salaries of Teachers	\$ 447,724	\$ 7,500	\$ 455,224	\$ 271,559	\$ 183,665
Purchased Prof.-Tech Services	15,800		15,800	600	15,200
Other Purchased Services	3,300	(200)	3,100	1,687	1,413
General Supplies	32,655	158	32,813	25,310	7,503
Textbooks	12,700		12,700	943	11,757
Other Objects	2,000		2,000	585	1,415
Total Post-Secondary Programs - Instruction	514,179	7,458	521,637	300,684	220,953
Post-Secondary Programs - Support Services					
Salaries	293,077		293,077	292,439	638
Personal Services-Employee Benefits	174,400		174,400	166,356	8,044
Other Purchased Services	51,000	(856)	50,144	30,382	19,762
Supplies and Materials	64,000	11,995	75,995	40,202	35,793
Other Objects	4,000	(500)	3,500	1,816	1,684
Total Post-Secondary Programs - Support Services	586,477	10,639	597,116	531,195	65,921
Total Post Secondary Programs	1,100,656	18,097	1,118,753	831,879	286,874
Vocational evening - local - Instruction					
Salaries of Teachers	160,505	(1,895)	158,610	143,970	14,640
Other Salaries for Instruction	54,500	(7,105)	47,395	40,974	6,421
Purchased Professional and Technical Services	2,400	2,797	5,197	4,797	400
General Supplies	22,500	20,398	42,898	41,040	1,858
Textbooks	37,400	(2,042)	35,358	34,557	801
Other Objects	1,500	19,447	20,947	20,705	242
Total Vocational Evening Local Instruction	278,805	31,600	310,405	286,043	24,362
Vocational Evening - Local - Support Services					
Salaries	174,906	3,029	177,935	177,689	246
Personal services - Employee Benefits	49,633	14,426	64,059	59,141	4,918
Other Purchased Services	29,375	12,893	42,268	39,273	2,995
Supplies and materials	62,500	(19,465)	43,035	33,902	9,133
Other objects	3,700	(41)	3,659	3,641	18
Total Vocational Evening - Local - Support Services	320,114	10,842	330,956	313,646	17,310
Total Vocational Evening - Local	598,919	42,442	641,361	599,689	41,672
Total Special Schools Expenditures	1,699,575	60,539	1,760,114	1,431,568	328,546
Total Expenditures	12,786,733	198,726	12,985,459	12,301,760	683,699
(Deficiency) Excess of Revenues (Under) Over Expenditures	(747,175)	(158,799)	(905,974)	1,060,445	1,966,419
Other financing (uses):					
Capital Reserve Transfer to Capital Projects Fund	(1,337,394)		(1,337,394)	(1,337,394)	
Total other financing (uses)	(1,337,394)		(1,337,394)	(1,337,394)	
(Deficiency) excess of revenues (under) over expenditures and other financing uses	(2,084,569)	(158,799)	(2,243,368)	(276,949)	1,966,419
Fund Balances, July 1	3,907,667		3,907,667	3,907,667	
Fund Balances, June 30	\$ 1,823,098	\$ (158,799)	\$ 1,664,299	\$ 3,630,718	\$ 1,966,419

**Recapitulation of fund balance:**

	Actual
Restricted Fund Balance:	
Prior Year Excess Surplus Designated for Subsequent Year's Expenditures	\$ 284,096
Current Year Excess Surplus	1,280,095
Capital Reserve	1,291,600
Assigned to:	
Year End Encumbrances	7,142
Unassigned Fund Balance	767,785
	3,630,718
Reconciliation to Governmental Funds Statements (GAAP):	
Last State Aid Payments not recognized on GAAP Basis	(245,037)
Fund Balance per Governmental Funds (GAAP)	\$ 3,385,681

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE  
BUDGETARY BASIS

SPECIAL REVENUE FUND

Year ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
<b>Revenues:</b>					
Local Sources		\$ 600	\$ 600	\$ 600	
State Sources	\$ 15,000	306,639	321,639	151,352	\$ 170,287
Federal Sources	382,500	170,887	553,387	449,692	103,695
<b>Total Revenues</b>	<u>397,500</u>	<u>478,126</u>	<u>875,626</u>	<u>601,644</u>	<u>273,982</u>
<b>Expenditures:</b>					
<b>Instruction:</b>					
Salaries of Teachers		122,427	122,427	119,229	3,198
Purchased Professional - Educational Services		39,286	39,286	37,788	1,498
Supplies & Materials	397,500	(187,223)	210,277	149,379	60,898
Miscellaneous Expenditures		6,909	6,909	3,780	3,129
<b>Total Instruction</b>	<u>397,500</u>	<u>(18,601)</u>	<u>378,899</u>	<u>310,176</u>	<u>68,723</u>
<b>Support Services:</b>					
Salaries		19,052	19,052	14,590	4,462
Personal Services - Employee Benefits		35,528	35,528	35,379	149
Purchased Professional - Educational Services		27,690	27,690	26,778	912
Other Purchased Services		25,605	25,605	20,119	5,486
Travel		5,475	5,475	4,273	1,202
Supplies and Materials		31,215	31,215	30,020	1,195
<b>Total Support Services</b>	<u>-</u>	<u>144,565</u>	<u>144,565</u>	<u>131,159</u>	<u>13,406</u>
<b>Capital Outlay:</b>					
<b>Equipment:</b>					
Instructional Equipment		352,162	352,162	160,309	191,853
<b>Total Equipment</b>		<u>352,162</u>	<u>352,162</u>	<u>160,309</u>	<u>191,853</u>
<b>Total Expenditures</b>	<u>397,500</u>	<u>478,126</u>	<u>875,626</u>	<u>601,644</u>	<u>273,982</u>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET-TO-GAAP RECONCILIATION

Year ended June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>SOURCES/INFLOWS OF RESOURCES</b>		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedules (C-1, C-2)	\$ 13,362,205	\$ 601,644
GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior-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.	241,038	
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(245,037)</u>	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 13,358,206</u>	<u>\$ 620,306</u>
<b>USES/OUTFLOWS OF RESOURCES</b>		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 12,301,760	\$ 601,644
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.		
Prior-Year Encumbrances		<u>18,662</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 12,301,760</u>	<u>\$ 620,306</u>

## Supplementary Information

## Special Revenue Fund

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

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year Ended June 30, 2016

	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					\$ 20,880
Federal Sources	\$ 246,256	\$ 98,895	\$ 8,703	\$ 95,838	
Total Revenues	\$ 246,256	\$ 98,895	\$ 8,703	\$ 95,838	\$ 20,880
EXPENDITURES:					
Instruction:					
Salaries of Teachers		\$ 35,816		\$ 29,421	
Purchased Professional - Educational Services		32,788		5,000	
Supplies & Materials	\$ 83,417	8,542		5,000	
Miscellaneous Expenditures				3,180	
Total Instruction	83,417	77,146		42,601	
Support Services:					
Salaries	720				
Salaries of Principals/Assistant Principals/Program Directors					\$ 13,870
Personal Services - Employee Benefits		9,070		7,699	
Purchased Professional - Educational Services		7,000	\$ 8,703	11,075	
Communications					400
Other Purchased Services		5,679		8,590	
Travel				3,198	1,075
Supplies and Materials	3,829			20,656	5,535
Total Support Services	4,549	21,749	8,703	51,218	20,880
Equipment:					
Instructional Equipment	158,290			2,019	
Total Equipment	158,290			2,019	
Total Expenditures	\$ 246,256	\$ 98,895	\$ 8,703	\$ 95,838	\$ 20,880



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

E-1  
p.2

COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS

Year Ended June 30, 2016

	<u>Vocational</u>	<u>Rutgers</u>	<u>Totals</u>
<b>REVENUES:</b>			
Local Sources		\$ 600	\$ 600
State Sources	\$ 130,472		151,352
Federal Sources			449,692
Total Revenues	<u>\$ 130,472</u>	<u>\$ 600</u>	<u>\$ 601,644</u>
<b>EXPENDITURES:</b>			
<b>Instruction:</b>			
Salaries of Teachers	\$ 53,992		\$ 119,229
Purchased Professional - Educational Services			37,788
Supplies & Materials	52,420		149,379
Miscellaneous Expenditures		<u>\$ 600</u>	<u>3,780</u>
Total Instruction	106,412	600	310,176
<b>Support Services:</b>			
Salaries			720
Salaries of Principals/Assistant Principals/Program Directors			13,870
Personal Services - Employee Benefits	18,610		35,379
Purchased Professional - Educational Services			26,778
Communications			400
Other Purchased Services	5,450		19,719
Travel			4,273
Supplies and Materials			<u>30,020</u>
Total Support Services	<u>24,060</u>		<u>131,159</u>
<b>Equipment:</b>			
Instructional Equipment			<u>160,309</u>
Total Equipment			<u>160,309</u>
Total Expenditures	<u>\$ 130,472</u>	<u>\$ 600</u>	<u>\$ 601,644</u>

## Capital Projects Fund

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

SUMMARY SCHEDULE OF PROJECT EXPENDITURES

Year ended June 30, 2016

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations June 30, 2016
			Prior Years	Current Year	
Improvements and Upgrade to Technical Schools	4/25/2012	\$ 2,877,900	\$ 2,551,569	\$ 8,078	\$ 318,253
Assunpink Center Vocational School: Mechanical, Electrical, Security and General Construction Alterations	8/17/2015	2,114,495	-	594,641	1,519,854
Sypek Center Vocational School: Mechanical, Electrical, Security and General Construction Alterations	8/17/2015	2,114,495	-	964,530	1,149,965
Totals		<u>\$ 7,106,890</u>	<u>\$ 2,551,569</u>	<u>\$ 1,567,249</u>	<u>\$ 2,988,072</u>

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, 2016

	<u>Current Year</u>
Revenues and Other Financing Sources:	
Transfer from capital reserve	\$ 1,337,394
State sources	1,691,596
Capital lease proceeds	<u>1,200,000</u>
Total Revenues and Other Financing Sources	4,228,990
Expenditures and Other Financing Uses:	
Engineering services	205,045
Construction services	<u>1,362,204</u>
Total Expenditures and Other Financing Uses	<u>1,567,249</u>
Net Change in Fund Balance	2,661,741
Fund Balance, July 1	326,331
Fund Balance, June 30	<u>\$ 2,988,072</u>
<u>Reconciliation of budgetary basis to GAAP basis:</u>	
Fund balance, budgetary basis, June 30, 2016	\$ 2,988,072
Less: Revenue not recognized on a GAAP basis	<u>(1,326,181)</u>
Fund balance, GAAP basis, June 30, 2016	<u>\$ 1,661,891</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, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources:</b>				
Transfer from capital reserve	\$ 60,000		\$ 60,000	\$ 60,000
County Sources	<u>2,817,900</u>		<u>2,817,900</u>	<u>2,817,900</u>
Total Revenues and Other Financing Sources	2,877,900		2,877,900	2,877,900
<b>Expenditures and Other Financing Uses:</b>				
Construction Services	<u>2,551,569</u>	\$ 8,078	<u>2,559,647</u>	<u>2,877,900</u>
Total Expenditures and Other Financing Uses	2,551,569	8,078	2,559,647	2,877,900
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 326,331</u>	<u>\$ (8,078)</u>	<u>\$ 318,253</u>	<u>\$ -</u>

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	60,000
Revised Authorized Cost	\$ 2,877,900

Percentage Increase over Original  
Authorized Cost

2%

Percentage completion

88.94%

Target completion date

December 2015

Revised completion date

June 2017

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)

Assunpink Center Vocational School: Mechanical, Electrical, Security and General Construction Alterations

Year ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources:</b>				
Transfer from capital reserve		\$ 1,268,697	\$ 1,268,697	\$ 1,268,697
State Sources		845,798	845,798	845,798
Total Revenues and Other Financing Sources	-	2,114,495	2,114,495	2,114,495
<b>Expenditures and Other Financing Uses:</b>				
Engineering services		90,549	90,549	107,000
Construction Services		504,092	504,092	2,007,495
Total Expenditures and Other Financing Uses		594,641	594,641	2,114,495
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ 1,519,854	\$ 1,519,854	\$ -

Additional Project Information:

Project number	G5-6140
Grant date	8/17/2015
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 2,114,495
Additional Authorized Cost	
Revised Authorized Cost	\$ 2,114,495

Percentage Increase over Original  
Authorized Cost

Percentage completion	28.12%
Target completion date	December 2016

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)

Sypek Center Vocational School: Mechanical, Electrical, Security and General Construction Alterations

Year ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources:</b>				
Transfer from capital reserve		\$ 68,697	\$ 68,697	\$ 68,697
State sources		845,798	845,798	845,798
Lease proceeds		1,200,000	1,200,000	1,200,000
Total Revenues and Other Financing Sources		<u>2,114,495</u>	<u>2,114,495</u>	<u>2,114,495</u>
<b>Expenditures and Other Financing Uses:</b>				
Engineering services		114,496	114,496	107,000
Construction Services		850,034	850,034	2,007,495
Total Expenditures and Other Financing Uses		<u>964,530</u>	<u>964,530</u>	<u>2,114,495</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ -</u>	<u>\$ 1,149,965</u>	<u>\$ 1,149,965</u>	<u>\$ -</u>

Additional Project Information:

Project number	G5-6141
Grant date	8/17/2015
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 2,114,495
Additional Authorized Cost	
Revised Authorized Cost	\$ 2,114,495

Percentage Increase over Original  
Authorized Cost

Percentage completion 45.62%  
Target completion date December 2016

## Fiduciary Funds



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

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	Trust			Agency		
	Private Purpose Scholarship Fund	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
<b>Assets</b>						
Cash and Cash Equivalents	\$ 4,751	\$ 17,568	\$ 22,319	\$ 19,390	\$ 129,749	\$ 149,139
Total Assets	<u>\$ 4,751</u>	<u>\$ 17,568</u>	<u>\$ 22,319</u>	<u>\$ 19,390</u>	<u>\$ 129,749</u>	<u>\$ 149,139</u>
<b>Liabilities</b>						
Accounts Payable		7,908	7,908			
Payroll Deductions and Withholdings Payable Due to Student Groups				\$ 19,390	\$ 129,749	\$ 129,749
Total Liabilities		<u>7,908</u>	<u>7,908</u>	<u>\$ 19,390</u>	<u>\$ 129,749</u>	<u>\$ 149,139</u>
<b>Net Position</b>						
Held in Trust for Unemployment Claims		9,660	9,660			
Held in Trust for Scholarships	4,751		4,751			
Total net position	<u>\$ 4,751</u>	<u>\$ 9,660</u>	<u>\$ 14,411</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, 2016

	Balance July 1, 2015	Cash Receipts	Cash Disbursements	Balance June 30, 2016
High Schools:				
Assunpink	\$ 17,255	\$ 16,826	\$ 20,757	\$ 13,324
Sypek Center	11,021	7,144	12,099	6,066
Total	\$ 28,276	\$ 23,970	\$ 32,856	\$ 19,390

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

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2016

	Balance July 1, 2015	Cash Receipts	Cash Disbursements	Balance June 30, 2016
<b>Assets</b>				
Cash and Cash Equivalents	\$ 77,190	\$ 7,184,271	\$ 7,131,712	\$ 129,749
Total Assets	<u>\$ 77,190</u>	<u>\$ 7,184,271</u>	<u>\$ 7,131,712</u>	<u>\$ 129,749</u>
<b>Liabilities</b>				
Payroll Deductions and Withholdings Payable	\$ 77,190	\$ 7,184,271	\$ 7,131,712	\$ 129,749
Total Liabilities	<u>\$ 77,190</u>	<u>\$ 7,184,271</u>	<u>\$ 7,131,712</u>	<u>\$ 129,749</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, 2016

Purpose	Amount of Original Issue	Maturities		Interest Rate	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016						
		Date	Amount											
Energy Savings Improvement Plan Capital Lease	\$ 11,200,000	7/15/2016	\$ 690,000	3.85%	\$ 9,480,000		\$ 655,000	\$ 8,825,000						
		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%										
		2015-16 Capital Equipment Lease	1,200,000	8/15/2016					117,027	1.52%		\$ 1,200,000	238,502	961,498
				2/15/2017					117,916	1.52%				
8/15/2017	118,812			1.52%										
2/15/2018	119,715			1.52%										
8/15/2018	120,625			1.52%										
2/15/2019	121,542			1.52%										
8/15/2019	122,465			1.52%										
2/15/2020	123,396			1.52%										
					<u>\$ 9,480,000</u>	<u>\$ 1,200,000</u>	<u>\$ 893,502</u>	<u>\$ 9,786,498</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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 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	\$ 18,177,214
Restricted	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	4,459,879
Unrestricted (deficit)	(345,896)	547,467	489,328	429,540	525,834	451,476	102,687	152,319	(5,410,629)	(6,133,111)
<b>Total governmental activities net position</b>	<b>\$ 12,076,707</b>	<b>\$ 12,101,230</b>	<b>\$ 13,489,096</b>	<b>\$ 12,374,555</b>	<b>\$ 12,306,553</b>	<b>\$ 11,763,873</b>	<b>\$ 13,308,968</b>	<b>\$ 19,864,389</b>	<b>\$ 15,333,257</b>	<b>\$ 16,503,982</b>
<b>Business-type activities:</b>										
Unrestricted									\$ 20,708	\$ 50,848
<b>Total business-type activities net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,708</b>	<b>\$ 50,848</b>
<b>Government-wide:</b>										
Net investment in capital assets	\$ 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	\$ 18,177,214
Restricted	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	4,459,879
Unrestricted (deficit)	(345,896)	547,467	489,328	429,540	525,834	451,476	102,687	152,319	(5,389,921)	(6,082,263)
<b>Total government-wide net position</b>	<b>\$ 12,076,707</b>	<b>\$ 12,101,230</b>	<b>\$ 13,489,096</b>	<b>\$ 12,374,555</b>	<b>\$ 12,306,553</b>	<b>\$ 11,763,873</b>	<b>\$ 13,308,968</b>	<b>\$ 19,864,389</b>	<b>\$ 15,353,965</b>	<b>\$ 16,554,830</b>

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
<b>Current:</b>										
<b>Regular Instruction</b>										
Vocational Education	\$ 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	\$ 4,203,647
Special Vocational Education	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	2,003,214
<b>Support Services and Undistributed Costs:</b>										
<b>Student and Instruction Related Services</b>										
General Administrative Services	513,957	683,678	806,123	918,286	1,024,692	1,103,425	1,229,170	1,238,275	1,367,682	1,578,392
School Administration	1,582,752	676,924	325,040	353,298	521,291	604,246	584,712	622,392	733,432	766,738
Plant Operations and Maintenance	578,243	697,348	799,971	831,526	795,035	809,625	883,739	885,199	934,242	967,944
Pupil Transportation	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	1,769,325
Central Services/Benefits/Admin Info Tech	35,696	22,835	24,771	15,949	13,442	15,640	20,338	25,366	31,411	28,960
Special Schools	2,382,732	529,237	631,379	580,226	604,450	610,222	608,669	685,163	707,130	706,504
Interest on Long Term Obligations	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	356,459
<b>Total governmental activities expenses</b>	<b>11,724,548</b>	<b>12,589,575</b>	<b>12,081,498</b>	<b>12,841,285</b>	<b>12,961,157</b>	<b>13,583,472</b>	<b>12,155,225</b>	<b>12,420,159</b>	<b>13,470,601</b>	<b>14,415,661</b>
<b>Business-Type Activities:</b>										
Rubino Academy							2,432,215	2,792,285	2,639,250	2,298,370
H.O.S.A.									65,569	
<b>Total business-type activities expenses</b>							<b>2,432,215</b>	<b>2,792,285</b>	<b>2,704,819</b>	<b>2,298,370</b>
<b>Total district expenses</b>	<b>11,724,548</b>	<b>12,589,575</b>	<b>12,081,498</b>	<b>12,841,285</b>	<b>12,961,157</b>	<b>13,583,472</b>	<b>14,587,440</b>	<b>15,212,444</b>	<b>16,175,420</b>	<b>16,714,031</b>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
<b>Charges for Services:</b>										
<b>Instruction (Tuition)</b>										
Special Schools (Tuition)	264,962	1,572,540	2,163,422	2,403,527	3,094,121	2,611,035	1,031,750	1,397,363	1,733,380	2,357,440
Operating Grants and Contributions	496,009			733,701	493,643	437,251	441,596	476,502	517,310	620,306
Capital Grants and Contributions				137,386						623,668
<b>Total governmental activities program revenues</b>	<b>760,971</b>	<b>1,572,540</b>	<b>2,163,422</b>	<b>3,274,614</b>	<b>3,587,764</b>	<b>3,048,286</b>	<b>1,473,346</b>	<b>1,873,865</b>	<b>2,250,690</b>	<b>3,601,414</b>
<b>Business-Type Activities:</b>										
<b>Charges for Services</b>										
<b>Total business-type activities program revenues</b>							<b>2,432,215</b>	<b>2,792,285</b>	<b>2,725,527</b>	<b>2,328,510</b>
<b>Total district program revenues</b>	<b>760,971</b>	<b>1,572,540</b>	<b>2,163,422</b>	<b>3,274,614</b>	<b>3,587,764</b>	<b>3,048,286</b>	<b>3,905,561</b>	<b>4,666,150</b>	<b>4,976,217</b>	<b>5,929,924</b>
<b>Net (Expense)/Revenue:</b>										
Governmental activities	(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)	(10,814,247)
Business-type activities									20,708	30,140
<b>Total district-wide net expense</b>	<b>(10,963,577)</b>	<b>(11,017,035)</b>	<b>(9,918,076)</b>	<b>(9,566,671)</b>	<b>(9,373,393)</b>	<b>(10,535,186)</b>	<b>(10,681,879)</b>	<b>(10,546,294)</b>	<b>(11,199,203)</b>	<b>(10,784,107)</b>
<b>General Revenues and Other Changes in Net Position:</b>										
<b>Governmental activities:</b>										
<b>County Taxes / Appropriation</b>										
State and Federal Sources	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	6,685,363
Local and State Aid Restricted	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	4,310,883
Miscellaneous Income	1,256,790			11,917						
<b>Total governmental activities</b>	<b>1,933,399</b>	<b>677,579</b>	<b>571,697</b>	<b>642,782</b>	<b>568,144</b>	<b>937,841</b>	<b>922,976</b>	<b>1,155,451</b>	<b>987,428</b>	<b>988,726</b>
<b>Total governmental activities</b>	<b>11,131,357</b>	<b>10,962,026</b>	<b>11,305,943</b>	<b>9,004,727</b>	<b>9,305,391</b>	<b>9,992,506</b>	<b>12,226,974</b>	<b>17,101,715</b>	<b>12,464,712</b>	<b>11,984,972</b>
<b>Change in Net Position:</b>										
Governmental activities	167,780	(55,009)	1,387,867	(561,944)	(68,002)	(542,680)	1,545,095	6,555,421	1,244,801	1,170,725
Business-type activities									20,708	30,140
<b>Total district</b>	<b>\$ 167,780</b>	<b>\$ (55,009)</b>	<b>\$ 1,387,867</b>	<b>\$ (561,944)</b>	<b>\$ (68,002)</b>	<b>\$ (542,680)</b>	<b>\$ 1,545,095</b>	<b>\$ 6,555,421</b>	<b>\$ 1,265,509</b>	<b>\$ 1,200,865</b>

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 2,506,925	\$ 2,582,769	\$ 3,675,763	\$ 3,024,043						
Unreserved	430,628	551,936	387,282	429,540						
Restricted for					\$ 2,422,154	\$ 1,486,672	\$ 2,231,457	\$ 2,565,448	\$ 2,709,951	\$ 2,855,791
Assigned to					450,686	692,391	230,185	316,031	527,105	7,142
Unassigned (deficit)	(3,600)	(4,469)			510,873	533,077	395,546	419,956	429,573	522,748
Total General Fund	\$ 2,933,953	\$ 3,130,236	\$ 4,063,045	\$ 3,453,583	\$ 3,383,713	\$ 2,712,140	\$ 2,857,188	\$ 3,301,435	\$ 3,666,629	\$ 3,385,681
All Other Governmental Funds:										
Unreserved, Reported In:										
Special Revenue Fund (deficit)	\$ (3,600)	\$ (4,469)								
Capital Projects Fund (deficit)					\$ (34,375)	\$ 518				
Restricted for Capital Projects									\$ 12,375	\$ 1,661,891
Total All Other Governmental Funds	\$ (3,600)	\$ (4,469)	\$ -	\$ -	\$ (34,375)	\$ 518	\$ -	\$ -	\$ 12,375	\$ 1,661,891

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
County Appropriation / Tax Levy	\$ 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	\$ 6,629,660
County Appropriation / Capital Projects Fund							1,864,024	6,476,186	1,163,734	55,703
Tuition	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	2,357,440
Interest Earnings	11,912	68,886	21,475	11,917	4,991	2,935	2,099	1,794	1,827	4,815
Miscellaneous	1,889,847	608,694	550,222	648,102	1,346,934	948,211	920,877	1,187,127	939,147	1,077,823
State Sources	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	4,064,088
Federal Sources	299,451	275,112	327,690	1,002,506	446,394	476,728	421,127	454,161	491,137	468,354
<b>Total Revenues</b>	<b>11,892,328</b>	<b>12,534,567</b>	<b>13,469,365</b>	<b>12,279,341</b>	<b>12,893,155</b>	<b>13,040,792</b>	<b>13,700,320</b>	<b>19,001,010</b>	<b>13,937,764</b>	<b>14,657,883</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	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	2,505,922
Special Education Instruction	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	1,144,187
<b>Support Services:</b>										
Student and Instruction Related Services	187,721	270,247	297,737	316,279	763,839	767,265	828,845	818,284	843,437	944,223
General Administration	1,582,752	416,600	351,428	392,353	404,000	403,236	416,844	433,215	473,236	474,167
School Administrative Services	566,564	579,815	499,518	553,121	570,982	542,501	571,793	571,123	550,415	565,965
Central Services	207,047	182,208	300,731	192,531	205,250	191,036	217,133	249,582	188,303	194,856
Admin. Information Technology	186,081	256,947	229,061	291,806	263,260	246,247	198,058	230,671	267,552	240,831
Plant Operations and Maintenance	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	1,168,244
Pupil Transportation	35,696	33,628	36,066	27,769	12,730	13,714	17,458	21,299	26,463	24,447
Other Support Services	820,947	334,733	401,463	522,091						
Employee Benefits	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	2,773,564
Special Schools	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	1,431,568
<b>Debt Service:</b>										
Principal							390,000	650,000	680,000	893,502
Interest							639,293	403,673	377,487	362,537
Cost of Issuance						41,200				
Capital Outlay	119,030	167,121	858,728	529,736	456,600	12,628,046	2,003,915	6,811,281	1,534,012	1,765,302
<b>Total Expenditures</b>	<b>11,262,393</b>	<b>12,451,724</b>	<b>12,536,556</b>	<b>12,888,803</b>	<b>12,997,399</b>	<b>24,877,472</b>	<b>13,555,790</b>	<b>18,556,763</b>	<b>13,560,195</b>	<b>14,489,315</b>
Excess/(Deficiency) of Revenues										
Over/(Under) Expenditures	629,935	82,843	932,809	(609,462)	(104,244)	(11,836,680)	144,530	444,247	377,569	168,568
<b>Other Financing Sources/(Uses):</b>										
Proceeds from Capital Leases						11,200,000				1,200,000
Transfers In									60,000	1,337,394
Transfers Out									(60,000)	(1,337,394)
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,200,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ 629,935</b>	<b>\$ 82,843</b>	<b>\$ 932,809</b>	<b>\$ (609,462)</b>	<b>\$ (104,244)</b>	<b>\$ (636,680)</b>	<b>\$ 144,530</b>	<b>\$ 444,247</b>	<b>\$ 377,569</b>	<b>\$ 1,368,568</b>
<b>Debt Service as a Percentage of</b>										
Noncapital Expenditures	-	-	-	-	-	-	9%	9%	9%	10%

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>
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
2016	592,650	4,815	23,808	4,247	425,233	31,285	1,082,038

Source: District records

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

Year	Population <sup>a</sup>	Per Capita Personal Income <sup>b</sup>	Unemployment Rate <sup>c</sup>
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	55,714	5.7%
2015	371,398	56,906	4.7%
2016	Not available	59,875	Not available

**Source:**

- <sup>a</sup> US Bureau of the Census, Population Division, provided by the NJ Dept of Labor and Workforce Development
- <sup>b</sup> Per capita personal income estimated based upon the 2010 Census published by the US Bureau of Economic Analysis.
- <sup>c</sup> 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 2010-2014 reflect county population estimates available as of March 2015.

Data reflects revised estimates for 2007-2015.

Information Source: Regional Economic Information System, Bureau of Economic Analysis, November 2015.

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

LAST TEN FISCAL YEARS  
(UNAUDITED)

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction:										
Vocational - Regular	26.0	25.0	25.0	25.0	22.0	25.0	25.5	25.0	26.0	27.5
Vocational - Special	12.0	11.0	11.0	11.0	10.0	10.0	10.0	11.0	11.5	10.5
Support Services:										
Student and Instruction Related Services	16.5	16.0	18.5	18.0	19.0	19.0	20.0	19.0	17.5	18.0
General Administration	2.5	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
School Administrative Services	10.0	10.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0
Central Services	17.0	17.0	16.0	18.0	21.5	21.5	21.0	22.0	20.0	19.0
Vocational - Post Secondary	<u>11.0</u>	<u>10.0</u>	<u>12.0</u>	<u>11.0</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>13.0</u>	<u>11.0</u>	<u>10.0</u>
Total	<u>95.0</u>	<u>91.0</u>	<u>92.5</u>	<u>94.0</u>	<u>99.5</u>	<u>102.5</u>	<u>103.5</u>	<u>102.0</u>	<u>98.0</u>	<u>96.0</u>

Source: District Personnel Records

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

LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	Percentage Change in Average Daily Enrollment	Student Attendance Percentage
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	4.25%	95.49%
2015	884.00	10,968,696	12,408	2.82%	45	19.64	883.00	842.00	0.00%	95.25%
2016	878.00	11,467,974	13,061	5.27%	47	18.68	887.00	842.00	0.45%	95.90%

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>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>	<u>2016</u>
High School:										
Assumpink (1972)										
Square Feet	90,678	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	380	380	380	380
Enrollment	395	399	409	391	357	355	372	372	345	380
Sypek (1974)										
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	392	396	401	395	386	339	368	368	481	478
Other:										
Health Careers Center (1911)										
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	150	157	169	163	154	171	162	162	171	156

Number of Schools at June 30, 2016

High Schools = 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

	<u>Assunpink Building A</u>	<u>Assunpink Building B</u>	<u>Assunpink Building C</u>	<u>Sypek Building A</u>	<u>Sypek Building B</u>	<u>Sypek Building C</u>	<u>Sypek Building C Annex</u>	<u>Other Buildings</u>	<u>Total</u>
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
2016	<u>8,889</u>	<u>9,233</u>	<u>3,960</u>	<u>4,000</u>	<u>10,383</u>	<u>8,500</u>	<u>2,944</u>	<u>7,893</u>	<u>55,802</u>
Total School Facilities	<u>\$ 147,473</u>	<u>\$ 109,375</u>	<u>\$ 78,500</u>	<u>\$ 68,152</u>	<u>\$ 123,930</u>	<u>\$ 112,577</u>	<u>\$ 76,369</u>	<u>\$ 132,018</u>	<u>\$ 848,394</u>

\* 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, 2016  
(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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2016.

**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.

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.

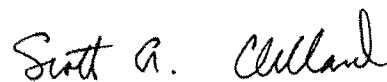
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Scott A. Clelland  
Licensed Public School Accountant  
No. 1049



WISS & COMPANY, LLP

Livingston, New Jersey  
November 14, 2016

Report on Compliance For Each Major State Program And  
on Internal Control Over Compliance Required by  
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 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 *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, 2016. The District's major 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 state statutes, regulations and the terms and conditions of its state awards applicable to its state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major 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; and the audit requirements of *New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and requirements 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 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.

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

*Scott A. Clelland*

Scott A. Clelland

Licensed Public School Accountant

No. 1049

*Wiss & Company*

WISS & COMPANY, LLP

Livingston, New Jersey  
November 14, 2016

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2015			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2016										
					From	To	(Accounts Receivable)	Unearned Revenue	Due to Grantor				Adjustment	(Accounts Receivable)	Unearned Revenue	Due To Grantor							
<b>U.S. Department of Education:</b>																							
<b>Passed-Through State Department of Education:</b>																							
<b>Special Revenue Fund:</b>																							
Perkins (P.L. 101-391)	84.048A	S048A140030	PERK310514	\$ 220,378	07/01/15	06/30/16				\$ 94,370	\$ (154,355)	\$ (154,355)			\$ 2,469								
Perkins (P.L. 101-391)	84.048A	S048A140030	PSFS310514	115,860	07/01/15	06/30/16				119,576	(91,901)												
Perkins (P.L. 101-391)	84.048A	S048A140030	PERK310515	212,768	07/01/14	06/30/15	\$ (119,576)																
Perkins (P.L. 101-391)	84.048A	S048A140030	PSFS310515	109,499	07/01/14	06/30/15	(30)	\$ 30															
Title I - Part A	84.010A	S010A150030	NCLB310513	101,428	07/01/15	06/30/16			48,957	(98,895)		(49,938)											
Title I - Part A	84.010A	S010A150030	NCLB310515	95,301	07/01/14	06/30/15	(30,370)		30,370														
Title II - Part A - Improving Teacher Quality State Grants	84.367A	S367A150029	NCLB310515	9,340	07/01/15	06/30/16			8,703	(8,703)													
I.D.E.A. Part B Basic	84.027A	S027A150100	IDEA310513	101,645	07/01/15	06/30/16			65,178	(95,838)		(30,660)											
I.D.E.A. Part B Basic	84.027A	S027A150100	IDEA310513	98,376	07/01/14	06/30/15	(49,123)		49,123														
Total Special Revenue Fund							(199,099)		416,277	(449,692)		(234,953)											
Total Federal Revenue Fund							\$ (199,099)	\$ -	\$ 416,277	\$ (449,692)	\$ -	\$ (234,953)	\$ -	\$ -	\$ 2,469								



AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year ended June 30, 2016

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2015				Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balance	Balance, June 30, 2016			Memo	
			From	To	(Accounts Receivable)	Unearned Revenue	Due To Grantor	Cash Received				(Accounts Receivable)	Unearned Revenue	Due To Grantor	Budgetary Receivable	Cumulative Total Expenditures
<b>State Department of Education</b>																
General Fund:																
Equalization Aid	16-495-034-5120-078	\$ 2,030,220	07/01/15	06/30/16				\$ 1,827,195	\$ (2,030,220)						\$ (203,025)	\$ (2,030,220)
Equalization Aid	15-495-034-5120-078	2,030,220	07/01/14	06/30/15	\$ (203,022)			203,022								
Special Education Categorical Aid	16-495-034-5120-089	221,405	07/01/15	06/30/16				199,264	(221,405)						(22,141)	(221,405)
Special Education Categorical Aid	15-495-034-5120-089	221,405	07/01/14	06/30/15	(22,141)			22,141								
Security Aid	16-495-034-5120-084	43,495	07/01/15	06/30/16				39,145	(43,495)						(4,350)	(43,495)
Security Aid	15-495-034-5120-084	43,495	07/01/14	06/30/15	(4,348)			4,348								
Adjustment Aid	16-495-034-5120-085	106,758	07/01/15	06/30/16				96,082	(106,758)						(10,676)	(106,758)
Adjustment Aid	15-495-034-5120-085	106,758	07/01/14	06/30/15	(10,675)			10,675								
PARCC Readiness Aid	16-495-034-5120-098	4,260	07/01/15	06/30/16				3,834	(4,260)						(426)	(4,260)
PARCC Readiness Aid	15-495-034-5120-098	4,260	07/01/14	06/30/15	(426)			426								
Per Pupil Growth Aid	16-495-034-5120-097	4,260	07/01/15	06/30/16				3,834	(4,260)						(426)	(4,260)
Per Pupil Growth Aid	15-495-034-5120-097	4,260	07/01/14	06/30/15	(426)			426								
Adult and Post-Graduate Program Aid	16-100-034-5120-510	39,927	07/01/15	06/30/16				35,934	(39,927)						(3,993)	(39,927)
On-Behalf TPAF Pension and Medical Contributions	495-034-5094-001/006/007	598,058	07/01/15	06/30/16				598,058	(598,058)							(598,058)
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	244,684	07/01/15	06/30/16				232,903	(244,684)			\$ (11,781)				(244,684)
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	245,323	07/01/14	06/30/15	(2,177)			2,177								
Total General Fund					(243,215)			3,279,464	(3,293,067)			(11,781)			(245,037)	(3,293,067)
<b>State Department of Education</b>																
Special Revenue Fund:																
Apprentice Coordinator	99000127	21,639	07/01/15	06/30/16				13,281	(20,880)			(7,599)				(20,880)
Apprentice Coordinator	99000127	19,000	07/01/14	06/30/15	(8,197)			8,197								
County Vocational Comp	Not available	300,000	07/01/15	06/30/16				103,763	(130,472)			(26,709)				(130,472)
Total Special Revenue Fund					(8,197)			125,241	(151,352)			(34,308)				(151,352)
<b>State Department of Education</b>																
Capital Projects Fund:																
NJ Schools Development Authority	Not available	1,691,596	07/01/15	completion					(623,668)			(623,668)				(623,668)
Total Capital Projects Fund									(623,668)			(623,668)				(623,668)
Total State Financial Assistance					\$ (251,412)	\$ -	\$ -	\$ 3,404,705	\$ (4,068,087)	\$ -	\$ -	\$ (669,737)	\$ -	\$ -	\$ (245,037)	\$ (4,068,087)
State Financial Assistance Not Subject to Single Audit Determination:																
On-Behalf TPAF Pension and Medical Contributions	495-034-5094-001/006/007	598,058	07/01/15	06/30/16				598,058	(598,058)							(598,058)
Total State Financial Assistance Subject to Single Audit Determination					\$ (251,412)	\$ -	\$ -	\$ 2,806,647	\$ (3,470,029)	\$ -	\$ -	\$ (669,737)	\$ -	\$ -	\$ (245,037)	\$ (3,470,029)

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, 2016

**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, 2016

**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 \$3,999 for the general fund and \$18,662 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		\$ 3,289,068	\$ 3,289,068
Special Revenue Fund	\$ 468,354	151,352	619,706
Capital Projects Fund		623,668	623,668
Total award revenues	<u>\$ 468,354</u>	<u>\$ 4,064,088</u>	<u>\$ 4,432,442</u>

**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, 2016

**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, 2016.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2016 amounted to \$598,058. 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 Circular 15-08, as directed by the funding agency.

**6. Adjustments**

The adjustment presented in K-3 represents a write off of an accounts receivable.

Area Vocational-Technical Schools  
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified? Yes X No

Are any significant deficiencies identified? Yes X None Reported

Is any noncompliance material to financial statements noted? Yes X No

**State Awards**

Internal control over major state programs:

Are any material weaknesses identified? Yes X No

Are any significant deficiencies identified? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular 15-08? Yes X No

Identification of major state programs:

<b>GMIS/Program Number</b>	<b>Name of State Program or Cluster</b>
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
100-034-5120-510	Adult and Post-Graduate Program Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes        No

Area Vocational-Technical Schools  
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

**Part II – Schedule of Financial Statement Findings**

No financial statement findings noted that are 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, 2016

**Part III – Schedule of State Financial Assistance Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state programs, as required by New Jersey State OMB Circular 15-08, respectively.

**State Award Programs**

No compliance or internal control findings noted that are required to be reported in accordance with New Jersey State OMB Circular 15-08.

Area Vocational-Technical Schools  
of Mercer County School District

Summary Schedule of Prior Years Findings

Year ended June 30, 2016

None.