

AREA VOCATIONAL-
TECHNICAL SCHOOLS
OF MERCER COUNTY
SCHOOL DISTRICT

County of Mercer
New Jersey

*Comprehensive Annual Financial Report
For the Year Ended
June 30, 2017*

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

Hamilton, New Jersey

Comprehensive Annual Financial Report
Year Ended June 30, 2017

Prepared by

Business Office

Table of Contents

	Page
INTRODUCTORY SECTION – Other Information	
Letter of Transmittal	1
Organizational Chart	7
Roster of Officials	8
Independent Auditors and Advisors	9
Certificate of Excellence	10
FINANCIAL SECTION	
Independent Auditors’ Report	11
Required Supplementary Information – Part I	
Management’s Discussion and Analysis	14
Basic Financial Statements	
Government-wide Financial Statements:	
A-1 Statement of Net Position	24
A-2 Statement of Activities	25
Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	26
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	27
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Proprietary Fund:	
B-4 Statement of Fund Net Position	29
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	30
B-6 Statement of Cash Flows	31
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	32
B-8 Statement of Changes in Fiduciary Net Position	33
Notes to the Basic Financial Statements	34
Required Supplementary Information – Part II	
Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employee’s Retirement System (PERS)	68
Schedule of District Contributions – Public Employee’s Retirement System (PERS)	69

Table of Contents (continued)

	<u>Page</u>
FINANCIAL SECTION (continued)	
Required Supplementary Information – Part II (continued)	
Schedule of State’s Proportionate Share of the Net Pension Liability Associated with the District – Teacher’s Pension and Annuity Fund - (TPAF)	70
Notes to Required Supplementary Information	71
Required Supplementary Information – Part III	
Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund (Budgetary Basis)	
C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – Not Applicable	72 N/A
C-1b Community Development Block Grant – Budget and Actual (Budgetary Basis) – Not Applicable	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund (Budgetary Basis)	76
Note to Required Supplementary Information	
C-3 Budget to GAAP Reconciliation	77
Supplementary Information	
Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	78
E-2 Schedule of Preschool Education Aid Expenditures – Budgetary Basis – Not Applicable	N/A
Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	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)

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

STATISTICAL SECTION (Unaudited) – Other Information

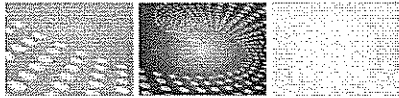
Financial Trends:	
J-1 Net Position by Component	88
J-2 Changes in Net Position	89
J-3 Fund Balances – Governmental Funds	90
J-4 Changes in Fund Balances – Governmental Funds	91
J-5 General Fund – Other Local Revenue by Source	92
Revenue Capacity:	
J-6 Assessed Value and Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Tax Payers (Current and Nine Years Ago)	N/A
J-9 Property Tax Levies and Collections	N/A
Debt Capacity:	
J-10 Ratios of Outstanding Debt by Type	93
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)

	Page
STATISTICAL SECTION (Unaudited) – Other Information (continued)	
Demographic and Economic Information:	
J-14 Demographic and Economic Statistics	94
J-15 Principal Employers	N/A
Operating Information:	
J-16 Full-Time Equivalent District Employees by Function/Program	95
J-17 Operating Statistics	96
J-18 School Building Information	97
J-19 Schedule of Required Maintenance	98
J-20 Insurance Schedule	99
SINGLE AUDIT SECTION	
K-1 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	100
K-2 Report on Compliance For Each Major State Program and Report on Internal Control Over Compliance Required by New Jersey OMB 15-08	102
K-3 Schedule A – Schedule of Expenditures of Federal Awards – Supplementary Information	105
K-4 Schedule B – Schedule of Expenditures of State Financial Assistance – Supplementary Information	106
K-5 Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance	107
K-6 Schedule of Findings and Questioned Costs – Part I – Summary of Auditors’ Results	110
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	111
K-8 Summary Schedule of Prior Year Audit Findings	113

Introductory Section

MERCER COUNTY



TECHNICAL SCHOOLS

KIMBERLY J. SCHNEIDER, Ed.D.
Superintendent

www.mcts.edu

November 28, 2017

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, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." A federal single audit was not required in the 2017 fiscal year as federal expenditures did not exceed \$750,000. Information related to this single audit, including the auditors' report 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.

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 2016-2017 fiscal year with an average daily enrollment of 977 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>
2016-2017	977
2015-2016	887
2014-2015	883
2013-2014	883
2012-2013	847

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), a full-time Science, Technology, Engineering and Mathematics (STEM) Academy and a full-time Culinary 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 a full time Culinary Academy, as well as, shared-time vocational-technical facilities serving 11th and 12th grade students and other out-of-school youth who require entry-level career training. The Career Prep Program, located on the West Windsor Campus of the Mercer County Community College, is also a shared-time educational program designed to serve 12th 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 STEM 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 2016-2017 school year, the average student enrollment in the alternative education program was 95.

The District acquires its funding from federal, state, county, and local sources. As per the 2016-17 budget of \$13,746,368, approximately 49% of the budget is supported by county tax, 18% by state aid, 3% by federal/state special revenue aid, and 30% from tuition, fees, miscellaneous income and through the addition of fund balance.

Mercer County is home of a wide range of industries including education, health services, business services, leisure and hospitality. The highly skilled workforce includes those in the professional, scientific and technical services industries.

Mercer County is projected to add 15,935 jobs from 2014 to 2024. Professional, scientific, and technical services (+7,829 or +32.0%) is projected to experience the most employment growth, followed by healthcare and social services (+5,733 or +17.6%), accommodation and food services (+2,272), and retail trade (+1,806). Total employment in the county is projected to grow by 6.3 percent, slightly lower than the statewide rate of 6.5 percent. The state unemployment rate in June 2017 was 4.2%; while the Mercer County unemployment rate was 3.8% for the same period.

Area Vocational-Technical Schools of Mercer County 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 an increase in enrollment during the 2016-2017 school year. The District cannot accurately forecast future enrollment. While the District does not anticipate a significant change in enrollment for the 2017-2018 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 still remains an ongoing capital improvement project as part of the Long-Range Facility Plan. 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: STEM, Culinary, Design and Construction, Transportation, Criminalistics, 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 success implementation of a full-time Academy in Health Science, the district completed a second year of the STEM Academy and first year of the Culinary Academy.

The District buildings range in age from 43 to 106 years old. The District is committed to the continued maintenance and repair of the buildings. During the 2016-2017 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 Centers. HVAC upgrades to replace classroom unit ventilators and shop air handlers were also completed at both campuses. The District continues to update and replace shop doors and provide for security upgrades as part of the original ROD scope.

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 beginning the preliminary curriculum and educational specification scope for anticipated new construction and remodeling that will occur at Sypek and Assunpink, as MCTS transitions to accommodate a full-time career academy.

Program Initiatives:

- The District completed its first year of the full-time Academy of Culinary Arts and second year of the full-time STEM Academy.
- The District completed the National Automotive Technician's Education Foundation NATEF certification for five Auto Shops.
- Planning and implementation of a Science Lab and Food Science Lab at the Arthur R. Sypek Center began during the 2016-2017 school year.
- Began the planning of the Culinary Wing at the Arthur R. Sypek Center.
- Expansion of collaborative partnerships to develop student centered programs in higher education, business/industry, and labor and government in order to meet the future demands of the economy and workforce requirements.
- Increased HCC and Adult Evening School program options to include Certified Nursing Assistant (CNA) Certification, Barbering and additional technical skills programs for home owners and novice learners.

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, 2017.

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 and a government-wide presentation is also included. These funds and government-wide statements are explained in "Notes to the Basic 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, 2017.

8. **DEBT ADMINISTRATION:**

At June 30, 2017, 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, LLP. In addition to meeting the requirements set forth in state statutes, the audit

also was designed to meet the requirements of the Federal Uniform Guidance and New Jersey OMB Circular 15-08. The auditors' report on the basic financial statements and footnotes, combining and individual fund statements and schedules is included in the financial section of this report. The auditors' report related specifically to the single audit is included in the single audit section of this report.


Awards – The District had applied to the Association of School Business Officials (ASBO) International for the “Certificate of Excellence in Financial Reporting” for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 2014, June 30, 2015 and June 30, 2016 and was granted the award. In order to be awarded this certificate, the District published an easily readable and efficiently organized Comprehensive Annual Financial Report and satisfied both generally accepted accounting principles and applicable legal requirements.

We believe that our current Comprehensive Annual Financial Report continues to meet the Program's rigorous requirements, and we are submitting it to ASBO to determine its eligibility for the fiscal year 2016-2017 award.

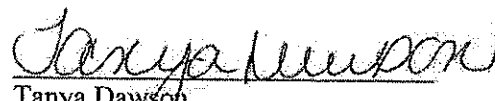
ACKNOWLEDGEMENTS:

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:

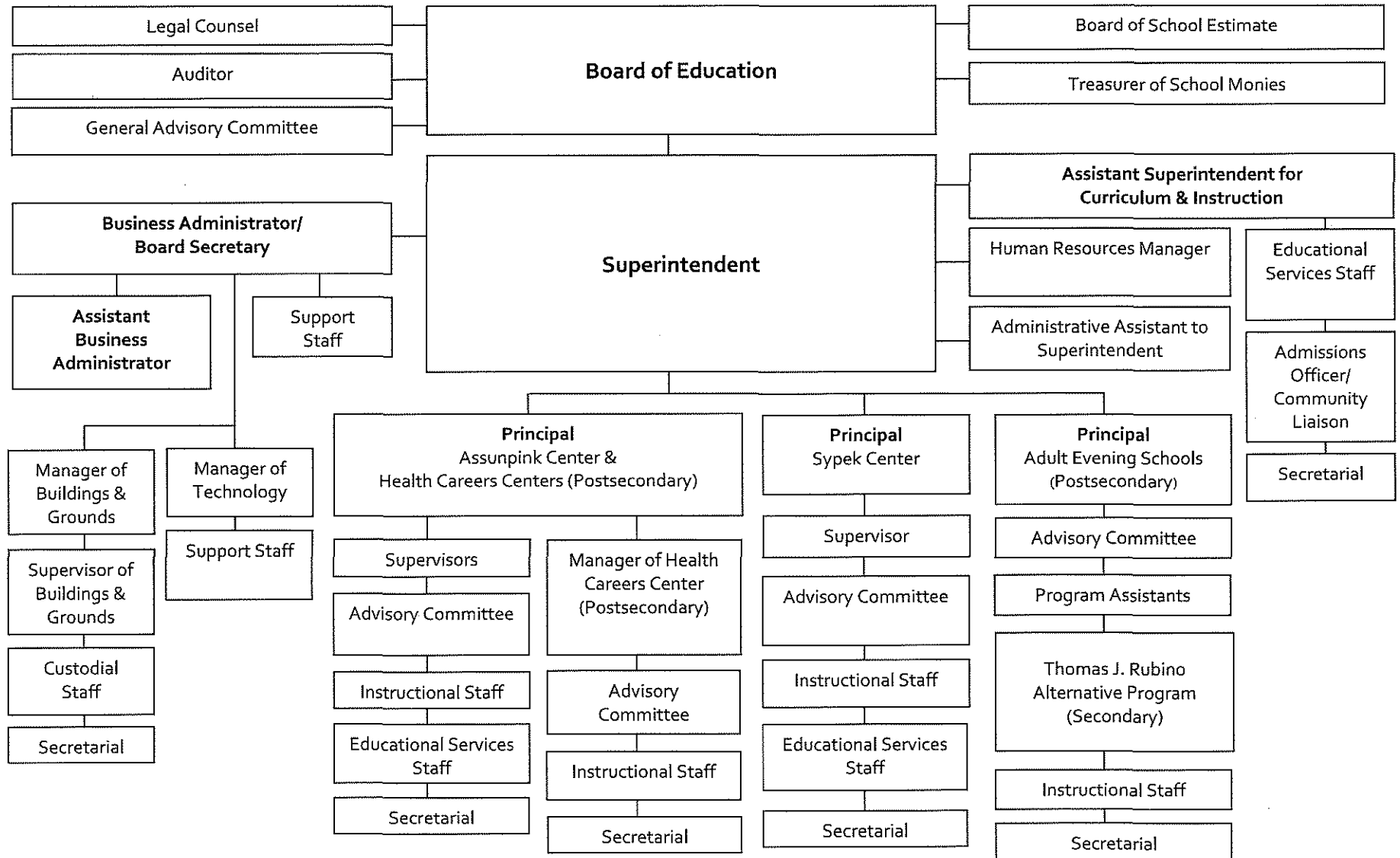


Kimberly J. Schneider, Ed.D.
Superintendent



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, 2017

Members of the Board of Education

Term Expires

Albert W. Pitman, President	2019
John Zoller, Vice- President	2019
Judith Iszard	2019
Yolanda Stinger	2020
Tenille McCoy	2019
Vacancy	
Yasmin Hernandez-Manno, 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

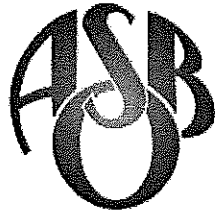
Wiss and Company, LLP
354 Eisenhower Parkway
Livingston, New Jersey 07039

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
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, 2016.

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'. The signature is written in a cursive style and is positioned above a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'. The signature is written in a cursive style and is positioned above a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

Financial Section



Independent Auditors' Report

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

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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

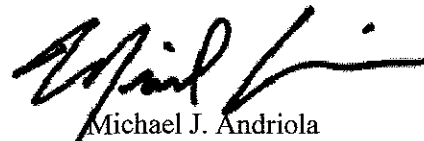
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, such as the combining and individual fund financial statements, long-term debt schedules and schedules 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 28, 2017 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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

Livingston, New Jersey
November 28, 2017

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, 2017

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, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the 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 2017 are as follows:

- ◆ In total, net position increased by \$13,623 from 2016.
- ◆ Total assets of governmental activities decreased by \$42,440. Deferred outflow of resources increased \$2,170,991 as a result of the effects of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*.
- ◆ Total liabilities of governmental activities increased by \$2,329,167, which was largely related to an increase in the net pension liability of \$3,140,520 at June 30, 2017. This was partially offset by a decrease in non-current liabilities for \$1,014,843 due to principal payments on capital leases made by the District.
- ◆ General revenues accounted for \$12,696,346 of revenue or 69.1% of all revenues. Program specific revenues in the form of tuition and other fees accounted for \$4,637,123 or 25.3% of total revenues of \$18,364,824.
- ◆ Total expenses for all programs was \$18,351,201, including expenses of \$1,347,325 for allocated depreciation. Expenses in the amount of \$5,182,044 were offset by specific tuition and operating grants and contributions. General revenues (primarily county tax levy and state and federal aid) of \$12,696,346 were adequate to provide for the balance of these programs, exclusive of the charge for depreciation.
- ◆ The General Fund had \$13,846,656 in revenues and \$13,287,578 in expenditures. The General Fund's fund balance increased \$559,666 from 2016.

- ◆ The activity in the Special Revenue Fund decreased from the prior year, experiencing a decrease in revenue from state sources of \$126,377, offset by an increase from federal sources of \$51,592. In addition, there was a decrease in local sources of \$600.

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 2016-17?" 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, is 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 2016-17 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 \$498,096, while total fund balance was \$3,945,347. The fund balance increased \$559,666 during the current fiscal year primarily due to an increase in tuition.

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 \$519,946 from federal sources and \$24,975 from state 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 \$1,216,085 for improvements to both the Assunpink and Sypek Centers.

Enterprise Fund

The District maintains one enterprise fund, which is a proprietary fund type. 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 basic enterprise fund financial statements are Schedules B-4, B-5 and B-6.

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

Required Supplementary Information 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 68-71 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 72-87 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, 2017 and 2016:

	Net Position					
	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 5,090,917	\$ 5,253,724	\$248,784	\$179,375	\$5,339,701	\$5,433,099
Capital assets, net	28,026,276	27,905,909			28,026,276	27,905,909
Total assets	33,117,193	33,159,633	248,784	179,375	33,365,977	33,339,008
Deferred Outflow of Resources	3,698,569	1,527,578			3,698,569	1,527,578
Current liabilities and other	1,609,850	1,406,360	246,976	128,527	1,856,826	1,534,887
Net pension liability	10,137,263	6,996,743			10,137,263	6,996,743
Long-term liabilities	8,330,616	9,345,459			8,330,616	9,345,459
Total liabilities	20,077,729	17,748,562	246,976	128,527	20,324,705	17,877,089
Deferred Inflows of Resources	171,388	434,667			171,388	434,667
Net position:						
Net investment in capital assets	19,222,712	18,177,214			19,222,712	18,177,214
Restricted	4,254,896	4,459,879			4,254,896	4,459,879
Unrestricted (deficit)	(6,910,963)	(6,133,111)	1,808	50,848	(6,909,155)	(6,082,263)
Total net position	\$ 16,566,645	\$ 16,503,982	\$ 1,808	\$ 50,848	\$ 16,568,453	\$ 16,554,830

Total assets increased by \$26,969. The majority of the increase resulted from an increase in accounts receivable related to tuition.

Total liabilities increased by \$2,447,616. The District's long-term liabilities decreased \$1,014,843 and current and other liabilities increased \$321,939. The decrease in long-term liabilities is due to the District making annual principal payments on capital leases. The increase in current liabilities is due to an increase in unearned revenue related to funds received from the SDA. The net pension liability increased by \$3,140,520, deferred outflow of resources increased \$2,170,991 and deferred inflow of resources decreased by \$263,279 all of which are a result of the effects of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for*

Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68.

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 \$826,892. The Net Position for Business-Type Activities is \$1,808 at June 30, 2017.

The following table provides a comparison of government-wide changes in net position for the 2017 and 2016 fiscal years:

Changes in Net Position
Years ended June 30, 2017 and 2016

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$3,380,962	\$2,357,440	\$1,833,030	\$2,328,510	\$5,213,992	\$4,685,950
Operating grants and contributions	544,921	620,306			544,921	620,306
Capital grants and contributions	486,434	623,668			486,434	623,668
General revenues:						
County Appropriation/Taxes	6,762,253	6,685,363			6,762,253	6,685,363
State and Federal Sources	5,019,211	4,310,883			5,019,211	4,310,883
Miscellaneous	338,013	988,726			338,013	988,726
Total revenues	16,531,794	15,586,386	1,833,030	2,328,510	18,364,824	17,914,896
Expenses:						
Instructional services	7,136,862	6,206,861	1,882,070	2,298,370	9,018,932	8,505,231
Support services	6,706,239	5,817,863			6,706,239	5,817,863
Special schools	2,298,668	2,034,478			2,298,668	2,034,478
Interest on long term obligations	327,362	356,459			327,362	356,459
Total expenses	16,469,131	14,415,661	1,882,070	2,298,370	18,351,201	16,714,031
Change in net position	62,663	1,170,725	(49,040)	30,140	13,623	1,200,865
Net position – beginning	16,503,982	15,333,257	50,848	20,708	16,554,830	15,353,965
Net position – ending	\$ 16,566,645	\$ 16,503,982	\$ 1,808	\$ 50,848	\$ 16,568,453	\$ 16,554,830

Charges for services include tuition and registration fees for full-time academies, shared-time programs, and alternative school. The decrease in tuition for Business-type Activities is mainly attributable to decreased enrollment at the Rubino Academy.

County Appropriations/Taxes increased due to an increase in the county tax levy.

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, 2017, it reported a general fund balance of \$3,945,347, which is an increase of \$559,666 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, 2017, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues Year Ended June 30, 2017

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2016</u>	<u>Percent of Increase (Decrease)</u>
Local sources	\$ 10,480,640	72.8%	\$ 410,902	4.1%
State sources	3,390,991	23.6	(49,429)	(1.4)
Federal sources	519,946	3.6	51,592	11.0
Total	\$ 14,391,577	100.0%	\$ 413,065	3.0%

The increase in the local sources was mainly attributable to the increase in enrollment and general tuition fees. Federal sources increased primarily due to the District receiving additional grant funds. The decrease in State sources is primarily attributable to a decrease in state aid. The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the year ended June 30, 2017, and the amount and percentage of increases in relation to prior year expenditures:

**Expenditures
Year Ended June 30, 2017**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase From 2016</u>	<u>Percent of Increase</u>
Current:				
Instruction	\$ 3,785,752	27.4%	\$ 135,643	3.7%
Support services	7,024,582	50.8	638,285	10.0
Capital outlay	293,941	2.1	95,888	48.4
Debt Service – capital lease	1,265,148	9.1	9,109	0.7
Special schools	1,463,076	10.6	31,508	2.2
Total	<u>\$ 13,832,499</u>	<u>100.0%</u>	<u>\$ 910,433</u>	<u>7.0%</u>

The increase in instruction and support services is due to an increase in enrollment. The increase in capital outlay is due to construction in progress related to the science lab project that commenced in the current year as well as other capital additions.

Capital Assets

At the end of fiscal years 2017 and 2016, the District had \$28,026,276 and \$27,905,909, respectively invested in a broad range of capital assets, including construction in progress, buildings, furniture, vehicles, 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 2017 and 2016 fiscal years.

Capital Assets (Net of Depreciation)

	<u>2017</u>	<u>2016</u>
Construction in Progress	\$ 10,663,458	\$ 9,419,736
Buildings and Building Improvements	16,402,846	17,529,246
Machinery and Equipment	<u>959,972</u>	<u>956,927</u>
Total	<u>\$ 28,026,276</u>	<u>\$ 27,905,909</u>

During the current fiscal year, \$1,471,542 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 2016-17 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 \$428,588 and \$398,603 liabilities at June 30, 2017 and 2016, respectively, \$1,000 and \$20,000 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 \$8,135,000 liability at June 30, 2017, \$720,000 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 \$726,555 liability at June 30, 2017, \$238,527 is due within one year.

Governmental Activities

	<u>2017</u>	<u>2016</u>
Compensated Absences Payable	\$428,588	\$398,603
ESIP Capital Lease	8,135,000	8,825,000
Capital Lease	<u>726,555</u>	<u>961,498</u>
Total	<u>\$ 9,290,143</u>	<u>\$ 10,185,101</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 \$95,563 less than had been budgeted in terms of revenues and \$964,670 better in terms of expenditures. Both the revenues and appropriations were adjusted for \$931,603 of non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions, on-behalf TPAF pension contributions, TPAF post retirement medical contributions and TPAF non-contributory insurance 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 2016-17 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 24% of the District's general fund revenue was from State Aid (Restricted and Not Restricted), while 49% 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 2016-17 budget was adopted on April 5, 2016 by the County Freeholders. 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.

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, 2017.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 917,444		\$ 917,444
Cash Held with Fiscal Agent	57,991		57,991
Accounts Receivable	2,090,334	\$ 477,380	2,567,714
Internal Balances	228,596	(228,596)	-
Restricted Assets:			
Cash and Cash Equivalents	1,796,552		1,796,552
Capital Assets, Non-Depreciable	10,663,458		10,663,458
Capital Assets, Depreciable, Net	17,362,818		17,362,818
Total Assets	33,117,193	248,784	33,365,977
Deferred Outflow of Resources			
Pension Deferrals	3,698,569		3,698,569
	3,698,569		3,698,569
Liabilities			
Accounts Payable	363,792	246,976	610,768
Accrued Interest Payable	148,362		148,362
Unearned Revenue	137,779		137,779
Other Liabilities	390		390
Net Pension Liability	10,137,263		10,137,263
Noncurrent Liabilities:			
Due Within One Year	959,527		959,527
Due Beyond One Year	8,330,616		8,330,616
Total Liabilities	20,077,729	246,976	20,324,705
Deferred Inflows of Resources			
Pension Deferrals	171,388		171,388
Total Deferred Inflows of Resources	171,388		171,388
Net Position			
Net Investment in Capital Assets	19,222,712		19,222,712
Restricted For:			
Capital Projects	874,249		874,249
Other Purposes	3,380,647		3,380,647
Unrestricted (Deficit)	(6,910,963)	1,808	(6,909,155)
Total Net Position	\$ 16,566,645	\$ 1,808	\$ 16,568,453

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

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	
Governmental Activities:							
Instruction:							
Regular	\$ 4,927,850	\$ 2,091,593	\$ 153,787		\$ (2,682,470)		\$ (2,682,470)
Special Education	2,209,012	712,500	145,103		(1,351,409)		(1,351,409)
Support Services:							
Student and Instruction Related Services	2,164,263		246,031		(1,918,232)		(1,918,232)
General Administrative Services	835,040				(835,040)		(835,040)
School Administrative Services	1,134,178				(1,134,178)		(1,134,178)
Central Administrative Services	383,489				(383,489)		(383,489)
Administrative Information Technology	426,159				(426,159)		(426,159)
Plant Operations and Maintenance	1,743,880			\$ 486,434	(1,257,446)		(1,257,446)
Pupil Transportation	19,230				(19,230)		(19,230)
Interest on Long-Term Obligations	327,362				(327,362)		(327,362)
Special Schools	2,298,668	576,869			(1,721,799)		(1,721,799)
Total Primary Government	<u>16,469,131</u>	<u>3,380,962</u>	<u>544,921</u>	<u>486,434</u>	<u>(12,056,814)</u>		<u>(12,056,814)</u>
Business-type Activities:							
Enterprise Fund	<u>1,882,070</u>	<u>1,833,030</u>				\$ (49,040)	<u>(49,040)</u>
Total Business-type Activities	<u>1,882,070</u>	<u>1,833,030</u>				<u>(49,040)</u>	<u>(49,040)</u>
Total Primary Government	<u>\$ 18,351,201</u>	<u>\$ 5,213,992</u>	<u>\$ 544,921</u>	<u>\$ 486,434</u>	<u>(12,056,814)</u>	<u>(49,040)</u>	<u>(12,105,854)</u>
General Revenues:							
County Appropriation/Taxes					6,762,253		6,762,253
State and Federal Sources					5,019,211		5,019,211
Interest earnings					7,669		7,669
Miscellaneous					330,344		330,344
Total General Revenues					<u>12,119,477</u>		<u>12,119,477</u>
Changes in Net Position					62,663	(49,040)	13,623
Net Position - Beginning					<u>16,503,982</u>	<u>50,848</u>	<u>16,554,830</u>
Net Position - Ending					<u>\$ 16,566,645</u>	<u>\$ 1,808</u>	<u>\$ 16,568,453</u>

Fund Financial Statements

Governmental Funds

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

BALANCE SHEET

June 30, 2017

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents	\$ 479,664		\$ 437,780	\$ 917,444
Cash Held with Fiscal Agent			57,991	57,991
Interfund Receivable	321,757			321,757
Accounts Receivable:				
State	13,029	\$ 3,459	550,260	566,748
Federal		108,591		108,591
Other	1,414,995			1,414,995
Restricted Cash and Cash Equivalents	1,796,552			1,796,552
Total Assets	\$ 4,025,997	\$ 112,050	\$ 1,046,031	\$ 5,184,078
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 57,700	\$ 17,461		\$ 75,161
Interfund Payable		92,573	\$ 588	93,161
Unearned Revenue	22,560	2,016	113,203	137,779
Other Liabilities	390			390
Total Liabilities	80,650	112,050	113,791	306,491
Fund Balances:				
Restricted for:				
Excess Surplus - current year	304,000			304,000
Prior Year Excess Surplus - Designated for Subsequent Year's Expenditures	1,280,095			1,280,095
Capital Reserve	1,796,552			1,796,552
Capital Projects			932,240	932,240
Assigned to:				
Other Purposes	66,604			66,604
Unassigned	498,096			498,096
Total Fund Balances	3,945,347		932,240	4,877,587
Total Liabilities and Fund Balances	\$ 4,025,997	\$ 112,050	\$ 1,046,031	

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 \$50,226,394 and the accumulated depreciation is \$22,200,118 (See Note 4).	28,026,276
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	3,527,181
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.	(148,362)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(10,137,263)
Accrued pension contributions for the June 30, 2017 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.	(288,631)
Long-term liabilities, including compensated absences and principal on long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund (See Note 5).	(9,290,143)
Net Position of Governmental Activities	\$ 16,566,645

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2017

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
Revenues:				
Local Sources:				
County Appropriation/Tax Levy	\$ 6,762,253			\$ 6,762,253
Tuition from Individuals	33,743			33,743
Tuition From Other LEA's	2,554,420			2,554,420
Non-Resident Fees	215,930			215,930
Interest	7,081		\$ 588	7,669
Miscellaneous	907,213			907,213
Total - Local Sources	10,480,640	-	588	10,481,228
State Sources	3,366,016	\$ 24,975	486,434	3,877,425
Federal Sources		519,946		519,946
Total Revenues	13,846,656	544,921	487,022	14,878,599
Expenditures:				
Current:				
Regular Vocational - Instruction	2,358,276	153,787		2,512,063
Special Vocational - Instruction	1,128,586	145,103		1,273,689
Support Services:				
Student and Instruction Related Services	1,063,949	59,810		1,123,759
General Administration	484,134			484,134
School Administration	567,240			567,240
Central Services	216,683			216,683
Administrative Information Technology	285,455			285,455
Plant Operations and Maintenance	1,117,284			1,117,284
Pupil Transportation	16,332			16,332
Unallocated Benefits	2,282,092			2,282,092
On-behalf TPAF FICA and Pension	931,603			931,603
Capital Outlay	107,720	186,221	1,216,085	1,510,026
Debt Service:				
Principal	924,943			924,943
Interest	340,205			340,205
Special Schools	1,463,076			1,463,076
Total Expenditures	13,287,578	544,921	1,216,085	15,048,584
Excess (deficiency) of revenues over (under) expenditures	559,078	-	(729,063)	(169,985)
Other Financing Sources (Uses):				
Transfers in	588		-	588
Transfers out	-		(588)	(588)
Total Other Financing Sources (Uses)	588	-	(588)	-
Net Change in Fund Balances	559,666	-	(729,651)	(169,985)
Fund Balance, July 1	3,385,681	-	1,661,891	5,047,572
Fund Balance, June 30	\$ 3,945,347	\$ -	\$ 932,240	\$ 4,877,587

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, 2017

Total Net Change in Fund Balances - Governmental Funds (B-2) \$ (169,985)

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

Capital additions for capital assets are reported in governmental funds as expenditures. However, on the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital additions, net exceeded depreciation expense and the loss on disposal of assets in the current fiscal year.

Depreciation Expense	\$ (1,347,325)	
Capital Additions, net	1,471,542	
Loss on disposal of assets	<u>(3,850)</u>	
		120,367

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

Obligations under Capital Leases		924,943
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In the Statement of Activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is recorded when due. The decrease in accrued interest from the prior year is an addition to the reconciliation.

12,843

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

Pension Expense		(795,520)
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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.

(29,985)

Change in Net Position of Governmental Activities (A-2)		<u>\$ 62,663</u>
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Proprietary Fund

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

STATEMENT OF NET POSITION

June 30, 2017

	Major Enterprise Fund Rubino Academy
Assets	
Current Assets:	
Accounts Receivable - Other	\$ 477,380
Total Assets	477,380
Liabilities	
Current Liabilities:	
Accounts Payable	246,976
Interfund Payable	228,596
Total Liabilities	475,572
Net Position	
Unrestricted	1,808
Total Net Position	\$ 1,808

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, 2017

	Major Enterprise Fund Rubino Academy
Operating Revenues:	
Tuition	\$ 1,833,030
Total Operating Revenues	1,833,030
Operating Expenses:	
Purchased Professional - Educational Services	1,532,070
Rental	350,000
Total Operating Expenses	1,882,070
Operating (Loss) and Change in Net Position	(49,040)
Total Net Position-Beginning	50,848
Total Net Position-Ending	\$ 1,808

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

STATEMENT OF CASH FLOWS

Year ended June 30, 2017

	Major Enterprise Funds
	Rubino Academy
Cash flows from operating activities:	
Receipts from customers	\$ 1,923,690
Payments to suppliers	(1,763,621)
Net cash provided by operating activities	160,069
Cash flows from non-capital financing activities:	
Repayments to other funds	(160,069)
Net cash used for non-capital financing activities	(160,069)
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (49,040)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease in accounts receivable	90,660
Increase in accounts payable	118,449
Net cash provided by operating activities	\$ 160,069

Fiduciary Funds

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

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund	Agency Fund
Assets			
Cash and Cash Equivalents	\$ 3,591	\$ 37,355	\$ 114,513
Total Assets	<u>3,591</u>	<u>37,355</u>	<u>\$ 114,513</u>
Liabilities			
Accounts Payable		18	
Payroll Deductions and Withholdings			\$ 88,547
Due to Student Groups			25,966
Total Liabilities		<u>18</u>	<u>\$ 114,513</u>
Net Position			
Held in Trust for Unemployment Claims		<u>\$ 37,337</u>	
Held in Trust for Scholarships	<u>\$ 3,591</u>		

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2017

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund
Additions		
Interest Income	\$ 2	\$ 6
Employee Contributions		2,445
Board Contributions		65,870
Other Contributions	1,139	
Total Additions	<u>1,141</u>	<u>68,321</u>
Deductions		
Scholarship Payments	2,301	
Unemployment Benefits		40,644
Total Deductions	<u>2,301</u>	<u>40,644</u>
Change in Net Position	(1,160)	27,677
Net Position - Beginning of Year	4,751	9,660
Net Position - End of Year	<u>\$ 3,591</u>	<u>\$ 37,337</u>

Area Vocational-Technical Schools of Mercer County School District

Notes to the Basic Financial Statements

Year ended June 30, 2017

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, 2017

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, 2017

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, net pension liability and capital lease obligations are recorded only when payment is due.

County taxes, interest, and state aid 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 capital leases.

The District reports the following major proprietary fund:

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, 2017

1. Summary of Significant Accounting Policies (continued)

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, 2017

1. Summary of Significant Accounting Policies (continued)

The enterprise fund 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 fund is charges for tuition. Operating expenses for the enterprise fund 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, 2017

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, 2017 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, 2017

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, 2017

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, 2017, a liability existed for compensated absences in the government-wide financial statements in the amount of \$428,588.

J. Unearned Revenue

Unearned revenue in the general fund represents cash receipts received from tuition for future classes that have been received in advance. Unearned revenue in the capital projects fund represents cash receipts received from the State of New Jersey School Development Authority in excess of the state share of the state approved project for mechanical, electrical, security and general construction improvements and alterations to the Sypek Center Vocational School at June 30, 2017.

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 one item that qualifies for reporting in this category, including deferred amounts related to pensions.

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, 2017

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, 2017

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 \$3,945,347 of fund balance in the General Fund, \$66,604 are encumbrances assigned to other purposes, \$1,796,552 has been restricted in the capital reserve account, \$304,000 has been restricted for excess surplus – current year, \$1,280,095 has been restricted for excess surplus - prior year and \$498,096 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 \$1,280,095, which was generated during the 2016 fiscal year will be utilized in the 2017-18 budget. The current year excess surplus at June 30, 2017 was \$304,000, which will be utilized in the 2018-19 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, 2017

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 \$1,653,195 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

GASB Pronouncements implemented in the 2017 Fiscal Year

The GASB issued Statement 77, *Tax Abatement Disclosures* in August 2015. This Statement is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 31, 2015. As the District is not a taxing government, the Statement did not result in a change in the District's assets, revenues or fund balance. No additional disclosures are required for this school district since it is at the county level.

Recently Issued Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB No. 75"). This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and 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 requirements of this Statement are effective for financial statements for reporting periods beginning after June 30, 2017. Management has not yet determined the impact of the 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, 2017

S. Subsequent Events

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2017 through November 28, 2017, 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 compensated absences and capital leases are not due and payable in the current period and therefore are not reported in the funds.

The details of this \$9,290,143 difference are as follows:

Compensated absences	\$ 428,588
Capital leases	<u>8,861,555</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u><u>\$ 9,290,143</u></u>

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

3. Deposits and Investments (continued)

requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at last equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Deposits

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

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

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

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

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

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2017, the District's carrying amount of deposits was \$1,418,114 including funds held with fiscal agent and the bank balance was \$1,625,486. Of the bank balance, \$336,118 of the District's cash deposits on June 30, 2017 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$1,208,564. \$80,744 held in the District agency accounts are not covered by GUDPA.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

3. Deposits and Investments (continued)

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

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

Investments

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

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

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, 2017, the District's balance was \$1,509,330 and is classified as cash equivalents due to its short-term nature.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

3. Deposits and Investments (continued)

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

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

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

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer and does not have a policy for limiting the concentration of investments. At June 30, 2017, the District's investments were invested in the NJCMF.

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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

4. Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 9,419,736	\$ 1,243,722		\$ 10,663,458
Total Capital Assets, Not Being Depreciated:	9,419,736	1,243,722		10,663,458
Capital Assets, Being Depreciated:				
Buildings & Building Improvements	36,365,062	26,325		36,391,387
Machinery and Equipment	3,064,528	201,495	\$ (94,474)	3,171,549
Total Capital Assets, Being Depreciated	39,429,590	227,820	(94,474)	39,562,936
Less accumulated depreciation for:				
Buildings & building improvements	(18,835,816)	(1,152,725)		(19,988,541)
Machinery and equipment	(2,107,601)	(194,600)	90,624	(2,211,577)
Total accumulated depreciation	(20,943,417)	(1,347,325)	90,624	(22,200,118)
Total capital assets being depreciated, net	18,486,173	(1,119,505)	(3,850)	17,362,818
Governmental activities capital assets, net	\$ 27,905,909	\$ 124,217	\$ (3,850)	\$ 28,026,276

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

4. Capital Assets (continued)

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

Regular Instruction	\$ 471,268
Special Education Instruction	200,164
Student and Instruction Related Services	199,308
General Administrative Services	85,865
School Administrative Services	100,605
Central Services	38,430
Administrative Information Technology	50,628
Plant operations and maintenance	198,159
Pupil Transportation	2,898
	\$ 1,347,325

5. Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences Payable	\$ 398,603	\$ 47,818	\$ 17,833	\$ 428,588	\$ 1,000
Capital Leases	9,786,498	-	924,943	8,861,555	958,527
Subtotal	10,185,101	47,818	942,776	9,290,143	959,527
Net pension liability	6,996,743	3,140,520	-	10,137,263	-
Governmental Activities					
Total long-term liabilities	\$ 17,181,844	\$ 3,188,338	\$ 942,776	\$ 19,427,406	\$ 959,527

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, 2017, 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, 2017

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:

	Amount
Year:	
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	10,540,257
Less amounts representing interest	(1,678,702)
Present value of net minimum lease payments	\$ 8,861,555

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, 2017

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 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employee's Retirement System

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

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 through July 2018 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, 2017, the State of New Jersey contributed \$665,043 to the TPAF for on-behalf medical, non-contributory insurance 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 \$266,560 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2017, 2016 and 2015 were \$304,074, \$267,967, and \$268,236, respectively.

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.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

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, 2017, the District reported a liability of \$10,137,263 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the District's proportion was 0.342277002 percent, which was an increase of 0.0030590266 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized full accrual pension expense of \$1,099,594 in the government-wide financial statements. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 188,522	
Changes of assumptions	2,099,899	
Net difference between projected and actual earnings on pension plan investments	386,543	
Changes in proportion and differences between District contributions and proportionate share of contributions	734,974	\$ 171,388
District contributions subsequent to the measurement date	288,631	
	\$ 3,698,569	\$ 171,388

\$288,631 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:

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Year ended June 30:	
2018	732,474
2019	732,475
2020	823,235
2021	692,770
2022	257,596
	\$ 3,238,550

Actuarial Assumptions

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

Inflation rate	3.08%
Salary increases through 2026	1.65 - 4.15%
	based on age
Thereafter	2.65 - 5.15%
	based on age
Investment rate of return	7.65%

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

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.

In addition, the tables for service retirements and beneficiaries of formers members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds / Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Discount rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the net pension liability as of June 30, 2016 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 (2.98 percent) or 1-percentage-point higher (4.98 percent) than the current rate:

	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
District's proportionate share of the net pension liability	\$ 12,422,033	\$ 10,137,263	\$ 8,250,988

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.

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Additional Information

Collective balances of the Local Group at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$ 8,685,338,380
Collective deferred inflows of resources	\$ 870,133,595
Collective net pension liability	\$ 29,617,131,759
 District's Proportion	 0.0342277002%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is \$2,830,763,540.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 5.57 years and 5.72 years for the measurement period ended June 30, 2015.

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, 2016 was \$26,823,024. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the State's proportionate share of the TPAF net pension liability

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

associated with the District was 0.0340971939 percent, which was a decrease of 0.0005458214 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue in the government-wide financial statements of \$2,015,377 for contributions incurred by the State.

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	7.65%

Mortality Rates

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

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2016 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's proportionate share of the net pension liability associated with the District	\$ 32,032,685	\$ 26,823,024	\$ 22,568,664

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, 2016 are as follows:

Deferred outflows of resources	\$ 17,440,003,201
Deferred inflows of resources	\$ 195,027,919
Net pension liability	\$ 78,666,367,052

State's proportionate share associated with the District	0.0340971939%
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Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

6. Pension Plans (continued)

Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2016 is \$5,915,082,656.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 8.3 years.

7. Post-Retirement Benefits

Plan Description

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

Funding Policy

P.L. 1987, Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire 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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the state contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

7. Post-Retirement Benefits (continued)

retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in fiscal year 2016. The State Employees Health Benefits Program (SEHBP) Act is found in the 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 Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website.

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, 2017, 2016 and 2015 were \$301,781, \$325,062, and \$287,958, 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, 2017

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
2016-17	\$ 65,870	\$ 2,445	\$ 6	\$ 40,644	\$ 37,337
2015-16	10,000	10,872	5	24,757	9,660
2014-15	18,000	10,733	4	21,495	13,540

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, 2017

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, 2017:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 321,757	
Special Revenue Fund		\$ 92,573
Capital Projects Fund		588
Rubino Academy Enterprise Fund		228,596
	\$ 321,757	\$ 321,757

The interfund receivable of \$321,757 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$92,573 and in the Rubino Academy Enterprise Fund for \$228,596, which represent funds advanced to these funds to cover temporary pooled cash shortages and in the Capital Projects Fund for \$588 which represents a transfer for interest earned on Cash Held with Fiscal Agents. 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

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

12. Contingent Liabilities (continued)

governing other federal and state grants; therefore, no provisions have been recorded in the accompanying basic financial statements for such contingencies.

13. Capital Reserve Account

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

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

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$ 1,291,600
Interest Earnings	4,952
Deposits:	
Approved in June 2017 Board Resolution	500,000
Ending balance, June 30, 2017	\$ 1,796,552

At June 30, 2017, the amount deposited in the capital reserve account does not exceed the District's local share reported in its Long-Range Facility Plan.

14. Transfers

The following presents a reconciliation of transfers during the 2017 fiscal year:

	Transfers In	Transfers Out
General Fund	\$ 588	
Capital Projects Fund		\$ 588
	\$ 588	\$ 588

Area Vocational-Technical Schools
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2017

14. Transfers (continued)

The transfer out of the capital projects fund to the general fund relates to a transfer of interest in the amount of \$588.

15. Commitments

The District has contractual commitments at June 30, 2017 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$66,604. The District also has contractual commitments at June 30, 2017 to various vendors recorded in the Capital Projects Fund in the amount of \$285,997. 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.

16. Restricted Assets

The District has \$1,796,552 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.

17. Solar Renewable Energy Credits

Solar Renewable Energy Credits are stated at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District sold 393 and 416 Solar Renewable Energy Credits on March 22, 2017 and August 16, 2017, respectively. The District realized revenue in both the Government-Wide and Fund financial statements of \$171,437.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - Local Group	0.0342277002%	0.0311686736%	0.0325376872%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
District's proportionate share of the net pension liability (asset)	\$ 10,137,263	\$ 6,996,743	\$ 6,091,945	\$ 5,775,933	n/a	n/a	n/a	n/a	n/a	n/a
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
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	468.54%	308.68%	278.08%	265.03%	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	40.14%	47.93%	52.08%	48.72%	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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 288,631	\$ 304,074	\$ 267,967	\$ 268,236	\$ 253,560	\$ 260,531	\$ 284,342	\$ 251,304	\$ 215,790	\$ 197,525
Contributions in relation to the contractually required contribution	(288,631)	(304,074)	(267,967)	(268,236)	(253,560)	(260,531)	(284,342)	(251,304)	(215,790)	(197,525)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$2,099,084	\$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
Contributions as a percentage of covered-employee payroll	13.75%	14.05%	11.82%	12.24%	11.63%	12.47%	12.58%	10.30%	10.22%	8.84%

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,		
	2017	2016	2015
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.0340971939%	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	\$ 26,823,024	\$ 21,205,900	\$ 16,777,039
Total proportionate share of the net pension liability (asset) associated with the District	<u>\$ 26,823,024</u>	<u>\$ 21,205,900</u>	<u>\$ 16,777,039</u>
Plan fiduciary net position as a percentage of the total pension liability	28.71%	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-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

Notes to Required Supplementary Information

Year ended June 30, 2017

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016.

TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016.

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, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
REVENUES:					
Local Sources:					
County Appropriation / Tax Levy	\$ 6,762,253		\$ 6,762,253	\$ 6,762,253	
Tuition from Individuals	55,000		55,000	33,743	\$ (21,257)
Tuition From Other LEA's	2,752,500		2,752,500	2,554,420	(198,080)
Non-Resident Fees	163,750		163,750	215,930	52,180
Interest Earned	1,250		1,250	2,129	879
Interest Earned on Capital Reserve Funds	750		750	4,952	4,202
Unrestricted Miscellaneous Revenues	840,700		840,700	907,213	66,513
Total Local Sources	10,576,203		10,576,203	10,480,640	(95,563)
State Sources:					
Special Education Categorical Aid	228,891		228,891	228,891	
Equalization Aid	2,042,056		2,042,056	2,042,056	
Security Aid	45,080		45,080	45,080	
Adjustment Aid	103,021		103,021	103,021	
PARCC Readiness Aid	4,260		4,260	4,260	
Per Pupil Growth Aid	4,260		4,260	4,260	
Professional Learning	5,070		5,070	5,070	
On-Behalf TPAF Pension Contributions (Non-Budgeted)				362,182	362,182
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				301,781	301,781
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				1,080	1,080
Reimbursed TPAF Social Security (Non-Budgeted)				266,560	266,560
Total State Sources	2,432,638		2,432,638	3,364,241	931,603
Total Revenues	13,008,841		13,008,841	13,844,881	836,040
EXPENDITURES:					
Current Expense:					
Instruction:					
Regular Vocational Programs:					
Salaries of Teachers	2,002,200	\$ 7,262	2,009,462	1,987,368	22,094
Purchased Professional Educational Services	80,000	(10,650)	69,350	65,954	3,396
Purchased Technical Services	19,900	(2,460)	17,440	10,131	7,309
Other Purchased Services	41,050	(700)	40,350	32,607	7,743
General Supplies	224,950	(5,864)	219,086	194,598	24,488
Textbooks	75,700	(15,038)	60,662	48,590	12,072
Other Objects	19,900	2,400	22,300	19,028	3,272
Total Regular Vocational Programs - Instruction	2,463,700	(25,050)	2,438,650	2,358,276	80,374
Special Vocational Programs:					
Salaries of Teachers	733,798	2,085	735,883	735,758	125
Other Salaries for Instruction	268,900	(3,421)	265,479	259,874	5,605
Purchased Technical Services	6,200	(2,700)	3,500	2,964	536
Other Purchased Services	32,760	(7,281)	25,479	15,355	10,124
General Supplies	135,700	1,076	136,776	98,770	38,006
Textbooks	13,550	(7,323)	6,227	5,823	404
Other Objects	11,800	414	12,214	10,042	2,172
Total Special Vocational Programs	1,202,708	(17,150)	1,185,558	1,128,586	56,972
Total Instruction	3,666,408	(42,200)	3,624,208	3,486,862	137,346
Support Services:					
Attendance and Social Work Services					
Salaries	18,000		18,000	14,067	3,933
Total Attendance and Social Work Services	18,000		18,000	14,067	3,933
Health Services:					
Salaries	177,821.00	8,517	186,338	164,233	22,105
Purchased Professional and Technical Services	7,293	7	7,300	7,300	
Other Purchased Services	15,114	(3,010)	12,104	8,577	3,527
Supplies and Materials	13,000	(724)	12,276	5,854	6,422
Total Health Services	213,228	4,790	218,018	185,964	32,054

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES:					
Support Services (continued):					
Guidance:					
Salaries Other Prof. Staff	\$ 383,510	\$ (1,522)	\$ 381,988	\$ 371,017	\$ 10,971
Other Salaries	10,000	1,565	11,565	11,564	1
Other Purchased Services	47,240	(10,611)	36,629	33,385	3,244
Supplies and Materials	35,600	970	36,570	23,315	13,255
Other Objects	4,400		4,400	2,854	1,546
Total Guidance	480,750	(9,598)	471,152	442,135	29,017
Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff:					
Salaries of Supervisors of Instruction	325,985	11,030	337,015	311,301	25,714
Salaries of Secretarial and Clerical Assistants	60,514		60,514	60,514	
Other Purchased Services	20,000	(6,030)	13,970	2,967	11,003
Total Imp. of Instruct. Serv./Other Supp. Serv. - Instruct. Staff	406,499	5,000	411,499	374,782	36,717
Instructional Staff Training Services:					
Salaries Superv. of Instruction	20,000		20,000	18,750	1,250
Purchased Professional Educational Services	9,000	257	9,257	9,035	222
Other Purchased Services	33,200	(1,289)	31,911	17,482	14,429
Supplies and Materials	2,000	(160)	1,840	1,734	106
Total Instructional Staff Training Services	64,200	(1,192)	63,008	47,001	16,007
Support Services - General Administration:					
Salaries	332,917	(8,000)	324,917	299,778	25,139
Legal Services	65,000		65,000	45,902	19,098
Audit Fees	25,000	9,500	34,500	34,500	
Other Purchased Professional Services	8,000	1,000	9,000	8,040	960
Communications/Telephone	46,650	9,850	56,500	54,775	1,725
BOE Other Purchased Services	1,000	(1,000)			
Other Purchased Services	25,800	7,431	33,231	32,586	645
General Supplies	11,050	(5,938)	5,112	3,199	1,913
Other Objects	3,500	(1,700)	1,800	599	
BOE Membership Dues and Fees	14,500	(9,000)	5,500	4,755	745
Total Support Services - General Administration	533,417	2,143	535,560	484,134	51,426
Support Services - School Administration:					
Salaries Principals / Assistant Principals	243,258	(46,812)	196,446	189,658	6,788
Salaries Secretarial and Clerical Assistants	311,976	30,129	342,105	337,794	4,311
Purchased Professional and Technical Services	900	(893)	7		7
Other Purchased Services	28,880	(3,317)	25,563	22,688	2,875
Supplies and Materials	13,650		13,650	12,250	1,400
Other Objects	5,850	893	6,743	4,850	1,893
Total Support Services - School Administration	604,514	(20,000)	584,514	567,240	17,274
Support Services - Central Services:					
Salaries	172,065	(21,400)	150,665	145,202	5,463
Miscellaneous Purchased Services	54,350	7,367	61,717	58,389	3,328
Supplies and Materials	13,500	(5,500)	8,000	7,059	941
Other Objects	6,100	1,133	7,233	6,033	1,200
Total Support Services - Central Services	246,015	(18,400)	227,615	216,683	10,932
Support Services - Admin. Info. Tech. Services:					
Salaries	160,335	(57,753)	102,582	101,883	699
Purchased Technical Services	25,250	53,630	78,880	69,179	9,701
Other Purchased Services	53,750	14,071	67,821	58,934	8,887
Supplies and Materials	45,000	7,713	52,713	52,713	
Other Objects	5,000	(2,254)	2,746	2,746	
Total Support Services - Admin. Info. Tech. Services	289,335	15,407	304,742	285,455	19,287
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	61,419	2,197	63,616	63,195	421
Total Required Maintenance for School Facilities	61,419	2,197	63,616	63,195	421

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES:					
Support Services (continued):					
Other Operational & Maint. of Plant:					
Salaries	\$ 627,369	\$ (105,164)	\$ 522,205	\$ 484,589	\$ 37,616
Cleaning, Repair and Maintenance Services	78,500	78,420	156,920	133,492	23,428
Lease Purchase Pmts-Energy Savings Impr Prog	1,016,480		1,016,480	1,016,480	
Other Purchased Property Services	48,500	(2,043)	46,457	42,581	3,876
Insurance	104,000	400	104,400	95,397	9,003
Miscellaneous Purchased Services	30,000	31,894	61,894	61,893	1
General Supplies	102,750	(21,774)	80,976	63,202	17,774
Energy (Natural Gas)	118,580	(18,178)	100,402	70,559	29,843
Energy (Electricity)	98,000	2,498	100,498	100,477	21
Other Objects	2,500		2,500	1,899	601
Total Other Oper. & Maint. of Plant:	2,226,679	(33,947)	2,192,732	2,070,569	122,163
Student Transportation Services:					
Sal. For Pupil Trans. (Not Bet. Home & School)	20,000	(501)	19,499		19,499
Cleaning, Repair & Maint. Svcs	750		750	703	47
Contracted Services (Other Than Bet. Home & School) - Vendors	18,300	501	18,801	15,252	3,549
General Supplies	750		750	377	373
Total Student Transportation Services	39,800	-	39,800	16,332	23,468
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	145,000	5,543	150,543	150,543	
Other Retirement Contributions - PERS	299,500	20,785	320,285	320,284	1
Unemployment Compensation	12,000	53,880	65,880	65,879	1
Worker's Compensation	95,000	2,630	97,630	97,630	
Health Benefits	1,603,500	27,368	1,630,868	1,626,424	4,444
Tuition Reimbursement	6,000	300	6,300	6,000	
Other Employee Benefits	40,000	(14,806)	25,194	15,332	9,862
Total Unallocated Benefits - Employee Benefits	2,201,000	95,700	2,296,700	2,282,092	14,608
On-Behalf Payments:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				362,182	(362,182)
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				301,781	(301,781)
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				1,080	(1,080)
Reimbursed TPAF Social Security (Non-Budgeted)				266,560	(266,560)
Total On-Behalf Contributions				931,603	(931,603)
Total Support Services	7,384,856	42,100	7,426,956	7,981,252	(554,296)
Total Expenditures - Current Expense	11,051,264	(100)	11,051,164	11,468,114	(416,950)
CAPITAL OUTLAY					
Interest Deposit To Capital Reserve	750		750		750
Total Interest Deposit To Capital Reserve	750		750		750
Equipment:					
Regular Vocational Programs	10,000		10,000	7,000	3,000
Support Services					
Instruction	53,000		53,000	38,286	14,714
Central Services	7,500		7,500		7,500
General Administration	25,500		25,500	3,015	22,485
Custodial Services	258,700		258,700	248,668	10,032
Total Equipment	354,700	-	354,700	296,969	57,731
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	100,000		100,000	27,546	72,454
Construction Services	84,276		84,276	31,873	52,403
Total Facilities Acquisition and Construction Services	184,276	-	184,276	59,419	124,857
Total Expenditures - Capital Outlay	539,726	-	539,726	356,388	183,338

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

BUDGETARY COMPARISON SCHEDULE
(BUDGETARY BASIS)

Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
SPECIAL SCHOOLS					
Post-Secondary Programs - Instruction					
Salaries of Teachers	\$ 355,750		\$ 355,750	\$ 241,154	\$ 114,596
Purchased Prof.-Tech Services	15,600		15,600	600	15,000
Other Purchased Services	2,300		2,300	1,852	448
General Supplies	24,500	\$ (1,230)	23,270	12,271	10,999
Textbooks	5,600		5,600	1,142	4,458
Other Objects	15,460	1,230	16,690	1,230	15,460
Total Post-Secondary Programs - Instruction	419,210	-	419,210	258,249	160,961
Post-Secondary Programs - Support Services					
Salaries	301,271	(6,000)	295,271	281,979	13,292
Personal Services-Employee Benefits	180,360		180,360	150,645	29,715
Other Purchased Services	50,740	25,802	76,542	68,563	7,979
Supplies and Materials	64,000	(17,000)	47,000	41,299	5,701
Other Objects	4,000	(2,702)	1,298	892	406
Total Post-Secondary Programs - Support Services	600,371	100	600,471	543,378	57,093
Total Post Secondary Programs	1,019,581	100	1,019,681	801,627	218,054
Vocational evening - local - Instruction					
Salaries of Teachers	156,105	22,995	179,100	173,025	6,075
Other Salaries for Instruction	55,699	2,463	58,162	58,162	
Purchased Professional and Technical Services	11,500	(3,534)	7,966	7,745	221
Other Purchased Services		300	300		300
General Supplies	46,900	(9,750)	37,150	36,255	895
Textbooks	36,000	(3,580)	32,420	32,412	8
Other Objects	16,000	(1,970)	14,030	14,029	1
Total Vocational Evening Local Instruction	322,204	6,924	329,128	321,628	7,500
Vocational Evening - Local - Support Services					
Salaries	183,934	10,419	194,353	190,786	3,567
Personal services - Employee Benefits	72,470	160	72,630	69,703	2,927
Other Purchased Services	46,755	(5,835)	40,920	35,986	4,934
Supplies and materials	58,346	(11,668)	46,678	37,575	9,103
Other objects	5,800		5,800	5,771	29
Total Vocational Evening - Local - Support Services	367,305	(6,924)	360,381	339,821	20,560
Total Vocational Evening - Local	689,509	-	689,509	661,449	28,060
Total Special Schools Expenditures	1,709,090	100	1,709,190	1,463,076	246,114
Total Expenditures	13,300,080	-	13,300,080	13,287,578	12,502
(Deficiency) Excess of Revenues (Under) Over Expenditures	(291,239)	-	(291,239)	557,303	848,542
Other financing sources:					
Transfer in				588	588
Total other financing sources	-	-	-	588	588
(Deficiency) excess of revenues (under) over expenditures and other financing uses	(291,239)	-	(291,239)	557,891	849,130
Fund Balances, July 1	3,630,718		3,630,718	3,630,718	
Fund Balances, June 30	\$ 3,339,479	\$ -	\$ 3,339,479	\$ 4,188,609	\$ 849,130

Recapitulation of fund balance:

	Actual
Restricted Fund Balance:	
Prior Year Excess Surplus Designated for Subsequent Year's Expenditures	\$ 1,280,095
Current Year Excess Surplus	304,000
Capital Reserve	1,796,552
Assigned to:	
Year End Encumbrances	66,604
Unassigned Fund Balance	741,358
	<u>4,188,609</u>
Reconciliation to Governmental Funds Statements (GAAP):	
Last State Aid Payments not recognized on GAAP Basis	(243,262)
Fund Balance per Governmental Funds (GAAP)	<u>\$ 3,945,347</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE
BUDGETARY BASIS

SPECIAL REVENUE FUND

Year ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
Revenues:					
State Sources	\$ 75,000	\$ 109,528	\$ 184,528	\$ 24,975	\$ 159,553
Federal Sources	378,431	142,714	521,145	520,607	538
Total Revenues	453,431	252,242	705,673	545,582	160,091
Expenditures:					
Instruction:					
Salaries of Teachers	65,441	(35,064)	30,377	27,369	3,008
Purchased Professional and Technical Services		12,963	12,963	12,963	
Purchased Professional - Educational Services		25,831	25,831	25,831	
Supplies and Materials	387,990	(131,168)	256,822	232,954	23,868
Total Instruction	453,431	(127,438)	325,993	299,117	26,876
Support Services:					
Salaries		320	320	320	
Salaries of Principals/Assistant Principals/Program Directors		5,075	5,075	5,075	
Personal Services - Employee Benefits		7,611	7,611	7,611	
Purchased Professional - Educational Services		26,869	26,869	26,869	
Purchased Property Services		191	191	191	
Other Purchased Services		3,115	3,115	3,115	
Communications		200	200	200	
Travel		875	875	875	
Miscellaneous Purchased Services		4,350	4,350		4,350
Supplies and Materials		23,465	23,465	15,988	7,477
Total Support Services	-	72,071	72,071	60,244	11,827
Capital Outlay:					
Equipment:					
Instructional Equipment		272,233	272,233	150,864	121,369
Non-Instructional Equipment		35,376	35,376	35,357	19
Total Equipment	-	307,609	307,609	186,221	121,388
Total Expenditures	453,431	252,242	705,673	545,582	160,091
Excess/(Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	\$ -	\$ -	\$ -	\$ -	\$ -

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET-TO-GAAP RECONCILIATION

Year ended June 30, 2017

	General Fund	Special Revenue Fund
SOURCES/INFLOWS OF RESOURCES		
Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedules (C-1, C-2)	\$ 13,844,881	\$ 545,582
GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Current Year Encumbrances		(661)
State aid payments from prior year recognized in prior year for budgetary purposes, and recognized for GAAP statements statements in the current fiscal year.		
	245,037	
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
	(243,262)	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	\$ 13,846,656	\$ 544,921
USES/OUTFLOWS OF RESOURCES		
Actual amounts (budgetary basis) "total outflows" from the Budgetary Comparison Schedule (C-1, C-2)	\$ 13,287,578	\$ 545,582
Difference - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(661)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (B-2)	\$ 13,287,578	\$ 544,921

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, 2017

	Carl D. Perkins	Title I Part A	Title II Part A	I.D.E.A. Part B Basic	Apprenticeship Coordinator	Vocational	Totals
REVENUES:							
State Sources					\$ 7,923	\$ 17,052	\$ 24,975
Federal Sources	\$ 310,753	\$ 93,643	\$ 6,869	\$ 109,342			520,607
Total Revenues	<u>\$ 310,753</u>	<u>\$ 93,643</u>	<u>\$ 6,869</u>	<u>\$ 109,342</u>	<u>\$ 7,923</u>	<u>\$ 17,052</u>	<u>\$ 545,582</u>
EXPENDITURES:							
Instruction:							
Salaries of Teachers		\$ 27,369					\$ 27,369
Purchased Professional and Technical Services	\$ 12,963						12,963
Purchased Professional - Educational Services		25,831					25,831
Supplies and Materials	123,999	21,741		\$ 70,162		\$ 17,052	232,954
Total Instruction	136,962	74,941		70,162		17,052	299,117
Support Services:							
Salaries	320						320
Salaries of Principals/Assistant Principals/Program Directors					\$ 5,075		5,075
Personal Services - Employee Benefits	24	7,587					7,611
Purchased Professional - Educational Services		8,000	\$ 6,869	12,000			26,869
Purchased Property Services	191						191
Other Purchased Services		3,115					3,115
Communications					200		200
Travel					875		875
Supplies and Materials	14,215				1,773		15,988
Total Support Services	14,750	18,702	6,869	12,000	7,923		60,244
Equipment:							
Instructional Equipment	123,684			27,180			150,864
Non-Instructional Equipment	35,357						35,357
Total Equipment	159,041			27,180			186,221
Total Expenditures	<u>\$ 310,753</u>	<u>\$ 93,643</u>	<u>\$ 6,869</u>	<u>\$ 109,342</u>	<u>\$ 7,923</u>	<u>\$ 17,052</u>	<u>\$ 545,582</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, 2017

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations June 30, 2017
			Prior Years	Current Year	
Improvements and Upgrade to Technical Schools	4/25/2012	\$ 2,877,900	\$ 2,559,647	\$ -	\$ 318,253
Assunpink Center Vocational School: Mechanical, Electrical, Security and General Construction Alterations	8/17/2015	2,114,495	594,641	781,008	738,846
Sypek Center Vocational School: Mechanical, Electrical, Security and General Construction Alterations	8/17/2015	2,114,495	964,530	435,077	714,888
Totals		<u>\$ 7,106,890</u>	<u>\$ 4,118,818</u>	<u>\$ 1,216,085</u>	<u>\$ 1,771,987</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, 2017

	<u>Current Year</u>
Revenues and Other Financing Sources:	
Interest	\$ 588
Total Revenues and Other Financing Sources	<u>588</u>
Expenditures and Other Financing Uses:	
Engineering services	40,422
Construction services	1,175,663
Total Expenditures and Other Financing Uses	<u>1,216,085</u>
Other Financing Uses:	
Transfers out	<u>(588)</u>
Total Other Financing Uses	<u>(588)</u>
Net Change in Fund Balance	(1,216,085)
Fund Balance, July 1	2,988,072
Fund Balance, June 30	<u>\$ 1,771,987</u>
 <u>Reconciliation of budgetary basis to GAAP basis:</u>	
Fund balance, budgetary basis, June 30, 2017	\$ 1,771,987
Less: Revenue not recognized on a GAAP basis	<u>(839,747)</u>
Fund balance, GAAP basis, June 30, 2017	<u>\$ 932,240</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, 2017

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

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 2018

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, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
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	<u>2,114,495</u>		<u>2,114,495</u>	<u>2,114,495</u>
Expenditures and Other Financing Uses:				
Engineering services	90,549	\$ 21,515	112,064	107,000
Construction Services	504,092	759,493	1,263,585	2,007,495
Total Expenditures and Other Financing Uses	<u>594,641</u>	<u>781,008</u>	<u>1,375,649</u>	<u>2,114,495</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 1,519,854</u>	<u>\$ (781,008)</u>	<u>\$ 738,846</u>	<u>\$ -</u>

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	65.06%
Target completion date	June 2018

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, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources:				
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>
Expenditures and Other Financing Uses:				
Engineering services	114,496	\$ 18,907	133,403	107,000
Construction Services	850,034	416,170	1,266,204	2,007,495
Total Expenditures and Other Financing Uses	<u>964,530</u>	<u>435,077</u>	<u>1,399,607</u>	<u>2,114,495</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 1,149,965</u>	<u>\$ (435,077)</u>	<u>\$ 714,888</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	66.19%
Target completion date	June 2018

Fiduciary Funds

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

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Trust			Agency		
	Private-Purpose Scholarship Fund	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
Assets						
Cash and Cash Equivalents	\$ 3,591	\$ 37,355	\$ 40,946	\$ 25,966	\$ 88,547	\$ 114,513
Total Assets	<u>3,591</u>	<u>37,355</u>	<u>40,946</u>	<u>\$ 25,966</u>	<u>\$ 88,547</u>	<u>\$ 114,513</u>
Liabilities						
Accounts Payable		18	18			
Payroll Deductions and Withholdings Payable Due to Student Groups				\$ 25,966	\$ 88,547	\$ 88,547
Total Liabilities		<u>18</u>	<u>18</u>	<u>\$ 25,966.00</u>	<u>\$ 88,547</u>	<u>\$ 114,513</u>
Net Position						
Held in Trust for Unemployment Claims		37,337	37,337			
Held in Trust for Scholarships	3,591		3,591			
Total net position	<u>\$ 3,591</u>	<u>\$ 37,337</u>	<u>\$ 40,928</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, 2017

	Balance July 1, 2016	Cash Receipts	Cash Disbursements	Balance June 30, 2017
High Schools:				
Assunpink	\$ 13,324	\$ 21,081	\$ 23,224	\$ 11,181
Sypek Center	6,066	27,564	18,845	14,785
Total	\$ 19,390	\$ 48,645	\$ 42,069	\$ 25,966

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

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2017

	Balance July 1, 2016	Cash Receipts	Cash Disbursements	Balance June 30, 2017
Assets				
Cash and Cash Equivalents	\$ 129,749	\$ 7,486,176	\$ 7,527,378	\$ 88,547
Total Assets	<u>\$ 129,749</u>	<u>\$ 7,486,176</u>	<u>\$ 7,527,378</u>	<u>\$ 88,547</u>
Liabilities				
Payroll Deductions and Withholdings Payable	\$ 129,749	\$ 7,486,176	\$ 7,527,378	\$ 88,547
Total Liabilities	<u>\$ 129,749</u>	<u>\$ 7,486,176</u>	<u>\$ 7,527,378</u>	<u>\$ 88,547</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, 2017

Purpose	Amount of Original Issue	Maturities		Interest Rate	Balance July 1, 2016	Retired	Balance June 30, 2017
		Date	Amount				
Energy Savings Improvement Plan Capital Lease	\$ 11,200,000	7/15/2017	\$ 720,000	3.85%	\$ 8,825,000	\$ 690,000	\$ 8,135,000
		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	8/15/2017	118,812	1.52%	961,498	234,943	726,555
		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%			
\$ 9,786,498					\$ 924,943	\$ 8,861,555	

**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.

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Net investment in capital assets	\$ 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	19,222,712
Restricted	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	4,254,896
Unrestricted (deficit)	547,467	489,328	429,540	525,834	451,476	102,687	152,319	(5,410,629)	(6,133,111)	(6,910,963)
Total governmental activities net position	\$ 12,101,230	\$ 13,489,096	\$ 12,374,555	\$ 12,306,553	\$ 11,763,873	\$ 13,308,968	\$ 19,864,389	\$ 15,333,257	\$ 16,503,982	16,566,645
Business-type activities:										
Unrestricted								\$ 20,708	\$ 50,848	1,808
Total business-type activities net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,708	\$ 50,848	1,808
Government-wide:										
Net investment in capital assets	\$ 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	19,222,712
Restricted	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	4,254,896
Unrestricted (deficit)	547,467	489,328	429,540	525,834	451,476	102,687	152,319	(5,389,921)	(6,082,263)	(6,909,155)
Total government-wide net position	\$ 12,101,230	\$ 13,489,096	\$ 12,374,555	\$ 12,306,553	\$ 11,763,873	\$ 13,308,968	\$ 19,864,389	\$ 15,353,965	\$ 16,554,830	16,568,453

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental Activities:										
Current:										
Vocational Education	\$ 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	\$ 4,927,850
Special Vocational Education	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	2,209,012
Support Services and Undistributed Costs:										
Student and Instruction Related Services	683,678	806,123	918,286	1,024,692	1,103,425	1,229,170	1,238,275	1,367,682	1,578,392	2,164,263
General Administrative Services	676,924	325,040	353,298	521,291	604,246	584,712	622,392	733,432	766,738	835,040
School Administration	697,348	799,971	831,526	795,035	809,625	883,739	885,199	934,242	967,944	1,134,178
Plant Operations and Maintenance	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	1,743,880
Pupil Transportation	22,835	24,771	15,949	13,442	15,640	20,338	25,366	31,411	28,960	19,230
Central Services/Benefits/Admin Info Tech	529,237	631,379	580,226	604,450	610,222	608,669	685,163	707,130	706,504	809,648
Special Schools	4,618,243	3,916,996	4,295,947	4,103,164	3,960,236	1,922,022	1,901,174	1,853,901	2,034,478	2,298,668
Interest on Long Term Obligations					415,981	419,558	427,910	365,488	356,459	327,362
Total governmental activities expenses	12,589,575	12,081,498	12,841,285	12,961,157	13,583,472	12,155,225	12,420,159	13,470,601	14,415,661	16,469,131
Business-Type Activities:										
Rubino Academy						2,432,215	2,792,285	2,639,250	2,298,370	1,882,070
H.O.S.A.								65,569		
Total business-type activities expenses						2,432,215	2,792,285	2,704,819	2,298,370	1,882,070
Total district expenses	12,589,575	12,081,498	12,841,285	12,961,157	13,583,472	14,587,440	15,212,444	16,175,420	16,714,031	18,351,201
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	1,572,540	2,163,422	2,403,527	3,094,121	2,611,035	1,031,750	1,397,363	1,733,380	2,357,440	3,380,962
Operating Grants and Contributions			733,701	493,643	437,251	441,596	476,502	517,310	620,306	544,921
Capital Grants and Contributions			137,386						623,668	486,434
Total governmental activities program revenues	1,572,540	2,163,422	3,274,614	3,587,764	3,048,286	1,473,346	1,873,865	2,250,690	3,601,414	4,412,317
Business-Type Activities:										
Charges for Services						2,432,215	2,792,285	2,725,527	2,328,510	1,833,030
Total business-type activities program revenues						2,432,215	2,792,285	2,725,527	2,328,510	1,833,030
Total district program revenues	1,572,540	2,163,422	3,274,614	3,587,764	3,048,286	3,905,561	4,666,150	4,976,217	5,929,924	6,245,347
Net (Expense)/Revenue:										
Governmental activities	(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)	(12,056,814)
Business-type activities								20,708	30,140	(49,040)
Total district-wide net expense	(11,017,035)	(9,918,076)	(9,566,671)	(9,373,393)	(10,535,186)	(10,681,879)	(10,546,294)	(11,199,203)	(10,784,107)	(12,105,854)
General Revenues and Other Changes in Net Position:										
Governmental activities:										
County Taxes / Appropriation	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	6,762,253
State and Federal Sources	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	5,019,211
Local and State Aid Restricted			11,917							
Miscellaneous Income	677,579	571,697	642,782	568,144	937,841	922,976	1,155,451	987,428	988,726	338,013
Total governmental activities	10,962,026	11,305,943	9,004,727	9,305,391	9,992,506	12,226,974	17,101,715	12,464,712	11,984,972	12,119,477
Change in Net Position:										
Governmental activities	(55,009)	1,387,867	(561,944)	(68,002)	(542,680)	1,545,095	6,555,421	1,244,801	1,170,725	62,663
Business-type activities								20,708	30,140	(49,040)
Total district	\$ (55,009)	\$ 1,387,867	\$ (561,944)	(68,002)	\$ (542,680)	\$ 1,545,095	\$ 6,555,421	\$ 1,265,509	\$ 1,200,865	\$ 13,623

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 2,582,769	\$ 3,675,763	\$ 3,024,043							
Unreserved	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	\$ 3,380,647
Assigned to				450,686	692,391	230,185	316,031	527,105	7,142	66,604
Unassigned (deficit)	(4,469)			510,873	533,077	395,546	419,956	429,573	522,748	498,096
Total General Fund	\$ 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	\$ 3,945,347
All Other Governmental Funds:										
Unreserved, Reported In:										
Special Revenue Fund (deficit)	\$ (4,469)									
Capital Projects Fund (deficit)				\$ (34,375)	\$ 518					
Restricted for Capital Projects								\$ 12,375	\$ 1,661,891	\$ 932,240
Total All Other Governmental Funds	\$ (4,469)	\$ -	\$ -	\$ (34,375)	\$ 518	\$ -	\$ -	\$ 12,375	\$ 1,661,891	\$ 932,240

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
County Appropriation / Tax Levy	\$ 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	\$ 6,762,253
County Appropriation / Capital Projects Fund						1,864,024	6,476,186	1,163,734	55,703	-
Tuition	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	2,804,093
Interest Earnings	68,886	21,475	11,917	4,991	2,935	2,099	1,794	1,827	4,815	7,669
Miscellaneous	608,694	550,222	648,102	1,346,934	948,211	920,877	1,187,127	939,147	1,077,823	907,213
State Sources	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	3,877,425
Federal Sources	275,112	327,690	1,002,506	446,394	476,728	421,127	454,161	491,137	468,354	519,946
Total Revenues	12,534,567	13,469,365	12,279,341	12,893,155	13,040,792	13,700,320	19,001,010	13,937,764	14,657,883	14,878,599
Expenditures:										
Instruction:										
Regular Instruction	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	2,512,063
Special Education Instruction	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	1,273,689
Support Services:										
Student and Instruction Related Services	270,247	297,737	316,279	763,839	767,265	828,845	818,284	843,437	944,223	1,123,759
General Administration	416,600	351,428	392,353	404,000	403,236	416,844	433,215	473,236	474,167	484,134
School Administrative Services	579,815	499,518	553,121	570,982	542,501	571,793	571,123	550,415	565,965	567,240
Central Services	182,208	300,731	192,531	205,250	191,036	217,133	249,582	188,303	194,856	216,683
Admin. Information Technology	256,947	229,061	291,806	263,260	246,247	198,058	230,671	267,552	240,831	285,455
Plant Operations and Maintenance	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	1,117,284
Pupil Transportation	33,628	36,066	27,769	12,730	13,714	17,458	21,299	26,463	24,447	16,332
Other Support Services	334,733	401,463	522,091							
Employee Benefits	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	3,213,695
Special Schools	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	1,463,076
Debt Service:										
Principal						390,000	650,000	680,000	893,502	924,943
Interest						639,293	403,673	377,487	362,537	340,205
Cost of Issuance					41,200					
Capital Outlay	167,121	858,728	529,736	456,600	12,628,046	2,003,915	6,811,281	1,534,012	1,765,302	1,510,026
Total Expenditures	12,451,724	12,536,556	12,888,803	12,997,399	24,877,472	13,555,790	18,556,763	13,560,195	14,489,315	15,048,584
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	82,843	932,809	(609,462)	(104,244)	(11,836,680)	144,530	444,247	377,569	168,568	(169,985)
Other Financing Sources/(Uses):										
Proceeds from Capital Leases					11,200,000				1,200,000	
Transfers In								60,000	1,337,394	588
Transfers Out								(60,000)	(1,337,394)	(588)
Total Other Financing Sources/(Uses)	-	-	-	-	11,200,000	-	-	-	1,200,000	-
Net Change in Fund Balances	\$ 82,843	\$ 932,809	\$ (609,462)	\$ (104,244)	(636,680)	\$ 144,530	\$ 444,247	\$ 377,569	\$ 1,368,568	\$ (169,985)
Debt Service as a Percentage of Noncapital Expenditures	-	-	-	-	-	9%	9%	9%	10%	9%

Source: CAFR Schedule B-2 and District records.

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE

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

Fiscal Year Ending June 30,	HCC/Evening School Fees	Interest on Investments	Textbook Sales	Miscellaneous	Program Sales	Total
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	375,383	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	429,480	31,285	1,082,038
2017	576,869	7,081	20,482	276,219	33,643	914,294

Source: District records

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
LAST TEN FISCAL YEARS
UNAUDITED

Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2008	\$ -	\$ 23,116	\$ 23,116	0.00%	0.4
2009	-	11,820	11,820	0.00%	0.2
2010	-	-	-	0.00%	-
2011	-	-	-	0.00%	-
2012	-	11,200,000	11,200,000	0.06%	30.4
2013	-	10,810,000	10,810,000	0.05%	29.3
2014	-	10,160,000	10,160,000	0.05%	27.4
2015	-	9,480,000	9,480,000	0.04%	25.5
2016	-	9,786,498	9,786,498	0.04%	26.4
2017	-	8,861,555	8,861,555	0.04%	23.9

Source: District CAFR Schedule I-2 and District records.

Note: Details regarding the District's outstanding debt can be found in Note 5 to the basic financial statements.

^a See J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

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

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2008	363,402	18,736,643,718	\$ 51,559	4.9%
2009	364,571	19,430,905,158	53,298	7.8%
2010	366,222	20,183,959,308	55,114	7.8%
2011	367,959	19,555,181,055	53,145	7.7%
2012	367,908	20,087,776,800	54,600	7.8%
2013	369,171	21,032,041,041	56,971	6.7%
2014	370,984	22,076,515,872	59,508	5.7%
2015	371,601	21,301,284,123	57,323	4.7%
2016	371,398	22,237,455,250	59,875	4.8%
2017	371,023	23,466,091,681	63,247	4.3%

Source:

- ^a US Bureau of the Census, Population Division, provided by the NJ Dept of Labor and Workforce Development
- ^b Personal income has been estimated based upon the municipal population and per capita personal income presented.
- ^c Per capita personal income estimated based upon the November 2015 Census published by the US Bureau of Economic Analysis.
- ^d Provided by New Jersey Department of Labor and Workforce Development.

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

Estimates for 2010-2015 reflect county population estimates available as of March 2016.

Data reflects revised estimates for 2008-2016.

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

LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction:										
Vocational - Regular	25.0	25.0	25.0	22.0	25.0	25.5	25.0	26.0	27.5	28.5
Vocational - Special	11.0	11.0	11.0	10.0	10.0	10.0	11.0	11.5	10.5	11.0
Support Services:										
Student and Instruction Related Services	16.0	18.5	18.0	19.0	19.0	20.0	19.0	17.5	18.0	18.0
General Administration	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
School Administrative Services	10.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0	8.0
Central Services	17.0	16.0	18.0	21.5	21.5	21.0	22.0	20.0	19.0	19.0
Vocational - Post Secondary	10.0	12.0	11.0	15.0	15.0	15.0	13.0	11.0	10.0	10.0
Total	<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>	<u>97.5</u>

Source: District Personnel Records

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

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE)^f</u>	<u>Average Daily Attendance (ADA)^e</u>	<u>Percentage Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
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%
2017	935.00	12,273,410	13,127	0.50%	49	19.08	977.12	927.80	10.16%	99.23%

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>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>	<u>2017</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	380	380	380	380	380
Enrollment	399	409	391	357	355	372	372	345	380	397
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	396	401	395	386	339	368	368	481	478	493
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	157	169	163	154	171	162	162	171	156	142

Number of Schools at June 30, 2017

 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

	Assunpink Building A	Assunpink Building B	Assunpink Building C	Sypek Building A	Sypek Building B	Sypek Building C	Sypek Building C Annex	Other Buildings	Total
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	8,889	9,233	3,960	4,000	10,383	8,500	2,944	7,893	55,802
2017	15,109	10,767	3,960	4,000	10,250	8,500	2,944	7,665	63,195
Total School Facilities	<u>\$ 128,038</u>	<u>\$ 95,237</u>	<u>\$ 54,001</u>	<u>\$ 52,065</u>	<u>\$ 104,381</u>	<u>\$ 91,428</u>	<u>\$ 52,774</u>	<u>\$ 105,286</u>	<u>\$ 683,210</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, 2017
(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
-Mold		100,000
Cyber Liability	1,000,000	25,000
Violent Malicious Acts	1,000,000	15,000
Disaster Management Services	2,000,000	15,000

Source: District records

Single Audit Section

Report on Internal Control Over Financial Reporting and Report 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, 2017, 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 28, 2017.

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.



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

Livingston, New Jersey
November 28, 2017

Report on Compliance For Each Major State Program And
Report on Internal Control Over Compliance Required by
New Jersey OMB Circular 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's, 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, 2017. 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.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

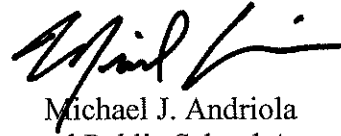
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

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

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

Purpose of this Report

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



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

Livingston, New Jersey
November 28, 2017

AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance, June 30, 2016		Due to Grantor	Adjustment	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2017	
						(Accounts Receivable)	Unearned Revenue						(Accounts Receivable)	Unearned Revenue
U.S. Department of Education:														
Passed-Through State Department of Education:														
Special Revenue Fund:														
Perkins (E.L. 101-391)	84-048A	S048A150030	PERK310514	\$ 220,378	07/01/15	06/30/16	\$ (154,355)	\$ 2,469	\$ (4,636)	\$ 158,991	\$ (2,469)	\$	\$ (21,866)	\$
Perkins (E.L. 101-391)	84-048A	S048A150030	PERK310514	115,860	07/01/15	06/30/16				183,119	(204,985)		(42,802)	
Perkins (E.L. 101-391)	84-048A	V048A160030	PERK310515	205,500	07/01/16	06/30/17				62,565	(105,788)			
Perkins (E.L. 101-391)	84-048A	V048A160030	PERK310515	105,791	07/01/16	06/30/17				45,938	(93,643)			
Title I - Part A	84-010A	S010A150030	NCLB310513	101,428	07/01/15	06/30/16	(49,938)			79,315	(6,869)		(14,328)	
Title I - Part A	84-010A	S010A160030	NCLB310515	93,643	07/01/16	06/30/17				30,660	(109,342)			
Title II - Part A - Improving Teacher Quality State Grants	84-367A	S367A160029	NCLB310515	6,869	07/01/16	06/30/17	(30,660)							
ID.E.A. Part B Basic	84-027A	S027A150100	IDEA310513	101,645	07/01/15	06/30/16				650,944	(920,607)	(2,469)	(109,252)	
ID.E.A. Part B Basic	84-027A	H027A160100	IDEA310513	98,343	07/01/16	06/30/17								
Total Special Revenue Fund							\$ (234,953)	\$ 2,469	\$ (4,636)	\$ 650,944	\$ (920,607)	\$ (2,469)	\$ (109,252)	\$
Total Expenditures of Federal Awards														

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, 2017

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 with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in these schedules are presented in accordance with the requirements of New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, 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.

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, 2017

3. Relationship to Basic Financial Statements

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.

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 \$1,775 for the general fund and \$661 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		\$ 3,366,016	\$ 3,366,016
Special Revenue Fund	\$ 519,946	24,975	544,921
Capital Projects Fund		486,434	486,434
Total award revenues	<u>\$ 519,946</u>	<u>\$ 3,877,425</u>	<u>\$ 4,397,371</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, 2017

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, 2017.

The post retirement pension and medical benefits received on-behalf of the District for the year ended June 30, 2017 amounted to \$665,043. 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 payment to the grantor for excess funds received.

7. Indirect Costs

The District did not use the 10% de minimis indirect cost rate.

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es)

_____ Yes X No

Significant deficiency(ies)

_____ Yes X None Reported

Is any noncompliance material to financial statements noted?

_____ Yes X No

State Awards

Internal control over major state programs:

Material weakness(es)

_____ Yes X No

Significant deficiency(ies)

_____ 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:

GMIS/Program Number	Name of State Program or Cluster
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Categorical Aid
495-034-5120-084	Security Aid
495-034-5120-085	Adjustment Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-098	PARCC Readiness
495-034-5120-101	Professional Learning Community Aid

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

\$750,000

Auditee qualified as low-risk auditee?

_____ Yes X No

Area Vocational-Technical Schools
of Mercer County School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2017

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 (continued)

Year ended June 30, 2017

Part III – Schedule of State Award Findings and Questioned Costs

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 Treasury Circular 15-08.

State Award Programs

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

Area Vocational-Technical Schools
of Mercer County School District

Summary Schedule of Prior Years Findings

Year ended June 30, 2017

None.