

**MORRIS COUNTY
VOCATIONAL SCHOOL DISTRICT**

**Morris County Vocational School District
(a component unit of the County of Morris)
Denville, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

**Morris County Vocational School District
Board of Education**
(a component unit of the County of Morris)
Denville, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

**Morris County Vocational School District
Business Office**

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INTRODUCTORY SECTION



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT

400 East Main Street Denville, NJ 07834-2592
973-627-4600

September 15, 2017

Honorable President and
Members of the Board of Education
Morris County Vocational School District
400 East Main Street
Denville, NJ 07834

Dear Board Members:

The comprehensive annual financial report of the Morris County Vocational School District for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws and regulations, findings and questioned costs, are included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** Morris County Vocational School District is an independent reporting entity within the criteria adopted by the GASB as established by Governmental Accounting Standards Board in Codification Section 2100. The Morris County Vocational School District Board of Education and its school constitute the District's reporting entity.

The District offers programs for high school students, including thirteen Full Time Career Academies, and twelve share-time (half day) programs, which include programs for students who have greater individualized needs and require a smaller class size. Ten of the thirteen Academy programs are offered at the Morris County Vocational School District campus. Three satellite Academies are offered; one each at Butler High School in Butler, NJ and Morris Hills High School in Rockaway, NJ and Jefferson Township High School in Jefferson, NJ.

Thirty-eight (38) high schools from eighty-seven (87) communities and six counties send students shared-time (half time) and full-time to the County Vocational School.

Three (3) full time postsecondary programs are offered during the day, twilight and evenings. In addition to the secondary programs and full time postsecondary courses, the District offers over 28 part time Adult Evening classes where enrollment averages around 349 students per semester.

The District completed the 2016-17 school year with a full time equivalent enrollment of 1,035.5 students. The District's secondary enrollment increased at a rate of 4% during the year.

2. MAJOR INITIATIVES:

The major initiatives undertaken in the School District included but were not limited to:

- a. Application for and receipt of a competitive County Vocational Partnership Grant of \$330,000 to develop and fund a new full-time Academy for Biotechnology for 2017-2018 in collaboration with the Mountain Lakes School District.
- b. Negotiation of a revised agreement with the Morris Hills School District to commence a second cohort of Math, Science and Engineering students for the 2017-2018 school year due to overwhelming demand.
- c. Continued ongoing maintenance projects to replace outdated lighting with LED fixtures for energy savings, safety and security. Upgraded technology infrastructure to accommodate future district access and bandwidth needs.

3. **INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the District is also responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system 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 system, including that portion related to federal and state financial award programs, as well as to determine that the District has complied with applicable laws and regulations.

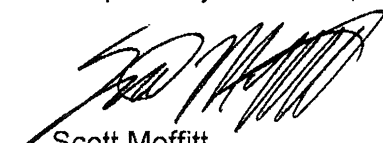
4. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of School Estimate. Annual appropriated budgets are adopted for the general fund and the special revenue fund.

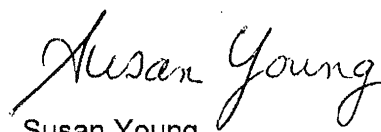
The Honorable President and
Members of the Board of Education
Morris County Vocational School District
September 15, 2017

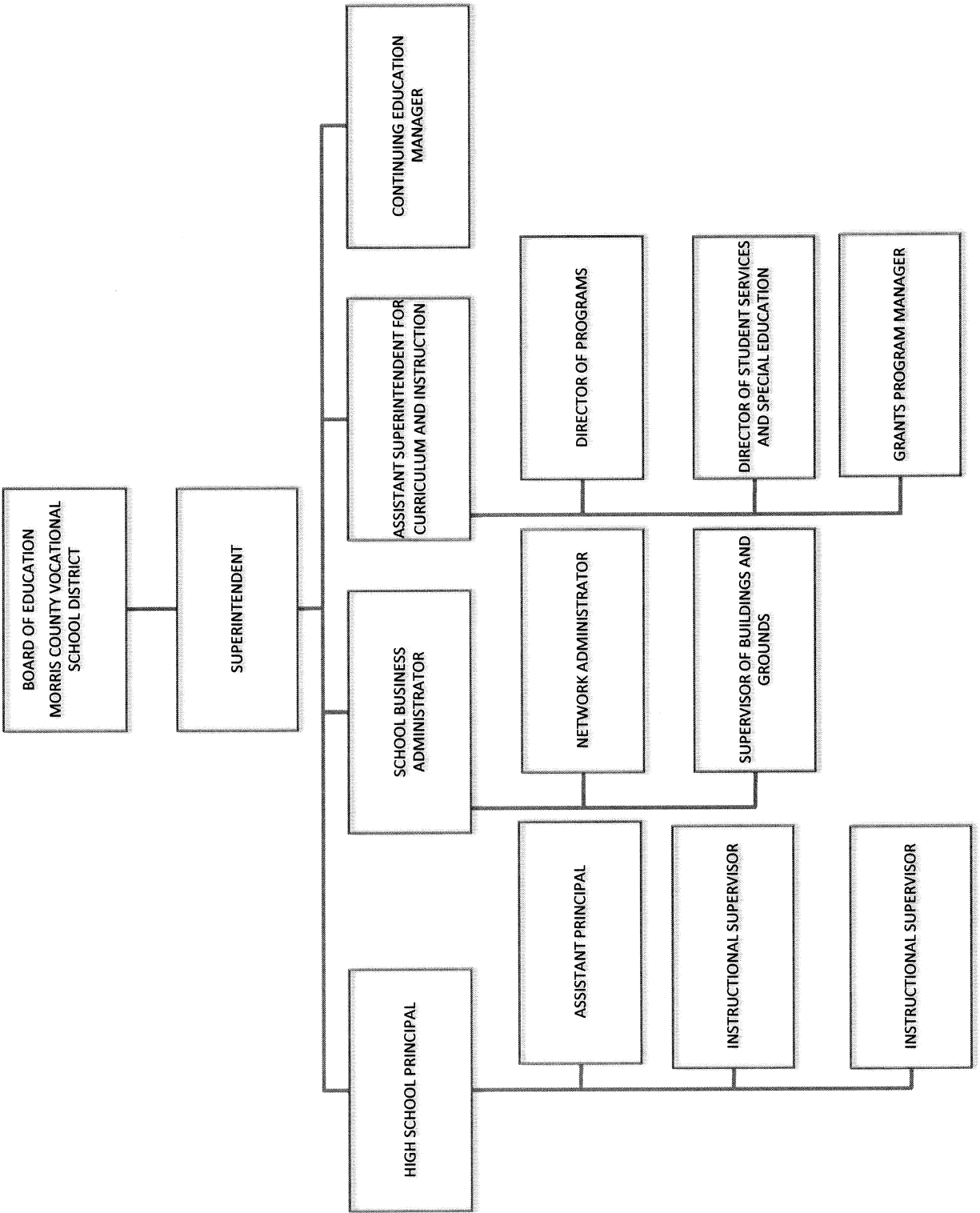
Capital Improvements are funded by the County of Morris, which pays the resulting debt service. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2017.

5. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements," Note 1.
6. **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 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.
7. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, excess liability, automotive liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds.
8. **OTHER INFORMATION: INDEPENDENT AUDIT –** State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The Auditors' report on the basic financial statements and individual fund statements and schedules is included in the financial section of this report. The Auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.
9. **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Morris County Vocational School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the County 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 our Business Office Staff.

Respectfully submitted,


Scott Moffitt
Superintendent


Susan Young
Business Administrator/Board Secretary



**MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Barbara Dawson	President	2019
Lawrence J. Colasurdo	Vice President	2020
Mary Dougherty	Member	2018
John P. Hyland	Member	2017
Roger A. Jinks, Sr.	Member (Interim Executive County Superintendent)	N/A

Other Officers

Scott Moffitt	Superintendent of Schools
Susan Young	Board Secretary/Business Administrator
Alexandra Albert	Treasurer of School Monies
John M. Mills, III	Board Attorney

**MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856

Attorney

Mills & Mills
One Western Avenue
Morristown, NJ 07960

Official Depository

Provident Bank
41 Broadway
Denville, NJ 07834

FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Morris County Vocational School District
County of Morris, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Morris County Vocational School District (the "District"), a component unit of the County of Morris, as of and for the fiscal 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 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 non-major fund financial statements and the schedule of expenditures of federal and state awards required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards 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 supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
of the Board of Education
Morris County Vocational School District
Page 3


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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 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 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 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.

September 15, 2017
Mount Arlington, New Jersey


NISIVOCCIA LLP



Francis Jones
Licensed Public School Accountant #1154
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (Unaudited)

This section of Morris County Vocational School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial position declined on both a district-wide and a fund basis.
- Overall revenue was \$25.5 million.
- Overall expenses were \$26.17 million.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending. *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates like a business, such as food services. *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.
- *Notes to the Basic Financial Statements*: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of the School District's Financial Report

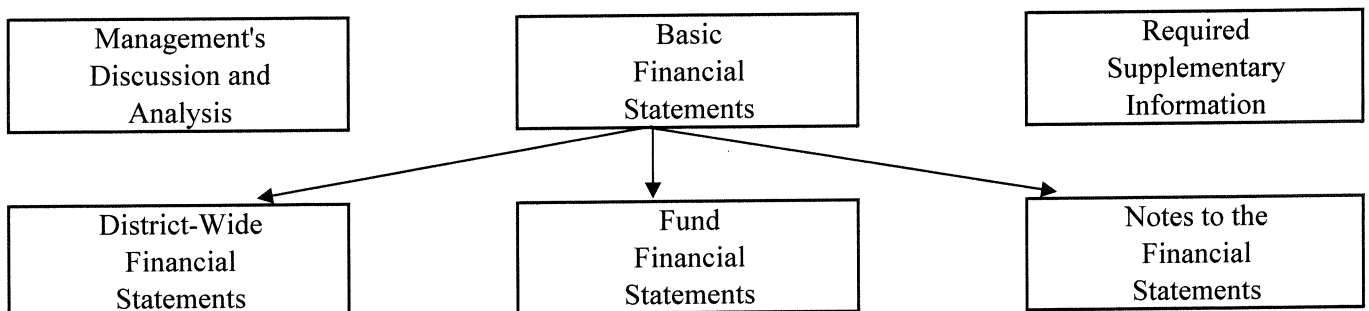


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses including: Supermarket, Food Service, Internet Consortium, Cosmetology and Adult Education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's enterprise funds are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for other programs and activities. The District currently does not maintain any internal service funds.

- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position decreased by \$1,588,650. Net position from governmental activities decreased by \$1,532,243 and net position from business-type activities decreased by \$56,407. Net investment in capital assets decreased by \$166,406, restricted net position decreased by \$12,717, and unrestricted net position decreased by \$1,409,527.

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	
Current and							
Other Assets	\$ 6,040,531	\$ 5,448,964	\$ 146,387	\$ 146,372	\$ 6,186,918	\$ 5,595,336	-9.56%
Capital Assets, Net	21,389,246	21,194,961	58,971	51,626	21,448,217	21,246,587	-0.94%
Total Assets	<u>27,429,777</u>	<u>26,643,925</u>	<u>205,358</u>	<u>197,998</u>	<u>27,635,135</u>	<u>26,841,923</u>	-2.87%
Deferred Outflows of Resources	1,359,118	3,435,381	65,619	205,620	1,424,737	3,641,001	155.56%
Other Liabilities	594,433	739,518	6,100	27,487	600,533	767,005	27.72%
Long-Term Liabilities	7,963,747	10,903,184	498,325	682,701	8,462,072	11,585,885	36.92%
Total Liabilities	<u>8,558,180</u>	<u>11,642,702</u>	<u>504,425</u>	<u>710,188</u>	<u>9,062,605</u>	<u>12,352,890</u>	36.31%
Deferred Inflows of Resources	750,804	488,936	47,924	31,209	798,728	520,145	-34.88%
Net Position:							
Net Investment in Capital Assets	21,358,861	21,194,961	54,132	51,626	21,412,993	21,246,587	-0.78%
Restricted	3,122,283	3,109,566			3,122,283	3,109,566	-0.41%
Unrestricted/(Deficit)	<u>(5,001,233)</u>	<u>(6,356,859)</u>	<u>(335,504)</u>	<u>(389,405)</u>	<u>(5,336,737)</u>	<u>(6,746,264)</u>	-26.41%
Total Net Position	<u>\$19,479,911</u>	<u>\$17,947,668</u>	<u>\$(281,372)</u>	<u>\$(337,779)</u>	<u>\$19,198,539</u>	<u>\$17,609,889</u>	-8.27%

Changes in Net Position. The District's combined net position was \$17,609,889 on June 30, 2017, \$1,588,650 or 8.27% less than the year before (see Figure A-3). Net Investment in Capital Assets decreased due to current year capital assets additions of 502,319 and a net decrease of \$35,224 in capital leases payable; offset by current year depreciation expense of \$664,788 and capital assets disposals of \$39,161. Restricted net position decreased primarily due to a board approved deposit of \$153,884 into the Capital Reserve and \$75,000 into the Maintenance Reserve; offset by a decrease in excess surplus and a use of Capital Reserve. Unrestricted net position decreased primarily due to a cancellation of county improvement authorization receivable due of \$923,134, a \$41,419 decrease in compensated absences payable and an increase in net pension liability of \$3,115,323; offset by an increase in the projected and actual earning in pension investment of \$548,258, an increase in the difference between expected and actual pension experience of \$16,267, an increase in changes in pension assumptions of \$1,435,628 and an increase in changes in proportion in pensions of \$461,779.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities 2015/16	Governmental Activities 2016/17	Business- Type Activities 2015/16	Business- Type Activities 2016/17	Total School District 2015/16	Total School District 2016/17	Percentage Change
Revenue:							
Program Revenue:							
Charges for Services	\$ 9,529,694	\$ 9,813,791	\$ 831,756	\$ 703,503	\$ 10,361,450	\$ 10,517,294	1.50%
Operating Grants and Contributions	6,121,970	7,610,126	29,977	32,089	6,151,947	7,642,215	24.22%
General Revenue:							
County Tax Levy	6,351,286	6,351,286			6,351,286	6,351,286	0.00%
State and Federal Aid not Restricted	718,955	729,129			718,955	729,129	1.42%
County Improvement Authorizations	601,000	116,000			601,000	116,000	-80.70%
Other	109,436	145,632		12	109,436	145,644	33.09%
Total Revenue	23,432,341	24,765,964	861,733	735,604	24,294,074	25,501,568	4.97%
Expenses:							
Instruction	12,915,903	14,045,844			12,915,903	14,045,844	8.75%
Pupil and Instruction Services	3,416,421	3,944,530			3,416,421	3,944,530	15.46%
Administrative & Business Maintenance and Operations	3,023,339	3,318,197			3,023,339	3,318,197	9.75%
Pupil Transportation	2,083,544	2,380,780			2,083,544	2,380,780	14.27%
Special Schools	177,197	225,412			177,197	225,412	27.21%
Other	1,408,989	1,460,425			1,408,989	1,460,425	3.65%
Other			835,537	792,011	835,537	792,011	-5.21%
Total Expenses	23,025,393	25,375,188	835,537	792,011	23,860,930	26,167,199	9.67%
Other Items:							
Other	(23,694)	(923,134)			(23,694)	(923,134)	-100.00%
Transfers	94,798	115	(93,949)		849	115	-86.45%
Increase/(Decrease) in Net Position	\$ 478,052	\$ (1,532,243)	\$ (67,753)	\$ (56,407)	\$ 410,299	\$ (1,588,650)	-487.19%

Revenue Sources. The District’s total revenue for the 2016/2017 school year was \$25,501,568. (See Figure A-4). The County tax levy of \$6,351,286 accounted for a substantial portion of the District’s revenue, or 24.90 percent, along with 41.24% from charges for services. (See Figure A-5). Another 32.83 percent came from operating grants and contributions for specific programs and state and federal aid not restricted with the remainder from miscellaneous sources and County improvement authorizations.

Figure A-5

Sources of Revenue for Fiscal Year 2017

	Amount	Percentage
Sources of Income:		
State and Federal Aid Not Restricted	\$ 729,129	2.86%
County Tax Levy	6,351,286	24.90%
Operating Grants and Contributions	7,642,215	29.97%
Charges for Services	10,517,294	41.24%
County Improvement Authorizations	116,000	0.46%
Other	145,644	0.57%
	\$ 25,501,568	100.00%

The total cost of all programs and services was \$26,167,199. The District's expenses are predominantly related to instructing, caring for students (pupil services) and special schools (74.33 percent). (See Figure A-6). The District's administrative and business activities accounted for 12.68 percent of total costs.

Figure A-6

Expenses for Fiscal Year 2017

Expense Category:	Amount	Percentage
Instruction	\$ 14,045,844	53.68%
Pupil and Instruction Services	3,944,530	15.07%
Administrative and Business	3,318,197	12.68%
Maintenance and Operations	2,380,780	9.10%
Pupil Transportation	225,412	0.86%
Special Schools	1,460,425	5.58%
Other	792,011	3.03%
	<u>\$ 26,167,199</u>	<u>100.00%</u>

Governmental Activities

The net position of the governmental activities decreased \$1,532,243 due to numerous factors. Net Investment in Capital Assets decreased \$163,900 combining additions, dispositions, depreciation expense and a decrease in capital leases payable. As mentioned previously, restricted net position decreased primarily due to a board approved deposit of \$153,884 into the Capital Reserve and \$75,000 into the Maintenance Reserve. Unrestricted Net position decreased \$1,355,626. The most significant factor was the cancellation of a county improvement authorization receivable of \$923,134. This cancellation was due to numerous 2015 authorized projects being completed under budget and the unsuccessful acquisition of a property. An additional \$179,336 decrease was due to an increase in funds assigned for General Fund encumbrances and other than a slight change in compensated absences payable the remaining difference is due to the net effect of the pension liability elements described previously within the district wide net position section.

Figure A-7 presents the cost of eight major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, pupil transportation, special schools, capital outlay and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2015/16	2016/17	2015/16	2016/17
Instruction	\$ 12,915,903	\$ 14,045,844	\$ 3,726,229	\$ 3,779,101
Pupil and Instruction Services	3,416,421	3,944,530	510,542	752,054
Administrative and Business	3,023,339	3,318,197	1,286,239	1,327,057
Maintenance and Operations	2,083,544	2,380,780	1,187,990	1,403,790
Pupil Transportation	177,197	225,412	98,870	132,911
Special Schools	1,408,989	1,460,425	563,859	556,358
	<u>\$ 23,025,393</u>	<u>\$ 25,375,188</u>	<u>\$ 7,373,729</u>	<u>\$ 7,951,271</u>

- The cost of all governmental activities this year was \$25.38 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$7.64 million).
- A portion of governmental activities was financed with \$0.73 million in state aid based on the SFRA formula.
- Approximately 27% of the District's costs (\$6.35 million) were financed with the County tax levy.
- The County of Morris authorized funding of \$116,000 for capital improvements at the District.
- The remainder of the funding came from charges for services (including tuition) and miscellaneous revenue (\$9.96 million).

Business-Type Activities

Net position from the District's business-type activities decreased overall by \$56,407. (Refer to Figure A-4). The most significant factors contributing to these results were:

- The Food Service Fund's net position increased by \$14,372, mainly due to an increase in daily sales as a result of an increase in student enrollment and the expansion of the lunch menu.
- Adult Education Enterprise Fund's net position decreased by \$69,484, primarily due to a decrease in program fees related to decrease in enrollment in several adult education programs.

Financial Analysis of the District's Funds

The District's overall net position decreased by \$1.6 million with \$.9 million due to the cancellation of County Improvement Authorization. This reversal was due to numerous 2015 capital projects coming in under budget and an unsuccessful planned property acquisition. Restricted funds remained almost level although the distribution of those funds between capital and maintenance reserves and excess surplus shifted slightly. Investment in Capital assets decreased \$.2 million. The remainder of the reduction in the district's net position of \$.5 million pertains almost solely to net changes in the district's pension liability, assumptions, gains and earnings. Overall the district performed well within its authorized governmental budget and reductions in its net position were a function of the district wide GAAP adjustments. The District has taken action to reverse its marketing approach for its Adult Education proprietary fund operations to increase its enrollment and related revenues. The District will continue to manage its overall operations within a responsible balanced operating budget.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments are primarily related to changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Figure A-8

	Capital Assets (Net of Depreciation)						Total Percentage Change
	Government Activities		Business-Type Activities		Total School District		
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	
Sites and Site Improvements	\$ 313,897	\$ 332,094			\$ 313,897	\$ 332,094	5.80%
Construction in Progress	3,966,862	1,694,962			3,966,862	1,694,962	-57.27%
Buildings and Building Improvements	16,270,967	18,236,193			16,270,967	18,236,193	12.08%
Furniture, Machinery and Equipment	837,520	931,712	\$ 58,971	\$ 51,626	896,491	983,338	9.69%
Total	<u>\$ 21,389,246</u>	<u>\$ 21,194,961</u>	<u>\$ 58,971</u>	<u>\$ 51,626</u>	<u>\$ 21,448,217</u>	<u>\$ 21,246,587</u>	<u>-0.94%</u>

Long-term Liabilities

At year-end, the District had \$11,585,885 of long term liabilities – an increase of \$3,123,813 from last year – as shown in Figure A-9. This increase was a result of a net increase in compensated absences of \$43,714 and a net increase of \$3,115,323 in net pension liability, offset by a net decrease in capital leases payable of \$35,224. The County of Morris is responsible for the issuance and repayment of long-term debt in the form of bonds and notes.

Figure A-9

Outstanding Long-Term Liabilities

	Total School District		Total Percentage Change
	2015/16	2016/17	
Other Long-Term Liabilities	\$ 539,635	\$ 548,125	1.57%
Net Pension Liability	7,922,437	11,037,760	39.32%
	<u>\$ 8,462,072</u>	<u>\$ 11,585,885</u>	36.92%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Secondary enrollment figures are at the capacity of the physical plant. However, plans to increase programs and enrollment are being pursued at alternate secondary public institutions. Financial agreements with these various institutions must be negotiated.
- Level county tax levy funding since the 2007-2008 fiscal year exerts budget pressure. Additionally recent capital project funding from the County has been minimal and is uncertain from year to year.
- The rapidly rising cost of health benefits in general, being severed from the County of Morris health benefit plan and district personnel achieving Tier IV of Chapter 78 health benefit contributions during the 2015-2016 school year continues to create additional budget concerns. The district union contracts expire June 30, 2018 and negotiations will commence in the Fall of 2017.
- The district continues to bump up against the maximum allowable state certified tuition rate capping potential revenues from sending districts.
- Receipt of competitive grants continues to assist with the establishment and multi-year funding of new start up initiatives however they will not provide year over year funding streams. These grants require sustainability of the programs once the grant period ends.
- Admission applications for full time academies continue to far exceed available seats. Predictability of share- time admissions continues to be uncertain from year to year.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 400 East Main Street, Denville, New Jersey 07834.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,955,655	\$ 132,389	\$ 2,088,044
Receivables from State Government	39,890	94	39,984
Receivables from Federal Government	221,781	1,635	223,416
Receivables from Other Governments	1,091,594		1,091,594
Other Receivables	30,478	5,135	35,613
Inventories		7,119	7,119
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	2,034,566		2,034,566
Maintenance Reserve Account - Cash and Cash Equivalents	75,000		75,000
Capital Assets, Net:			
Sites (Land) and Construction in Progress	2,003,562		2,003,562
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	19,191,399	51,626	19,243,025
Total Assets	<u>26,643,925</u>	<u>197,998</u>	<u>26,841,923</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Changes in Assumptions - Pensions	2,149,248	137,186	2,286,434
Changes in Proportion - Pensions	342,553	21,865	364,418
Difference Between Expected and Actual Experience - Pensions	192,953	12,316	205,269
Difference Between Projected and Actual Investment Earnings - Pensions	395,627	25,253	420,880
District Contribution Subsequent to the Measurement Date - Pensions	355,000	9,000	364,000
Total Deferred Outflows of Resources	<u>3,435,381</u>	<u>205,620</u>	<u>3,641,001</u>
<u>LIABILITIES</u>			
Accounts Payable	727,331	23,695	751,026
Payable to State Government	3,819		3,819
Payable to Federal Government	315		315
Unearned Revenue	8,053	3,792	11,845
Non-Current Liabilities:			
Due Within One Year	10,765		10,765
Due Beyond One Year	10,892,419	682,701	11,575,120
Total Liabilities	<u>11,642,702</u>	<u>710,188</u>	<u>12,352,890</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Changes in Proportion - Pensions	488,936	31,209	520,145
Total Deferred Inflows of Resources	<u>488,936</u>	<u>31,209</u>	<u>520,145</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	21,194,961	51,626	21,246,587
Restricted for:			
Capital Projects	2,034,566		2,034,566
Excess Surplus	1,000,000		1,000,000
Maintenance	75,000		75,000
Unrestricted/(Deficit)	(6,356,859)	(389,405)	(6,746,264)
Total Net Position/(Deficit)	<u>\$ 17,947,668</u>	<u>\$ (337,779)</u>	<u>\$ 17,609,889</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 7,353,268	\$ 3,017,527	\$ 1,982,542	\$ (2,353,199)		\$ (2,353,199)
Special	720,377	295,618	757,369	332,610		332,610
Vocational Education	5,498,804	2,256,519	1,762,903	(1,479,382)		(1,479,382)
Other Instruction	473,395	194,265		(279,130)		(279,130)
Support Services:						
Student and Instruction Related Services	3,944,530	1,618,698	1,573,778	(752,054)		(752,054)
General Administrative Services	770,423	316,155	151,064	(303,204)		(303,204)
School Administrative Services	1,229,957	504,732	353,488	(371,737)		(371,737)
Central Services	852,529	349,848	124,915	(377,766)		(377,766)
Administrative Information Technology	465,288	190,938		(274,350)		(274,350)
Plant Operations and Maintenance	2,380,780	976,990		(1,403,790)		(1,403,790)
Pupil Transportation	225,412	92,501		(132,911)		(132,911)
Special Schools	1,460,425		904,067	(556,358)		(556,358)
Total Governmental Activities	25,375,188	9,813,791	7,610,126	(7,951,271)		(7,951,271)
Business-Type Activities:						
Supermarket Account	50				\$ (50)	(50)
Internet Consortium	35,661	33,919			(1,742)	(1,742)
Adult Education	584,073	514,589			(69,484)	(69,484)
Cosmetology	918	1,403			485	485
Food Service	171,309	153,592	32,089		14,372	14,372
Total Business-Type Activities	792,011	703,503	32,089		(56,419)	(56,419)
Total Primary Government	\$ 26,167,199	\$ 703,503	\$ 7,642,215	(7,951,271)	(56,419)	(8,007,690)

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues, Transfers and Other Items:			
General Revenues:			
County Tax Levy	\$ 6,351,286		\$ 6,351,286
Federal and State Aid not Restricted	729,129		729,129
Interest Earnings	27,608	\$ 12	27,620
Miscellaneous Income	118,024		118,024
County Improvement Authorization	116,000		116,000
Transfers	115		115
Other Item:			
Cancellation of Prior Year's Intergovernmental Accounts Receivable	(923,134)		(923,134)
Total General Revenues, Transfers and Other Items	6,419,028	12	6,419,040
Change in Net Position	(1,532,243)	(56,407)	(1,588,650)
Net Position - Beginning	19,479,911	(281,372)	19,198,539
Net Position - Ending	\$ 17,947,668	\$ (337,779)	\$ 17,609,889

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,863,873		\$ 91,782	\$ 1,955,655
Interfund Receivables:				
Special Revenue Fund	119,411			119,411
Fiduciary Fund - Flex Spending Trust Fund	10,526			10,526
Receivables From State Government		\$ 39,890		39,890
Receivables From Federal Government		221,781		221,781
Receivables From Other Governments	424,398		667,196	1,091,594
Other Accounts Receivables	19,952			19,952
Restricted Cash and Cash Equivalents	2,109,566			2,109,566
Total Assets	\$ 4,547,726	\$ 261,671	\$ 758,978	\$ 5,568,375
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable - General Fund		\$ 119,411		\$ 119,411
Accounts Payable	\$ 216,171	137,286	\$ 18,874	372,331
Payable to State Government		3,819		3,819
Payable to Federal Government		315		315
Unearned Revenue	7,213	840		8,053
Total Liabilities	223,384	261,671	18,874	503,929
Fund Balances:				
Restricted:				
Capital Reserve Account	2,034,566			2,034,566
Maintenance Reserve	75,000			75,000
Excess Surplus for 2018-2019	500,000			500,000
Excess Surplus for 2017-2018	500,000			500,000
Committed:				
Capital Projects Fund			740,104	740,104
Assigned:				
Other Purposes	288,294			288,294
Unassigned	926,482			926,482
Total Fund Balances	4,324,342	740,104	740,104	5,064,446
Total Liabilities and Fund Balances	\$ 4,547,726	\$ 261,671	\$ 758,978	\$ 5,568,375

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

Total
 Governmental
 Funds

Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are different because:

Total Fund Balances from previous page	\$ 5,064,446
Capital Assets Used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$32,441,058 and the Accumulated Depreciation is \$11,246,097.	21,194,961
Long-Term Liabilities, Including Compensated Absences, Capital Leases Payable and Net Pension Liability for PERS, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(10,903,184)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	2,149,248
Changes in Proportions - Pensions	342,553
Difference Between Expected and Actual Experience - Pensions	192,953
Difference between Projected and Actual Earnings on Investments - Pensions	395,627
Changes in Proportions - Pensions	<u>(488,936)</u>
Net Position of Governmental Activities	<u>\$ 17,947,668</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Local Sources:				
County Tax Levy	\$ 6,351,286			\$ 6,351,286
Tuition from LEA's	9,374,983			9,374,983
Tuition from Individuals	438,808			438,808
Interest Earned on Capital Reserve Funds	10,778			10,778
Unrestricted Miscellaneous Revenue	134,854			134,854
Total - Local Sources	16,310,709			16,310,709
State Sources	3,203,779	\$ 333,904		3,537,683
Federal Sources		1,523,814		1,523,814
Total Revenues	19,514,488	1,857,718		21,372,206
EXPENDITURES:				
Current:				
Instruction:				
Regular Instruction	4,679,131	165,773		4,844,904
Special Education Instruction	376,272	27,505		403,777
Vocational Education Instruction	2,819,145	201,575		3,020,720
School-Sponsored/Other Instruction	361,942			361,942
Support Services and Undistributed Costs:				
Student and Other Instruction Related Services	1,954,237	598,633		2,552,870
General Administration Services	522,608			522,608
School Administration Services	698,542			698,542
Central Services	546,588			546,588
Administrative Information Technology	320,193			320,193
Plant Operations and Maintenance	1,858,580			1,858,580
Student Transportation Services	153,635			153,635
Unallocated Benefits	4,275,466			4,275,466
Capital Outlay	277,680	144,570	\$ 134,491	556,741
Special Schools	441,696	719,662		1,161,358
Total Expenditures	19,285,715	1,857,718	134,491	21,277,924
Excess/(Deficit) of Revenue Over/(Under) Expenditures	228,773		(134,491)	94,282
Other Financing Sources/(Uses):				
County Improvement Authorization			116,000	116,000
Transfer from Flex Spending Trust Fund	115			115
Capital Reserve - Transfer to Capital Projects Fund	(45,715)		45,715	
County Improvement Authorization Receivable Cancelled			(923,134)	(923,134)
Total Other Financing Sources/(Uses)	(45,600)		(761,419)	(807,019)
Net Change in Fund Balances	183,173		(895,910)	(712,737)
Fund Balance - July 1	4,141,169		1,636,014	5,777,183
Fund Balance - June 30	\$ 4,324,342	\$ -0-	\$ 740,104	\$ 5,064,446

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (712,737)

Amounts Reported for Governmental Activities in the Statement
of Activities (A-2) are Different Because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differs from depreciation in the period.

Depreciation Expense	\$ (654,318)	
Deletions, Net of Related Depreciation Expense	(39,161)	
Capital Outlays	<u>499,194</u>	(194,285)

Repayment of capital leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.

30,385

In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

(41,419)

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability		(2,928,403)
Change in Deferred Outflows:		
Changes in Assumptions		1,349,490
Changes in Proportion		291,940
Difference Between Expected and Actual Experience		15,291
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		395,627
Change in Deferred Inflows:		
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		119,735
Changes in Proportion		<u>142,133</u>

Change in Net Position of Governmental Activities (Exhibit A-2) \$ (1,532,243)

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds	Major Fund Adult Education	Total Enterprise
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 58,446	\$ 73,943	\$ 132,389
Intergovernmental Accounts Receivable:			
State	94		94
Federal	1,635		1,635
Other Accounts Receivable	5,135		5,135
Inventories	7,119		7,119
Total Current Assets	<u>72,429</u>	<u>73,943</u>	<u>146,372</u>
Non-Current Assets:			
Capital Assets	161,189	52,016	213,205
Less: Accumulated Depreciation	<u>(134,277)</u>	<u>(27,302)</u>	<u>(161,579)</u>
Total Non-Current Assets	<u>26,912</u>	<u>24,714</u>	<u>51,626</u>
Total Assets	<u>99,341</u>	<u>98,657</u>	<u>197,998</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Assumptions - Pensions		137,186	137,186
Changes in Proportion - Pensions		21,865	21,865
Difference Between Expected and Actual Experience - Pension		12,316	12,316
Difference Between Projected and Actual Earnings on Investments - Pension		25,253	25,253
District Contribution Subsequent to the Measurement Date - Pension		<u>9,000</u>	<u>9,000</u>
Total Deferred Outflows of Resources		<u>205,620</u>	<u>205,620</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	12,508	11,187	23,695
Unearned Revenue	<u>3,792</u>		<u>3,792</u>
Total Current Liabilities	<u>16,300</u>	<u>11,187</u>	<u>27,487</u>
Non-Current Liabilities:			
Compensated Absences Payable		20,435	20,435
Net Pension Liability		<u>662,266</u>	<u>662,266</u>
Total Non-Current Liabilities		<u>682,701</u>	<u>682,701</u>
Total Liabilities	<u>16,300</u>	<u>693,888</u>	<u>710,188</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Funds</u>	<u>Major Fund Adult Education</u>	<u>Total Enterprise</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Changes in Proportion - Pensions		\$ 31,209	\$ 31,209
Total Deferred Inflows of Resources		31,209	31,209
<u>NET POSITION:</u>			
Investment in Capital Assets	\$ 26,912	24,714	51,626
Unrestricted/(Deficit)	56,129	(445,534)	(389,405)
Total Net Position/(Deficit)	<u>\$ 83,041</u>	<u>\$ (420,820)</u>	<u>\$ (337,779)</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds	Major Fund Adult Education	Total Enterprise
Operating Revenue:			
Daily Sales:			
Reimbursable Programs	\$ 77,836		\$ 77,836
Non-Reimbursable Programs	68,408		68,408
Charges for Services:			
Program Fees	35,322	\$ 514,589	549,911
Miscellaneous Revenue	7,348		7,348
Total Operating Revenue	<u>188,914</u>	<u>514,589</u>	<u>703,503</u>
Operating Expenses:			
Cost of Sales:			
Reimbursable Programs	57,605		57,605
Non-Reimbursable Programs	25,880		25,880
Salaries	67,915	348,627	416,542
Employee Benefits	12,293	88,561	100,854
Purchased Professional and Technical Services	9,900	27,992	37,892
Other Purchased Services	20,128	52,582	72,710
Supplies and Materials	5,192	60,484	65,676
Miscellaneous Expense	4,138	244	4,382
Depreciation Expense	4,887	5,583	10,470
Total Operating Expenses	<u>207,938</u>	<u>584,073</u>	<u>792,011</u>
Operating Loss	<u>(19,024)</u>	<u>(69,484)</u>	<u>(88,508)</u>
Non-Operating Income:			
Local Sources:			
Interest Income	12		12
State Sources:			
State School Lunch Program	1,127		1,127
Federal Sources:			
National School Lunch Program	17,650		17,650
School Breakfast Program	2,197		2,197
Food Distribution Program	11,115		11,115
Total Non-Operating Income	<u>32,101</u>		<u>32,101</u>
Change in Net Position	13,077	(69,484)	(56,407)
Net Position/(Deficit) - Beginning of Year	<u>69,964</u>	<u>(351,336)</u>	<u>(281,372)</u>
Net Position/(Deficit) - End of Year	<u>\$ 83,041</u>	<u>\$ (420,820)</u>	<u>\$ (337,779)</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Funds</u>	<u>Major Fund Adult Education</u>	<u>Total Enterprise</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 184,379	\$ 514,589	\$ 698,968
Payments to Food Service Contractor	(145,390)		(145,390)
Payments to/for Employees	(15,000)	(395,689)	(410,689)
Payments to Suppliers	(22,816)	(139,822)	(162,638)
Net Cash Provided by/(Used for) Operating Activities	<u>1,173</u>	<u>(20,922)</u>	<u>(19,749)</u>
Cash Flows Used for Capital and Related Financing Activities:			
Purchases of Capital Assets	(3,125)		(3,125)
Lease Purchase Principal Payment		(4,839)	(4,839)
Net Cash Used for Capital and Related Financing Activities	<u>(3,125)</u>	<u>(4,839)</u>	<u>(7,964)</u>
Cash Flows from Noncapital Financing Activities:			
State Sources	1,116		1,116
Federal Sources	19,815		19,815
Net Cash Provided by Noncapital Financing Activities	<u>20,931</u>		<u>20,931</u>
Cash Flows from Financing Activities:			
Interest Income	12		12
Net Cash Provided by Financing Activities	<u>12</u>		<u>12</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	18,991	(25,761)	(6,770)
Cash and Cash Equivalents, July 1	<u>39,455</u>	<u>99,704</u>	<u>139,159</u>
Cash and Cash Equivalents, June 30	<u>\$ 58,446</u>	<u>\$ 73,943</u>	<u>\$ 132,389</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Funds</u>	<u>Major Fund Adult Education</u>	<u>Total Enterprise</u>
Reconciliation of Operating Loss to Net Cash			
Provided by Operating Activities:			
Operating Loss	\$ (19,024)	\$ (69,484)	\$ (88,508)
Adjustment to Reconcile Operating Loss to Net Cash			
Provided by/(Used for) Operating Activities:			
Depreciation	4,887	5,583	10,470
Food Distribution Program	11,115		11,115
Changes in Assets and Liabilities:			
(Increase) in Other Accounts Receivable	(4,943)		(4,943)
(Increase) in Inventory	(1,768)		(1,768)
Increase in Accounts Payable	10,600	1,480	12,080
Increase in Unearned Revenue	306		306
Increase in Compensated Absences Payable		2,295	2,295
Increase in Net Pension Liability		186,920	186,920
(Increase) in Changes in Assumptions - Pension		(86,138)	(86,138)
(Increase) in Difference between Expected and Actual Experience - Pension		(976)	(976)
(Increase) in Difference between Projected and Actual Earnings in Investments - Pensions		(32,896)	(32,896)
(Decrease) in Changes in Proportions - Pensions		(27,706)	(27,706)
Net Cash Provided by/(Used for) Operating Activities	<u>\$ 1,173</u>	<u>\$ (20,922)</u>	<u>\$ (19,749)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$11,013 and utilized U.S.D.A. Commodities valued at \$11,115. The Adult Education Enterprise Fund paid down \$4,839 of capital leases payable.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarships Trust</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 497,480	\$ 24,910	\$ 29,687	\$ 132,711
Interfund Receivable:				
Payroll Agency		3,280		
Total Assets	<u>497,480</u>	<u>28,190</u>	<u>29,687</u>	<u>132,711</u>
<u>LIABILITIES:</u>				
Interfund Payable:				
General Fund			10,526	
Unemployment Compensation Trust	3,280			
Payroll Deductions and Withholdings	98,425			
Accrued Salaries and Wages	266,944			
Due to Student Groups	128,831			
Total Liabilities	<u>497,480</u>		<u>10,526</u>	
<u>NET POSITION:</u>				
Held in Trust for:				
Unemployment Claims		28,190		
Flexible Spending Claims			19,161	
Restricted for Scholarships				132,711
Total Net Position	<u>\$ -0-</u>	<u>\$ 28,190</u>	<u>\$ 19,161</u>	<u>\$ 132,711</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarships Trust
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS:			
Contributions:			
Plan Members	\$ 16,499	\$ 27,600	
Investment Earnings:			
Interest	<u> 121</u>	<u> </u>	<u> \$ 185</u>
Total Additions	<u> 16,620</u>	<u> 27,600</u>	<u> 185</u>
DEDUCTIONS:			
Unemployment Benefit Claims	12,404		
Flexible Spending Claims		9,710	
Scholarships Awarded	<u> </u>	<u> </u>	<u> 3,000</u>
Total Deductions	<u> 12,404</u>	<u> 9,710</u>	<u> 3,000</u>
Change in Net Position before Other Financing Uses	4,216	17,890	(2,815)
OTHER FINANCING USES:			
Transfer to General Fund	<u> </u>	<u> (115)</u>	<u> </u>
Total Other Financing Uses	<u> </u>	<u> (115)</u>	<u> </u>
Change in Net Position	4,216	17,775	(2,815)
Net Position - Beginning of the Year	<u> 23,974</u>	<u> 1,386</u>	<u> 135,526</u>
Net Position - End of the Year	<u> \$ 28,190</u>	<u> \$ 19,161</u>	<u> \$ 132,711</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Morris County Vocational School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of officials who are appointed by the Morris County Board of Chosen Freeholders and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. The District is a component unit of the County of Morris under the provisions of GASB Codification Section 2100.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from bond ordinances that are specifically authorized by the Board of School Estimate, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Debt Service Fund: Because Vocational School capital projects are authorized by the County Board of Chosen Freeholders under a bond ordinance and the subsequent debt is funded directly from the County budget, the Debt Service Fund does not apply to the Morris County Vocational School District.

Enterprise Fund: The Enterprise Funds account for all revenue and expenses pertaining to the Board's Enterprise Funds. The District operates several Enterprise Funds. The District's Enterprise Funds are comprised of the Supermarket Program, Internet Consortium, Adult Education, Cosmetology, and Food Service Funds. These Enterprise Funds are 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 goods or services to the students or to the public on a continuing basis are financed or recovered primarily through user charges.

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, the Payroll Agency Fund, the Private Purpose Scholarships Trust Fund, the Flexible Spending Trust Fund and the Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of County bond ordinances and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 are voted upon by the County Board of School Estimate, which consists of three Morris County freeholders and two Morris County Vocational School Board members. Budgets are prepared using the modified accrual basis of accounting. 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. 6:20-2A.2(m)1. Budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements. Bond Ordinance proceeds in the Capital Projects Fund are recognized on the budgetary basis in the year that the respective ordinance is authorized; while on a GAAP basis revenue is recognized based on actual expenditures.

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 19,512,160	\$ 1,927,987
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognized Encumbrances as Expenditures and Revenue while the GAAP Basis does not:		
Current Year Encumbrances		(74,602)
Prior Year Encumbrances		4,333
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	117,629	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(115,301)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 19,514,488	\$ 1,857,718

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control (Cont'd)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 19,285,715	\$ 1,927,987
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(74,602)
Prior Year Encumbrances		4,333
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 19,285,715	\$ 1,857,718

E. Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A 17:9-41et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a 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 market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities or governmental and agency funds, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets: (Cont'd)

The District does not possess any infrastructure. Capital assets have been reviewed for impairment. The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture, Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or enterprise funds. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages

Certain District employees, who provide services to the District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned undisbursed amounts be retained in a separate bank account. As of June 30, 2017, the amount earned by these employees but not disbursed was \$266,944.

N. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and 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.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the district-wide *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

O. Unearned Revenue

Unearned revenue in the special revenue fund and enterprise fund represent cash which has been received but not yet earned.

P. Fund Balance Appropriated

General Fund: Of the \$4,324,342 General Fund fund balance at June 30, 2017, \$288,294 is assigned for encumbrances; \$2,034,566 is restricted in the capital reserve account; \$75,000 is restricted in the maintenance reserve account; \$1,000,000 is restricted for excess surplus in accordance with N.J.S.A.18A:17F-7 as amended by P.L. 2004, C.73 (S1701) (\$500,000 of prior year excess surplus has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2018; \$500,000 of current year excess surplus will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019); and \$926,482 is unassigned, which is \$115,301 less than the budgetary unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2018.

Capital Projects Fund: Of the \$740,104 Capital Projects Fund committed fund balance at June 30, 2017, \$725,838 is committed for year-end encumbrances.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (s1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict 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 year's budget. The District had excess surplus at June 30, 2017 as detailed above.

P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record these state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the last two state aid payments, and not the fund balance reported on the fund statement which excludes these state aid payments.

Q. Deficit Net Position

The District has a deficit in unrestricted net position of \$6,356,859 in its governmental activities, which is primarily due to deferred inflows, outflows and liabilities related to pensions and \$527,690 of compensated absences. The District also has a deficit in unrestricted net position in the Adult Education Enterprise Fund of \$445,534 primarily due to pensions also. These deficits do not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources and deferred inflows of resources at June 30, 2017 related to pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for a capital reserve, a maintenance reserve and excess surplus.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2017.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances in the General Fund at June 30, 2017.

T. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end. Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: county taxes, interest and tuition.

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales or program fees, as applicable, for the various Enterprise Funds. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the respective Enterprise Fund.

V. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which 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.

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, and

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, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2017, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash & Cash Equivalents</u>		<u>Total</u>
		<u>Capital Reserve Account</u>	<u>Maintenance Reserve Account</u>	
Checking and Savings Accounts	\$ 2,772,832	\$ 2,034,566	\$ 75,000	\$ 4,882,398

During the period ended June 30, 2017, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents at June 30, 2017 was \$4,885,398 and the bank balance was \$5,326,381.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution on October 16, 2000 in the amount of \$1 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).

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Upon submission of the LRFP to the State Department of Education, the district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amount or both.

A district may also appropriate additional amounts with the express approval of the Board of School Estimate authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-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.

Beginning Balance, July 1, 2016	\$ 1,915,619
Add:	
Interest Earnings	10,778
Transfer from Unassigned Fund Balance as per Board Resolution	153,884
Less:	
Transfer to Capital Projects Fund as per Board Resolution	<u>(45,715)</u>
Ending Balance, June 30, 2017	<u><u>\$ 2,034,566</u></u>

The June 30, 2017 LRFP balance of local support costs of uncompleted capital projects exceeds the balance in the capital reserve account at June 30, 2017. The withdrawal from capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 308,600			\$ 308,600
Construction in Progress	3,966,862	\$ 134,492	\$ (2,406,392)	1,694,962
Total Capital Assets Not Being Depreciated	<u>4,275,462</u>	<u>134,492</u>	<u>(2,406,392)</u>	<u>2,003,562</u>
Capital Assets Being Depreciated:				
Site Improvements	1,110,900	19,804		1,130,704
Buildings and Building Improvements	23,919,435	2,485,900	(42,567)	26,362,768
Machinery and Equipment	2,678,634	265,390		2,944,024
Total Capital Assets Being Depreciated	<u>27,708,969</u>	<u>2,771,094</u>	<u>(42,567)</u>	<u>30,437,496</u>
Governmental Activities Capital Assets	<u>31,984,431</u>	<u>2,905,586</u>	<u>(2,448,959)</u>	<u>32,441,058</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,105,603)	(1,607)		(1,107,210)
Buildings and Building Improvements	(7,648,468)	(481,513)	3,406	(8,126,575)
Machinery and Equipment	(1,841,114)	(171,198)		(2,012,312)
	<u>(10,595,185)</u>	<u>(654,318)</u>	<u>3,406</u>	<u>(11,246,097)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 21,389,246</u></u>	<u><u>\$ 2,251,268</u></u>	<u><u>\$ (2,445,553)</u></u>	<u><u>\$ 21,194,961</u></u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 210,080	\$ 3,125		\$ 213,205
Less Accumulated Depreciation	<u>(151,109)</u>	<u>(10,470)</u>		<u>(161,579)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 58,971</u>	<u>\$ (7,345)</u>	<u>\$ -0-</u>	<u>\$ 51,626</u>

The District had active construction projects totaling \$740,104 as of June 30, 2017. These projects include renovations of the District's schools and grounds.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 36,795
Vocational Education	356,394
Other Instruction	3,733
Student and Instruction Related Services	5,431
General Administration	18,366
School Administration	25,007
Central Services	10,281
Administrative Information Technology	47,794
Plant Operations and Maintenance	64,668
Pupil Transportation	55,992
Special Schools	29,857
	<u>\$ 654,318</u>

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in long-term liabilities reported in the district-wide financial statements:

	<u>Balance 6/30/2016</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance 6/30/2017</u>
Capital Leases	\$ 35,224		\$ 35,224	\$ -0-
Compensated Absences Payable	504,411	\$ 82,526	38,812	548,125
Net Pension Liability	<u>7,922,437</u>	<u>3,115,323</u>		<u>11,037,760</u>
	<u>\$ 8,462,072</u>	<u>\$ 3,197,849</u>	<u>\$ 74,036</u>	<u>\$ 11,585,885</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the County of Morris Board of Chosen Freeholders by adopting a bond ordinance. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the County of Morris Board of Chosen Freeholders are general obligation bonds of the County of Morris and therefore are not recorded as debt of the Morris County Vocational School District.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

B. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$10,765 and is separated from the long-term liability balance of compensated absences of \$516,925. The General Fund will be used to liquidate these compensated absences. The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, \$20,435 is recorded for compensated absences in the Adult Education Enterprise Fund.

C. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$-0- and the long-term portion is \$10,375,494. The Public Employees' Retirement System's (PERS) net pension liability of the proprietary fund types is recorded in the current and long-term liabilities and will be liquidated by the Adult Education Enterprise Fund. The current portion of the net pension liability at June 30, 2017 is \$-0- and the long-term portion is \$662,266. See Note 7 for further information on the PERS.

NOTE 7. PENSION PLANS

A. Public Employees' Retirement System (PERS)

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$331,085 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the District reported a liability of \$11,037,760 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 as of 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 members, actuarially determined. At June 30, 2016, the District's proportion was 0.037%, which was an increase of 0.002% from its proportion measured as of June 30, 2015.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$984,457. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 138,747	
	2015	5.72	566,950	
	2016	5.57	1,580,737	
			<u>2,286,434</u>	
Difference Between Expected and Actual Experience	2015	5.72	157,298	
	2016	5.57	47,971	
			<u>205,269</u>	
Changes in Proportion	2014	6.44		\$ 520,145
	2015	5.72	42,436	
	2016	5.57	321,982	
			<u>364,418</u>	<u>520,145</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(207,914)	
	2015	5.00	133,022	
	2016	5.57	495,772	
			<u>420,880</u>	
District Contribution Subsequent to the Measurement Date	2016	1.00	<u>364,000</u>	
			<u>\$ 3,641,001</u>	<u>\$ 520,145</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2017	\$ 655,742
2018	655,741
2019	759,699
2020	638,258
2021	203,143
	<u>\$ 2,912,583</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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:

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%

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

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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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' target asset allocation as of June 30, 2016 are summarized in the following table.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<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 U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex. U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

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 upon the contribution rate in the most recent fiscal year. 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 collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, 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 or 1-percentage-point higher than the current rate.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Cont'd)

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 13,525,486	\$ 11,037,760	\$ 8,983,926

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

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, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2017, the State of New Jersey contributed \$768,850 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$4,046,608.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$53,857,055. 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 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 members, actuarially determined. At June 30, 2016, the District's proportion was 0.068%, which was an increase of 0.003% from its proportion measured as of June 30, 2015.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		53,857,055
Total	\$	53,857,055

For the fiscal year ended June 30, 2017, the State recognized pension expense on behalf of the District in the amount of \$4,046,608 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	9,522,623,964	
			15,702,750,875	
Difference Between Expected and Actual Experience	2014	8.3		\$ 16,110,615
	2015	8.5	277,221,464	
	2016	8.3		118,421,979
			277,221,464	134,532,594
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.0	(870,618,286)	
	2015	5.0	577,926,182	
	2016	5.0	1,727,420,767	
			1,434,728,663	
		\$ 17,414,701,002	\$ 134,532,594	

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

Actuarial Assumptions

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

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

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years 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 pension 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' target asset allocation as of June 30, 2016 are summarized in the following table.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	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%

Discount Rate – TPAF

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 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 upon the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the pension 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 pension 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.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the State's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

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

	June 30, 2016		
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 64,317,360	\$ 53,857,055	\$ 45,314,867

Pension Plan Fiduciary Net Position

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$6,163 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$17,862 for the fiscal year ended June 30, 2017.

NOTE 8. POST-RETIREMENT BENEFITS

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.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO BASIC THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. POST-RETIREMENT BENEFITS (Cont'd)

As of June 30, 2016, there were 110,512 retirees eligible for post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with, P.L. 1994 c.62.

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

The School Employees Health Benefits Program (SEHBP) 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 publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on-behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$663,838, \$652,681 and \$615,575 for 2017, 2016 and 2015, respectively.

NOTE 9. 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. The District obtains their health benefit coverage through Horizon Blue Cross/Blue Shield of NJ.

Property, Liability and Health Benefits

The Morris County Vocational School District is a member of the Morris County Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage for its members. The Morris County Vocational School District is also a member of the Morris-Essex Insurance Group (the "Group"). This public entity risk management pool provides workers' compensation coverage for its members.

A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund and the Group are risk-sharing public entity risk management pools that are an insured and self-administered group of school boards or other governmental entities established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund/Group are elected.

As a member of the Fund/Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of either the Fund/Group were to be exhausted, members would become responsible for their respective shares of the respective Fund's liabilities. The Fund/Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO BASIC THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

The June 30, 2017 audit report for the Group is not available as of the date of this report. Selected, summarized financial information for the pools are detailed below:

	<u>Morris County Insurance Fund Dec. 31, 2016</u>	<u>Morris-Essex Insurance Group June 30, 2016</u>
Total Assets	\$ 11,369,900	\$ 9,740,564
Net Position	\$ 6,884,822	\$ 7,012,792
Total Revenue	\$ 3,159,377	\$ 3,393,346
Total Expenses	\$ 2,894,936	\$ 1,680,814
Change in Net Position	\$ 264,441	\$ 1,712,532
Members Dividends	\$ -0-	\$ 802,365

Financial statements for the pools are available at the various Executive Directors' Offices:

Morris County Insurance Fund

Administration & Records Building
Court Street, P.O. Box 900
Morristown, NJ 07963-0900

Morris-Essex Insurance Group

Burton Agency
44 Bergen Street
P.O. Box 270
Westwood, NJ 07675

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

The following is a summary of District contributions, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ -0-	\$ 121	\$ 16,499	\$ 12,404	\$ 28,190
2015-2016	-0-	46	18,995	25,035	23,974
2014-2015	-0-	23	18,613	5,273	29,968

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO BASIC THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 10. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from county, federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 129,937	
Special Revenue Fund		\$ 119,411
Fiduciary Fund - Unemployment Compensation Trust	3,280	
Fiduciary Fund - Flexible Spending Trust		10,526
Fiduciary Fund - Payroll Agency		3,280
	<u>\$ 133,217</u>	<u>\$ 133,217</u>

The interfund between the General Fund and the Special Revenue Fund is due to a deficit in cash and cash equivalents in the Special Revenue Fund. The deficit is due to the timing between expenditure and reimbursement of federal grant funds from the State. The interfund between the General Fund and the Flexible Spending Trust Fund consists of funds the General Fund advanced the Flexible Spending Trust Fund to open a bank account in prior years; current year and prior year interest earned (net of bank service charges) in the Flexible Spending Trust due to the General Fund and fiscal years 2011 through 2016 unclaimed employee contributions due to the General Fund. The interfund receivable in the Unemployment Compensation Trust Fund is fiscal year 2016 and 2017 employee unemployment withholdings not turned over from the Payroll Agency at year end.

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

- AXA Equitable
- Lincoln Financial Advisors Corp
- MetLife Resources
- Primerica Financial Services
- VALIC Financial Advisors, Inc.

NOTE 13. TAX CALENDAR

Property taxes are levied by the County as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO BASIC THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 13. TAX CALENDAR (Cont'd)

The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipalities and are remitted to the County who then disburses those funds to the School District on a predetermined mutually agreed-upon schedule.

NOTE 14. ACCOUNTS PAYABLE

Payables as of June 30, 2017 were:

	<u>Governmental Funds</u>			<u>District Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business-Type Activities Enterprise Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>			
Accrued Salaries	\$ 54,647	\$ 2,737			\$ 57,384	
State of New Jersey		43,595		\$ 355,000	398,595	\$ 9,000
Vendors	161,524	90,954	\$ 18,874		271,352	14,695
	<u>\$ 216,171</u>	<u>\$ 137,286</u>	<u>\$ 18,874</u>	<u>\$ 355,000</u>	<u>\$ 727,331</u>	<u>\$ 23,695</u>

NOTE 15. CONTINGENT LIABILITIES

Grant Programs

The School District participates in federal and state assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in pending lawsuits. The District estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2017, there were encumbrances as detailed below in the governmental funds.

<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>\$ 288,294</u>	<u>\$ 74,602</u>	<u>\$ 725,838</u>	<u>\$ 1,088,734</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO BASIC THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 15. CONTINGENT LIABILITIES (Cont'd)

Encumbrances (Cont'd)

On the District's Governmental Funds Balance Sheet as of June 30, 2017, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$74,602 less than the actual year-end encumbrances on a budgetary basis. Encumbrances are not recognized on a GAAP basis and are reflected as either a reduction in grants receivables or an increase in unearned revenue. The \$725,838 of year-end encumbrances in the Capital Projects Fund on a budgetary basis are included in the \$740,104 committed fund balance on a GAAP basis at June 30, 2017.

NOTE 16. MAINTENANCE RESERVE

A maintenance reserve account was established by Board resolution on June 13, 2017. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current fiscal year in the advertised recapitulation of balances of the subsequent fiscal year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the fiscal year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any fiscal year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at fiscal year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current fiscal year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent fiscal year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Beginning Balance, July 1, 2016	\$	-0-
Add:		
Transfer from Unassigned Fund Balance as per Board Resolution		75,000
Ending Balance, June 30, 2017	\$	<u>75,000</u>

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0349534257%	0.0352924015%	0.0372681588%
District's proportionate share of the net pension liability	\$ 6,544,237	\$ 7,922,437	\$ 11,037,760
District's covered employee payroll	\$ 2,422,162	\$ 2,492,294	\$ 2,425,577
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	270.18%	317.88%	455.06%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 288,151	\$ 303,420	\$ 331,085
Contributions in relation to the contractually required contribution	<u>(288,151)</u>	<u>(303,420)</u>	<u>(331,085)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 2,687,142	\$ 2,422,162	\$ 2,492,294
Contributions as a percentage of covered employee payroll	10.72%	12.53%	13.28%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ASSOCIATED WITH THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0704692184%	0.0717234089%	0.0684626190%
State's proportionate share of the net pension liability attributable to the District	\$ 37,662,969	\$ 45,332,257	\$ 53,857,055
District's covered employee payroll	\$ 7,023,608	\$ 7,128,713	\$ 7,083,538
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	536.23%	635.91%	760.31%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 2,026,621	\$ 2,767,942	\$ 4,046,608
Contributions in relation to the contractually required contribution	<u>(387,763)</u>	<u>(548,138)</u>	<u>(768,850)</u>
Contribution deficiency/(excess)	<u>\$ 1,638,858</u>	<u>\$ 2,219,804</u>	<u>\$ 3,277,758</u>
District's covered employee payroll	\$ 7,128,713	\$ 7,083,538	\$ 7,147,295
Contributions as a percentage of covered employee payroll	5.44%	7.74%	10.76%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

A. 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. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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

B. 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. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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 years average of Social Security data from 1953 to 2013.

BUDGETARY COMPARISON SCHEDULES

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

REVENUES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
County Tax Levy	\$ 6,351,286		\$ 6,351,286	\$ 6,351,286	
Tuition from LEA's	9,307,662		9,307,662	9,374,983	\$ 67,321
Tuition from Individuals	519,455		519,455	438,808	(80,647)
Interest Earned on Capital Reserve	750		750	10,778	10,028
Unrestricted Miscellaneous Revenues	43,750		43,750	134,854	91,104
Total - Local Sources	<u>16,222,903</u>		<u>16,222,903</u>	<u>16,310,709</u>	<u>87,806</u>
State Sources:					
Categorical Special Education Aid	503,287		503,287	503,287	
Equalization Aid	73,419		73,419	73,419	
Categorical Security Aid	64,934		64,934	64,934	
Adjustment Aid	563,785		563,785	563,785	
PARCC Readiness Aid	8,910		8,910	8,910	
Per Pupil Growth Aid	8,910		8,910	8,910	
Professional Learning Community Aid	9,820		9,820	9,820	
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				663,838	663,838
On-Behalf TPAF Pension Contributions (Non-Budgeted)				768,850	768,850
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				27,857	27,857
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				2,223	2,223
TPAF Reimbursed Social Security (Non-Budgeted)				505,618	505,618
Total State Sources	<u>1,233,065</u>		<u>1,233,065</u>	<u>3,201,451</u>	<u>1,968,386</u>
Total Revenues	<u>17,455,968</u>		<u>17,455,968</u>	<u>19,512,160</u>	<u>2,056,192</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Regular Programs - Grade 9-12 - Instruction:					
Salaries of Teachers	\$ 2,830,452	\$ (1)	\$ 2,830,451	\$ 2,699,772	\$ 130,679
Purchased Professional-Educational Services	1,771,786	(10,672)	1,761,114	1,691,658	69,456
Other Purchased Services (400-500 series)	34,013	9,426	43,439	40,541	2,898
General Supplies	176,178	(48,498)	127,680	123,841	3,839
Textbooks	111,900	(13,736)	98,164	97,400	764
Other Objects	666	500	1,166	500	666
Total Grade 9-12 - Instruction	4,924,995	(62,981)	4,862,014	4,653,712	208,302
Regular Programs - Home Instruction:					
Salaries of Teachers	7,000	(5,700)	1,300	1,259	41
Purchased Professional-Educational Services	9,000	17,409	26,409	24,106	2,303
Other Purchased Services (400-500 series)		54	54	54	
Total Home Instruction	16,000	11,763	27,763	25,419	2,344
Total Regular Programs - Instruction	4,940,995	(51,218)	4,889,777	4,679,131	210,646
Special Education Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	370,963		370,963	369,331	1,632
Other Purchased Services (400-500 series)	2,400		2,400	817	1,583
General Supplies	2,650	3,875	6,525	6,124	401
Textbooks	1,750	(1,750)			
Total Resource Room/Resource Center/Special Education Instruction	377,763	2,125	379,888	376,272	3,616
Regular Vocational Programs:					
Salaries of Teachers	2,293,983	(70,380)	2,223,603	2,151,581	72,022
Other Salaries for Instruction	65,318		65,318	29,164	36,154
Purchased Professional-Educational Services	26,375	(1,028)	25,347	14,804	10,543

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Regular Vocational Programs (Cont'd):					
Purchased Technical Services	\$ 18,925	\$ (12,075)	\$ 6,850	\$ 4,713	\$ 2,137
Other Purchased Services (400-500 series)	28,443	(809)	27,634	21,766	5,868
General Supplies	365,469	(13,832)	351,637	282,072	69,565
Textbooks	13,465	434	13,899	11,432	2,467
Other Objects	7,500	4,440	11,940	10,690	1,250
Total Regular Vocational Programs	2,819,478	(93,250)	2,726,228	2,526,222	200,006
Special Vocational Programs:					
Salaries of Teachers	261,812		261,812	257,025	4,787
Other Purchased Services (400-500 series)	11,102	366	11,468	6,739	4,729
General Supplies	27,875	9,804	37,679	28,404	9,275
Textbooks		755	755	755	
Special Vocational Programs	300,789	10,925	311,714	292,923	18,791
School-Sponsored Co-curricular Activities:					
Salaries	106,240	(8,862)	97,378	96,361	1,017
Purchased Services (300-500 series)	6,627	(3,910)	2,717	615	2,102
Supplies and Materials	650	1,547	2,197	2,197	
Other Objects	26,773	13,985	40,758	40,757	1
Total School-Sponsored Co-curricular Activities	140,290	2,760	143,050	139,930	3,120
School-Sponsored Athletics:					
Salaries	126,995	3,362	130,357	130,357	
Purchased Services (300-500 series)	74,910	(15,683)	59,227	58,422	805
Supplies and Materials	23,386	2,234	25,620	24,178	1,442
Other Objects	10,985	(150)	10,835	9,055	1,780
Total School-Sponsored Co-curricular Activities	236,276	(10,237)	226,039	222,012	4,027

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Total Instruction	\$ 8,815,591	\$ (138,895)	\$ 8,676,696	\$ 8,236,490	\$ 440,206
Undist. Expend. - Attendance and Social Work Services:					
Salaries	39,400	1,442	40,842	40,842	
Supplies and Materials	1,000	762	1,762	1,687	75
Total Undist. Expend. - Attendance and Social Work Services	40,400	2,204	42,604	42,529	75
Undist. Expend. - Health Services:					
Salaries	105,917	21,000	126,917	126,118	799
Purchased Professional and Technical Services	25,279	(1)	25,278	16,688	8,590
Other Purchased Services (400-500 series)	600	136	736	736	
Supplies and Materials	6,616	1,845	8,461	8,274	187
Total Undist. Expend. - Health Services	138,412	22,980	161,392	151,816	9,576
Undist. Expend. - Guidance:					
Salaries of Other Professional Staff	486,562	15,012	501,574	501,561	13
Salaries of Secretarial and Clerical Assistants	91,813	2,648	94,461	94,461	
Other Salaries	89,830	6,740	96,570	96,570	
Purchased Professional - Educational Services	800	(580)	220	220	
Other Purchased Services (400-500 series)	54,804	621	55,425	51,746	3,679
Supplies and Materials	18,223	(2,502)	15,721	15,623	98
Other Objects	5,580	1,918	7,498	7,416	82
Total Undist. Expend. - Guidance	747,612	23,857	771,469	767,597	3,872
Undist. Expend. - Child Study Teams:					
Salaries of Other Professional Staff	237,989	(12,560)	225,429	224,705	724
Purchased Professional - Educational Services	13,230	(4,990)	8,240	7,340	900
Other Purchased Services (400-500 series)	900	(15)	885	530	355

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Child Study Teams (Cont'd):					
Supplies and Materials	\$ 1,000	\$ 1,607	\$ 2,607	\$ 2,607	
Other Objects		110	110	110	
Total Undist. Expend. - Child Study Teams	253,119	(15,848)	237,271	235,292	\$ 1,979
Undist. Expend. - Improvement of Instruction Services:					
Salaries of Supervisors of Instruction	439,613	91,900	531,513	531,513	
Salaries of Secretarial and Clerical Assistants	113,202	(14,187)	99,015	99,015	
Other Purchased Prof. and Tech. Services		344	344	344	
Other Purchased Services (400-500 series)	32,370	(12,344)	20,026	18,363	1,663
Supplies and Materials	7,195	(1,686)	5,509	5,276	233
Other Objects	900	459	1,359	1,345	14
Total Undist. Expend. - Improvement of Instruction Services	593,280	64,486	657,766	655,856	1,910
Undist. Expend. - Educational Media Services/School Library:					
Salaries	83,721	1,279	85,000	84,609	391
Other Purchased Services (400-500 series)	10,700	2,688	13,388	13,101	287
Supplies and Materials	3,420	37	3,457	3,437	20
Total Undist. Expend. - Educational Media Services/School Library	97,841	4,004	101,845	101,147	698
Undist. Expend. - Support Services - General Administration:					
Salaries	286,404	799	287,203	287,040	163
Legal Services	72,500		72,500	53,017	19,483
Audit Fees	45,000	(1,000)	44,000	44,000	
Architectural/Engineering Services	69,369	(17,510)	51,859	25,939	25,920
Other Purchased Professional Services	3,000	8,540	11,540	11,334	206
Communications/Telephone	23,387		23,387	19,685	3,702
Miscellaneous Purchased Services (400-500)	57,912	(7,437)	50,475	49,986	489
General Supplies	12,392	(3,933)	8,459	4,686	3,773

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Support Services - General Administration: (Cont'd)	\$ 26,700	\$ 1,552	\$ 28,252	\$ 26,921	\$ 1,331
Miscellaneous Expenditures	596,664	(18,989)	577,675	522,608	55,067
Total Undist. Expend. - Support Services - General Administration					
Undist. Expend. - Support Services - School Administration:					
Salaries of Principals/Assistant Principals	555,224	(108,236)	446,988	446,988	
Salaries of Secretarial and Clerical Assistants	205,318	(13,559)	191,759	187,676	4,083
Other Salaries	2,000		2,000	792	1,208
Purchased Professional and Technical Services	26,925	(7,617)	19,308	18,318	990
Other Purchased Services (400-500 series)	32,791	(6,333)	26,458	14,690	11,768
Supplies and Materials	35,145	(3,824)	31,321	28,527	2,794
Other Objects	6,070	(2,134)	3,936	1,551	2,385
Total Undist. Expend. - Support Services - School Administration	863,473	(141,703)	721,770	698,542	23,228
Undistributed Expenditures - Central Services:					
Salaries	486,301		486,301	471,236	15,065
Purchased Professional Services	2,750		2,750	1,204	1,546
Miscellaneous Purchased Services (400-500)	50,431	21,802	72,233	65,638	6,595
Supplies and Materials	12,915	(369)	12,546	6,970	5,576
Miscellaneous Expenditures	1,534	6	1,540	1,540	
Total Undistributed Expenditures - Central Services	553,931	21,439	575,370	546,588	28,782
Undistributed Expenditures - Administrative Information Technology:					
Salaries	221,672		221,672	206,672	15,000
Purchased Professional Services		450	450	450	
Other Purchased Services (400-500 series)	33,171	3,805	36,976	35,379	1,597
Supplies and Materials	51,298	26,394	77,692	77,692	
Total Undistributed Expenditures - Admin. Info. Technology	306,141	30,649	336,790	320,193	16,597

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Required Maintenance for School Facilities:					
Salaries	\$ 296,728	\$	296,728	\$ 293,455	\$ 3,273
Cleaning, Repair and Maintenance Services	265,084	144,400	409,484	294,533	114,951
General Supplies	98,370	13,748	112,118	107,939	4,179
Other Objects	400	(400)			
Total Required Maintenance for School Facilities	660,582	157,748	818,330	695,927	122,403
Undist. Expend. - Custodial Services:					
Salaries	505,855	(887)	505,968	475,147	30,821
Purchased Professional and Technical Services	100,504	(59,308)	41,196	39,284	1,912
Cleaning, Repair and Maintenance Services	37,955	11,213	49,168	32,421	16,747
Other Purchased Property Services	14,779	7,001	21,780	17,411	4,369
Insurance	45,000		45,000	3,270	41,730
Miscellaneous Purchased Services	4,959	2,534	7,493	5,666	1,827
General Supplies	40,503	(3,473)	37,030	36,741	289
Energy (Natural Gas)	200,000	(25,000)	175,000	143,525	31,475
Energy (Electricity)	300,000	(3,000)	297,000	251,191	45,809
Other Objects	900	208	1,108	1,108	
Total Undist. Expend. - Custodial Services	1,251,455	(70,712)	1,180,743	1,005,764	174,979
Undist. Expend. - Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	32,550	(22,881)	9,669	9,037	632
General Supplies	340	6,609	6,949	6,549	400
Other Objects		60	60	60	
Total Undist. Expend. - Care and Upkeep of Grounds	32,890	(16,212)	16,678	15,646	1,032

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Security:					
Salaries	\$ 64,495	\$ 2,078	\$ 66,573	\$ 66,573	
Purchased Professional and Technical Services	75,000	(194)	74,806	73,800	\$ 1,006
General Supplies		870	870	870	
Total Undist. Expend. - Security	<u>139,495</u>	<u>2,754</u>	<u>142,249</u>	<u>141,243</u>	<u>1,006</u>
Undistributed Expenditures - Student Transportation Services					
Salaries for Pupil Transportation:					
Other than Between Home and School	12,000	21,224	33,224	33,224	
Other Purchased Professional & Technical Services		50	50	50	
Cleaning, Repair, & Maintenance Services	1,000	368	1,368	1,368	
Lease Purchase Payments - School Buses	9,612	(9,612)			
Contracted Services:					
Other than Between Home and School - Vendors	3,600	(2,426)	1,174	1,174	
Contracted Services - Regular Students - ESCs & CTSA's	162,401	(19,781)	142,620	117,125	25,495
Miscellaneous Purchased Services - Transportation	900		900	694	206
Total Undistributed Expenditures - Student Transportation Services	<u>189,513</u>	<u>(10,177)</u>	<u>179,336</u>	<u>153,635</u>	<u>25,701</u>
Unallocated Benefits:					
Social Security Contributions	226,346	27,272	253,618	253,618	
Other Retirement Contributions - PERS	285,000	25,606	310,606	310,606	
Other Retirement Contributions - Regular	5,320	7,131	12,451	6,163	6,288
Unemployment Compensation	29,138	(29,138)			
Workmen's Compensation	123,000	(3)	122,997	122,997	
Health Benefits	1,284,507	168,369	1,452,876	1,452,550	326
Tuition Reimbursement	60,855	(5,761)	55,094	39,717	15,377
Other Employee Benefits	160,302	(38,873)	121,429	121,429	
Total Unallocated Benefits	<u>2,174,468</u>	<u>154,603</u>	<u>2,329,071</u>	<u>2,307,080</u>	<u>21,991</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				\$ 663,838	\$ (663,838)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				768,850	(768,850)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				27,857	(27,857)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				2,223	(2,223)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				505,618	(505,618)
TOTAL ON-BEHALF CONTRIBUTIONS				1,968,386	(1,968,386)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	\$ 2,174,468	\$ 154,603	\$ 2,329,071	4,275,466	(1,946,395)
TOTAL UNDISTRIBUTED EXPENDITURES	6,464,808	56,480	6,521,288	6,054,383	466,905
TOTAL GENERAL CURRENT EXPENSE	17,454,867	72,188	17,527,055	18,566,339	(1,039,284)
CAPITAL OUTLAY:					
Equipment:					
Vocational Programs:					
Regular Vocational Programs	45,000	(33,554)	11,446	11,446	
Undistributed Expenditures:					
Administrative Information Technology	41,237	(38,190)	3,047	3,047	
Required Maintenance	120,336	9,553	9,553		9,553
Custodial Services	23,500	(18,285)	102,051	102,044	7
Care and Upkeep of Grounds	60,000	(1,398)	22,102	22,102	
School Buses - Regular	290,073	21,493	81,493	81,493	
Total Equipment		(60,381)	229,692	220,132	9,560
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	259		259		259
Assessment for Debt Service on SDA Funding	57,548		57,548	57,548	
Total Facilities Acquisition and Construction Services	57,807		57,807	57,548	259

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY: (Cont'd)					
TOTAL CAPITAL OUTLAY	\$ 347,880	\$ (60,381)	\$ 287,499	\$ 277,680	\$ 9,819
SPECIAL SCHOOLS					
Post-Secondary - Instruction:					
Salaries of Teachers	298,489	5,493	303,982	303,982	
Purchased Professional and Technical Services	500		500	414	86
Other Purchased Services (400-500 series)	4,550	(128)	4,422	1,443	2,979
General Supplies	24,935	4,498	29,433	21,009	8,424
Other Objects	500		500	40	460
Total Post-Secondary - Instruction	328,974	9,863	338,837	326,888	11,949
Post-Secondary - Support Services:					
Salaries	61,013	4,244	65,257	64,163	1,094
Personal Services - Employee Benefits	76,606	(26,042)	50,564	50,517	47
Other Purchased Services (400-500 series)	1,500	128	1,628	128	1,500
Total Post-Secondary - Support Services	139,119	(21,670)	117,449	114,808	2,641
TOTAL SPECIAL SCHOOLS	468,093	(11,807)	456,286	441,696	14,590
TOTAL EXPENDITURES	18,270,840		18,270,840	19,285,715	(1,014,875)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(814,872)		(814,872)	226,445	1,041,317
Other Financing Sources/(Uses):					
Transfer from Flexible Spending Trust Fund				115	115
Capital Reserve - Transfer to Capital Projects Fund		(45,715)	(45,715)	(45,715)	
Total Other Financing Sources/(Uses)		(45,715)	(45,715)	(45,600)	115
Excess/(Deficit) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing (Uses)	(814,872)	(45,715)	(860,587)	180,845	1,041,432

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Fund Balance, July 1	\$ 4,258,798		\$ 4,258,798	\$ 4,258,798	
Fund Balance, June 30	\$ 3,443,926	\$ (45,715)	\$ 3,398,211	\$ 4,439,643	\$ 1,041,432
<u>Recapitulation:</u>					
<u>Restricted:</u>					
Excess Surplus to be Utilized for 2018-2019 school year				\$ 500,000	
Excess Surplus to be Utilized for 2017-2018 school year				500,000	
Capital Reserve				2,034,566	
Maintenance Reserve				75,000	
Assigned:					
Year End Encumbrances				288,294	
Unassigned				1,041,783	
				4,439,643	
Reconciliation to Governmental Funds Statement (GAAP):				(115,301)	
Last State Aid Payments not Recognized on GAAP Basis					
Fund Balance per Governmental Funds (GAAP)				\$ 4,324,342	

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 840	\$ 840	\$ 840	\$ 403,361	\$ (840)
State Sources	1,114,627	1,114,627	1,130,777	1,524,626	(727,416)
Federal Sources	384,630	384,630	1,679,184		(154,558)
Total Revenues	1,310,704	1,500,097	2,810,801	1,927,987	(882,814)
EXPENDITURES:					
Instruction:					
Salaries of Teachers	327,676	33,537	361,213	242,654	118,559
Purchased Professional and Technical Services		93,308	93,308	90,897	2,411
Other Purchased Services		91,898	91,898	3,096	88,802
General Supplies	327,676	150,396	478,072	332,159	145,913
Other Objects		41,096	41,096	7,599	33,497
Total Instruction	655,352	410,235	1,065,587	676,405	389,182
Support Services:					
Salaries of Supervisors of Instruction		16,547	16,547	16,547	
Salaries of Other Professional Staff	393,211	(46,857)	346,354	320,334	26,020
Personal Services - Employee Benefits		182,673	182,673	104,032	78,641
Purchased Professional-Educational Services	65,535	193,332	258,867	93,843	165,024
Purchased Professional-Technical Services		7,335	7,335	3,390	3,945
Tuition	32,768	180,129	212,897	212,897	
Other Purchased Services		364,600	364,600	277,039	87,561
Supplies and Materials		10,522	10,522	8,140	2,382
Total Support Services	491,514	908,281	1,399,795	1,036,222	363,573
Facilities Acquisition and Construction Services:					
Instructional Equipment	163,838	181,581	345,419	215,360	130,059
Total Facilities Acquisition and Construction Services	163,838	181,581	345,419	215,360	130,059
Total Expenditures	\$ 1,310,704	\$ 1,500,097	\$ 2,810,801	\$ 1,927,987	\$ 882,814

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 19,512,160	\$ 1,927,987
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue while the GAAP Basis does not:		
Current Year Encumbrances		(74,602)
Prior Year Encumbrances		4,333
Prior Year State Aid Payments not Recognized for Budgetary Purposes, Recognized for GAAP Statements	117,629	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(115,301)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 19,514,488	\$ 1,857,718
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 19,285,715	\$ 1,927,987
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.:		
Current Year Encumbrances		(74,602)
Prior Year Encumbrances		4,333
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 19,285,715	\$ 1,857,718

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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 are voted upon by the Morris County School Board of Estimate, which consists of three Morris County Freeholders and two Morris County Vocational School District board members. Budgets are prepared using the modified accrual basis of accounting. 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. 6:20-2A.2(m)1. Budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying 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).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SPECIAL REVENUE FUND

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Title I	Consolidated Adult Basic Skills/Integrated English Literacy Civics Education	I.D.E.A. Part B, Basic	Carl D. Perkins Act Secondary	Carl D. Perkins Act Post Secondary
REVENUES:					
State Sources	\$ 17,208	\$ 637,535	\$ 248,153	\$ 293,179	\$ 115,654
Federal Sources					
Total Revenues	<u>17,208</u>	<u>637,535</u>	<u>248,153</u>	<u>293,179</u>	<u>115,654</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	7,531	174,638	24,160	1,802	38,081
Purchased Professional and Technical Services					
Other Purchased Services					
General Supplies	2,750	33,884	3,345	140,861	34,933
Other Objects				6,096	1,349
Total Instruction	<u>10,281</u>	<u>208,522</u>	<u>27,505</u>	<u>201,575</u>	<u>74,363</u>
Support Services:					
Salaries of Supervisors of Instruction		16,547			
Salaries of Other Professional Staff	3,960	110,043	117,877	20,470	6,050
Personal Services - Employee Benefits	2,967	55,046	38,593	1,360	126
Purchased Professional - Educational Services			44,485		
Purchased Professional - Technical Services				2,070	1,320
Tuition					
Other Purchased Services		247,377	11,881	10,029	1,080
Supplies and Materials			7,812		
Total Support Services	<u>6,927</u>	<u>429,013</u>	<u>220,648</u>	<u>33,929</u>	<u>8,576</u>
Total Facilities Acquisition and Construction Services					
Instructional Equipment				57,675	32,715
Total Facilities Acquisition and Construction Services				<u>57,675</u>	<u>32,715</u>
Total Expenditures	<u>\$ 17,208</u>	<u>\$ 637,535</u>	<u>\$ 248,153</u>	<u>\$ 293,179</u>	<u>\$ 115,654</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Apprenticeship Coordinator	New Jersey Achievement Coaches	County Vocational School District Partnership Grant 4/15/17-6/30/20	3/1/16-6/30/19	4/1/15-6/30/18
REVENUES:					
State Sources	\$ 12,346	\$ 48,136	\$ 73,790	\$ 166,508	\$ 102,581
Federal Sources					
Total Revenues	12,346	48,136	73,790	166,508	102,581
EXPENDITURES:					
Instruction:					
Salaries of Teachers					34,523
Purchased Professional and Technical Services				975	2,121
Other Purchased Services			3,000	56,180	57,150
General Supplies	56			154	
Other Objects					
Total Instruction	56		3,000	57,309	93,794
Support Services:					
Salaries of Supervisors of Instruction					4,400
Salaries of Other Professional Staff	12,190	40,944		4,400	3,907
Personal Services - Employee Benefits		2,033			
Purchased Professional - Educational Services				49,358	
Purchased Professional - Technical Services					
Tuition	100	4,831		1,261	480
Other Purchased Services		328			
Supplies and Materials					
Total Support Services	12,290	48,136		55,019	8,787
Total Facilities Acquisition and Construction Services					
Instructional Equipment			70,790	54,180	
Total Facilities Acquisition and Construction Services			70,790	54,180	
Total Expenditures	\$ 12,346	\$ 48,136	\$ 73,790	\$ 166,508	\$ 102,581

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Pell Grant	Stafford Loans		Totals 2017
		Subsidized	Unsubsidized	
REVENUES:				
State Sources	\$ 40,967	\$ 55,668	\$ 116,262	\$ 403,361
Federal Sources				1,524,626
Total Revenues	40,967	55,668	116,262	1,927,987
EXPENDITURES:				
Instruction:				
Salaries of Teachers				242,654
Purchased Professional and Technical Services				90,897
Other Purchased Services				3,096
General Supplies				332,159
Other Objects				7,599
Total Instruction				676,405
Support Services:				
Salaries of Supervisors of Instruction				16,547
Salaries of Other Professional Staff				320,334
Personal Services - Employee Benefits				104,032
Purchased Professional - Educational Services				93,843
Purchased Professional - Technical Services				3,390
Tuition	40,967	55,668	116,262	212,897
Other Purchased Services				277,039
Supplies and Materials				8,140
Total Support Services	40,967	55,668	116,262	1,036,222
Total Facilities Acquisition and Construction Services				215,360
Instructional Equipment				215,360
Total Facilities Acquisition and Construction Services				215,360
Total Expenditures	\$ 40,967	\$ 55,668	\$ 116,262	\$ 1,927,987

CAPITAL PROJECTS FUND

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenue and Other Financing Sources:	
County Improvement Authorization	\$ 116,000
Transfer from Capital Reserve	45,715
	<hr/>
Total Revenue and Other Financing Sources	161,715
	<hr/>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	33,208
Construction Services	101,283
Cancellation of County Improvement Authorization Receivable	923,134
	<hr/>
Total Expenditures and Other Financing Uses	1,057,625
	<hr/>
Deficit of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	(895,910)
	<hr/>
Fund Balance - Beginning of Year	1,636,014
	<hr/>
Fund Balance - End of Year	\$ 740,104
	<hr/> <hr/>
<u>Recapitulation:</u>	
Committed	\$ 14,266
Committed - Year End Encumbrances	725,838
	<hr/>
Total Fund Balance - Budgetary Basis/GAAP Basis	\$ 740,104
	<hr/> <hr/>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
VARIOUS IMPROVEMENTS/RENOVATIONS TO SCHOOL DISTRICT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
County Improvement Authorization	\$ 972,351		\$ 972,351	\$ 972,351
Transfer from Capital Reserve	700,000		700,000	700,000
Total Revenue and Other Financing Sources	1,672,351		1,672,351	1,672,351
Expenditures:				
Legal Services				
Purchased Professional and Technical Services	337,876	\$ 25,515	363,391	242,500
Construction Services	1,199,810	6,150	1,205,960	1,341,035
Other Objects				88,816
Total Expenditures	1,537,686	31,665	1,569,351	1,672,351
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 134,665	\$ (31,665)	\$ 103,000	\$ -0-

Additional Project Information:

Project Numbers	3365-050-13-2000; 3365-050-13-3000; 3365-050-13-4000
Grant Date	N/A
County Improvement Authorization Date	04/24/13
County Improvement Authorization	\$ 972,351
Original Authorized Cost	\$ 1,672,351
Additional Authorized Cost	-0-
Revised Authorized Cost	\$ 1,672,351
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	94%
Original Target Completion Date	06/15
Revised Target Completion Date	12/17

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
VARIOUS IMPROVEMENTS/RENOVATIONS TO SCHOOL DISTRICT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
County Improvement Authorization	<u>\$ 2,061,000</u>	<u>\$ (923,134)</u>	<u>\$ 1,137,866</u>	<u>\$ 2,061,000</u>
Total Revenue and Other Financing Sources	<u>2,061,000</u>	<u>(923,134)</u>	<u>1,137,866</u>	<u>2,061,000</u>
Expenditures:				
Legal Services				7,100
Purchased Professional and Technical Services	109,861	5,198	115,059	321,400
Construction Services	1,001,286	21,521	1,022,807	1,645,000
Other Objects				<u>87,500</u>
Total Expenditures	<u>1,111,147</u>	<u>26,719</u>	<u>1,137,866</u>	<u>2,061,000</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 949,853</u>	<u>\$ (949,853)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Numbers	3365-050-15-1000; 3365-050-15-2000; 3365-050-15-3000
Grant Date	N/A
County Improvement Authorization Date	06/24/15
County Improvement Authorization	\$ 2,061,000
Original Authorized Cost	\$ 2,061,000
Additional Authorized Cost	-0-
Revised Authorized Cost	<u>\$ 2,061,000</u>

Percentage Increase over Original Authorized Cost	0%
Percentage Completion	100%
Original Target Completion Date	06/16
Revised Target Completion Date	12/16

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
HVAC AND VENTILATING DECK UNIT REPLACEMENTS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
County Improvement Authorization	\$ 601,000		\$ 601,000	\$ 601,000
Transfer from Capital Reserve		\$ 43,200	43,200	43,200
Total Revenue and Other Financing Sources	601,000	43,200	644,200	644,200
Expenditures:				
Purchased Professional and Technical Services	49,504	2,495	51,999	101,000
Construction Services		52,695	52,695	543,200
Total Expenditures	49,504	55,190	104,694	644,200
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	\$ 551,496	\$ (11,990)	\$ 539,506	\$ -0-

Additional Project Information:

Project Numbers	3365-050-16-3000
Grant Date	N/A
County Improvement Authorization Date	06/16/16
County Improvement Authorization	\$ 601,000
Original Authorized Cost	\$ 601,000
Additional Authorized Cost	43,200
Revised Authorized Cost	\$ 644,200

Percentage Increase over Original Authorized Cost	7%
Percentage Completion	16%
Original Target Completion Date	09/17
Revised Target Completion Date	12/17

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
REPLACEMENT OF HOT WATER HEATERS - BUILDING 1 & 3
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Periods	Current Year	Totals	Project Authorization
Revenue and Other Financing Sources:				
County Improvement Authorization		\$ 116,000	\$ 116,000	\$ 116,000
Transfer from Capital Reserve		2,515	2,515	2,515
Total Revenue and Other Financing Sources		118,515	118,515	118,515
Expenditures:				
Purchased Professional and Technical Services				
Construction Services		20,917	20,917	118,515
Total Expenditures		20,917	20,917	118,515
Excess of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 97,598	\$ 97,598	\$ -0-

Additional Project Information:

Project Numbers	3365-050-17-1000
Grant Date	N/A
County Improvement Authorization Date	04/26/17
County Improvement Authorization	\$ 116,000
Original Authorized Cost	\$ 118,515
Additional Authorized Cost	-0-
Revised Authorized Cost	\$ 118,515
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	18%
Original Target Completion Date	9/17
Revised Target Completion Date	N/A

PROPRIETARY FUNDS

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT

ENTERPRISE FUNDS

COMBINING STATEMENT OF NET POSITION

JUNE 30, 2017

	Non-Major Funds				Major Fund		Total Enterprise Funds
	Supermarket Account	Internet Consortium	Cosmetology	Food Service	Adult Education	Total	
<u>ASSETS:</u>							
Current Assets:							
Cash and Cash Equivalents	\$ 9,723	\$ 19,247	\$ 3,647	\$ 25,829	\$ 73,943	\$ 58,446	\$ 132,389
Intergovernmental Accounts Receivable:							
State				94		94	94
Federal				1,635		1,635	1,635
Other Accounts Receivable		5,126		9		5,135	5,135
Inventories				7,119		7,119	7,119
Total Current Assets	9,723	24,373	3,647	34,686	73,943	72,429	146,372
Non-Current Assets:							
Capital Assets		78,808		82,381	52,016	161,189	213,205
Less: Accumulated Depreciation		(77,211)		(57,066)	(27,302)	(134,277)	(161,579)
Total Non-Current Assets		1,597		25,315	24,714	26,912	51,626
Total Assets	9,723	25,970	3,647	60,001	98,657	99,341	197,998
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>							
Changes in Assumptions - Pension					137,186		137,186
Changes in Proportion - Pensions					21,865		21,865
Difference Between Expected and Actual Experience - Pension					12,316		12,316
Difference Between Projected and Actual Earnings on Investments - Pension					25,253		25,253
District Contribution Subsequent to the Measurement Date - Pension					9,000		9,000
Total Deferred Outflows of Resources					205,620		205,620

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Non-Major Funds				Major Fund		Total Enterprise Funds
	Supermarket Account	Internet Consortium	Cosmetology	Food Service	Adult Education	Total	
<u>LIABILITIES:</u>							
Current Liabilities:							
Accounts Payable	\$ 958			\$ 11,550	\$ 11,187	\$ 12,508	\$ 23,695
Unearned Revenue				3,792		3,792	3,792
Total Current Liabilities	958			15,342	11,187	16,300	27,487
Non-Current Liabilities:							
Compensated Absences Payable					20,435		20,435
Net Pension Liability					662,266		662,266
Total Non-Current Liabilities					682,701		682,701
Total Liabilities					693,888	16,300	710,188
<u>DEFERRED INFLOWS OF RESOURCES:</u>							
Changes in Proportion - Pension					31,209		31,209
Total Deferred Inflows of Resources					31,209		31,209
<u>NET POSITION:</u>							
Investment in Capital Assets		1,597		25,315	24,714	26,912	51,626
Unrestricted/(Deficit)	\$ 9,723	23,415	\$ 3,647	19,344	(445,534)	56,129	(389,405)
Total Net Position/(Deficit)	\$ 9,723	\$ 25,012	\$ 3,647	\$ 44,659	\$ (420,820)	\$ 83,041	\$ (337,779)

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Non-Major Funds			Major Fund		Total Enterprise Funds
	Supermarket Account	Internet Consortium	Cosmetology	Food Service	Adult Education	
Operating Revenue:						
Daily Sales:						
Reimbursable Programs				\$ 77,836		\$ 77,836
Non-Reimbursable Programs				68,408		68,408
Charges for Services:						
Program Fees	\$ 33,919	\$ 1,403			\$ 514,589	549,911
Miscellaneous Revenue				7,348		7,348
Total Operating Revenue	33,919	1,403	153,592	188,914	514,589	703,503
Operating Expenses:						
Cost of Sales:						
Reimbursable Programs				57,605		57,605
Non-Reimbursable Programs				25,880		25,880
Salaries	15,000			52,915	348,627	416,542
Employee Benefits				12,293	88,561	100,854
Purchased Professional and Technical Services				9,900	27,992	37,892
Other Purchased Services		20,128			52,582	72,710
Supplies and Materials			918	4,274	60,484	65,676
Miscellaneous Expense	\$ 50			4,088	244	4,382
Depreciation Expense		533		4,354	5,583	10,470
Total Operating Expenses	50	35,661	918	171,309	584,073	792,011
Operating Income/(Loss)	(50)	(1,742)	485	(17,717)	(69,484)	(88,508)

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Supermarket Account	Non-Major Funds			Food Service	Total	Major Fund		Total Enterprise Funds
		Internet Consortium	Cosmetology	Adult Education					
Non-Operating Revenue:									
Local Sources:									
Interest Earnings	\$ 12				\$ 12			\$ 12	
State Sources:									
State School Lunch Program			\$ 1,127		1,127			1,127	
Federal Sources:									
National School Lunch Program				17,650	17,650			17,650	
School Breakfast Program				2,197	2,197			2,197	
Food Distribution Program				11,115	11,115			11,115	
Total Non-Operating Income	12			32,089	32,101			32,101	
Change in Net Position	(38)	(1,742)	485	14,372	13,077		(69,484)	(56,407)	
Net Position/(Deficit) - Beginning of Year	9,761	26,754	3,162	30,287	69,964		(351,336)	(281,372)	
Net Position/(Deficit) - End of Year	\$ 9,723	\$ 25,012	\$ 3,647	\$ 44,659	\$ 83,041		\$ (420,820)	\$ (337,779)	

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Non-Major Funds				Major Fund		Total Enterprise Funds
	Supermarket Account	Internet Consortium	Cosmetology	Food Service	Adult Education	Total	
Cash Flows from Operating Activities:							
Receipts from Customers	\$	28,793	\$ 1,403	\$ 154,183	\$ 514,589	\$ 184,379	\$ 698,968
Payments to Food Service Contractor		(15,000)		(145,390)	(395,689)	(145,390)	(145,390)
Payments to/for Employees	\$ (50)	(21,078)	(918)	(770)	(139,822)	(22,816)	(410,689)
Payments to Suppliers							(162,638)
Net Cash Provided by/(Used for) Operating Activities	(50)	(7,285)	485	8,023	(20,922)	1,173	(19,749)
Cash Flows from Capital and Related Financing Activities:							
Purchase of Capital Assets				(3,125)	(4,839)	(3,125)	(3,125)
Lease Purchase Principal Payment							(4,839)
Net Cash Used for Capital and Related Financing Activities				(3,125)	(4,839)	(3,125)	(7,964)
Cash Flows from Noncapital Financing Activities:							
State Sources				1,116		1,116	1,116
Federal Sources				19,815		19,815	19,815
Net Cash Provided by Noncapital Financing Activities				20,931		20,931	20,931
Cash Flows from Financing Activities:							
Interest Income	12					12	12
Net Cash Provided by Financing Activities	12					12	12
Net Increase/(Decrease) in Cash and Cash Equivalents	(38)	(7,285)	485	25,829	(25,761)	18,991	(6,770)
Cash and Cash Equivalents, July 1	9,761	26,532	3,162		99,704	39,455	139,159
Cash and Cash Equivalents, June 30	\$ 9,723	\$ 19,247	\$ 3,647	\$ 25,829	\$ 73,943	\$ 58,446	\$ 132,389

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Non-Major Funds				Major Fund		Total Enterprise Funds
	Supermarket Account	Internet Consortium	Cosmetology	Food Service	Adult Education	Total	
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:							
Operating Income/(Loss)	\$ (50)	\$ (1,742)	\$ 485	\$ (17,717)	\$ (69,484)	\$ (19,024)	\$ (88,508)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:							
Depreciation		533		4,354	5,583	4,887	10,470
Food Distribution Program				11,115		11,115	11,115
Changes in Assets and Liabilities:							
(Increase)/Decrease in Other Accounts Receivable		(5,126)		183		(4,943)	(4,943)
(Increase) in Inventory				(1,768)		(1,768)	(1,768)
Increase/(Decrease) in Accounts Payable		(950)		11,550	1,480	10,600	12,080
Increase in Unearned Revenue				306		306	306
Increase in Compensated Absences Payable					2,295	2,295	2,295
Increase in Net Pension Liability					186,920	186,920	186,920
(Increase) in Changes in Assumptions - Pension					(86,138)	(86,138)	(86,138)
(Increase) in Difference between Expected and Actual Experience - Pension					(976)	(976)	(976)
(Increase) in Difference between Projected and Actual Earnings in Investments - Pensions					(32,896)	(32,896)	(32,896)
(Decrease) in Changes in Proportions - Pensions					(27,706)	(27,706)	(27,706)
Net Cash Provided by/(Used for) Operating Activities	\$ (50)	\$ (7,285)	\$ 485	\$ 8,023	\$ (20,922)	\$ 1,173	\$ (19,749)

Noncash Investing, Capital and Financing Activities:
The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$11,013 and utilized U.S.D.A. Commodities valued at \$11,115. The Adult Education Enterprise Fund paid down \$4,839 of capital leases payable.

FIDUCIARY FUNDS

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Agency		Total Agency		Unemployment Compensation Trust		Flexible Spending Trust		Private Purpose Scholarships Trust	
ASSETS:	Student Activity	Payroll	Total Agency	Total Agency	Trust	Trust	Trust	Trust	Trust	Trust
Cash and Cash Equivalents	\$ 128,831	\$ 368,649	\$ 497,480	\$ 497,480	\$ 24,910		\$ 29,687		\$ 132,711	
Interfund Receivable:										
Payroll Agency				3,280						
Total Assets	128,831	368,649	497,480	497,480	28,190		29,687		132,711	
<u>LIABILITIES:</u>										
Interfund Payable:										
General Fund							10,526			
Unemployment Compensation Trust		3,280	3,280							
Payroll Deductions and Withholdings		98,425	98,425							
Accrued Salaries and Wages		266,944	266,944							
Due to Student Groups	128,831		128,831							
Total Liabilities	128,831	368,649	497,480	497,480	28,190		10,526		132,711	
<u>NET POSITION:</u>										
Held in Trust for:										
Unemployment Claims					28,190					
Flexible Spending Claims							19,161			
Restricted for Scholarships									132,711	
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 28,190		\$ 19,161		\$ 132,711	

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarships Trust
ADDITIONS:			
Contributions:			
Plan Members	\$ 16,499	\$ 27,600	
Investment Earnings:			
Interest	121		\$ 185
Total Additions	<u>16,620</u>	<u>27,600</u>	<u>185</u>
DEDUCTIONS:			
Unemployment Benefit Claims	12,404		
Flexible Spending Claims		9,710	
Scholarships Awarded			3,000
Total Deductions	<u>12,404</u>	<u>9,710</u>	<u>3,000</u>
Change in Net Position before Other Financing Uses	<u>4,216</u>	<u>17,890</u>	<u>(2,815)</u>
OTHER FINANCING USES:			
Transfer to General Fund		(115)	
Total Other Financing Uses		<u>(115)</u>	
Change in Net Position	4,216	17,775	(2,815)
Net Position - Beginning of the Year	<u>23,974</u>	<u>1,386</u>	<u>135,526</u>
Net Position - End of the Year	<u>\$ 28,190</u>	<u>\$ 19,161</u>	<u>\$ 132,711</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 116,258	\$ 193,735	\$ 181,162	\$ 128,831
Total Assets	<u>\$ 116,258</u>	<u>\$ 193,735</u>	<u>\$ 181,162</u>	<u>\$ 128,831</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 116,258	\$ 193,735	\$ 181,162	\$ 128,831
Total Liabilities	<u>\$ 116,258</u>	<u>\$ 193,735</u>	<u>\$ 181,162</u>	<u>\$ 128,831</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 354,219	\$ 13,056,282	\$ 13,041,852	\$ 368,649
Total Assets	<u>\$ 354,219</u>	<u>\$ 13,056,282</u>	<u>\$ 13,041,852</u>	<u>\$ 368,649</u>
 <u>LIABILITIES:</u>				
Interfund Payable:				
Fiduciary Fund - Unemployment Trust	\$ 3,205	\$ 28,575	\$ 28,500	\$ 3,280
Payroll Deductions and Withholdings	105,237	12,761,623	12,768,435	98,425
Accrued Salaries and Wages	245,777	266,084	244,917	266,944
Total Liabilities	<u>\$ 354,219</u>	<u>\$ 13,056,282</u>	<u>\$ 13,041,852</u>	<u>\$ 368,649</u>

LONG-TERM DEBT

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2016</u>	<u>Matured</u>
Copiers	2.10%	\$ 92,964	\$ 35,224	\$ 35,224
			<u>\$ 35,224</u>	<u>\$ 35,224</u>

STATISTICAL SECTION
(UNAUDITED)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Exhibit

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.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

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.

J-10 thru J-13

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 and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

MORRIS COUNTY VOCATIONAL 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	\$ 18,453,593	\$ 18,114,525	\$ 17,726,665	\$ 17,268,964	\$ 16,799,233	\$ 18,249,442	\$ 19,083,633	\$ 20,449,783	\$ 21,358,861	\$ 21,194,961
Restricted	2,440,427	1,277,463	1,014,488	719,472	2,842,525	773,349	1,809,685	2,766,786	3,122,283	3,109,566
Unrestricted/(Deficit)	356,475	897,989	129,870	580,782	684,138	2,601,034	(4,642,873)	(4,214,710)	(5,001,233)	(6,356,859)
Total Governmental Activities Net Position	\$ 21,250,495	\$ 20,289,977	\$ 18,871,023	\$ 18,569,218	\$ 20,325,896	\$ 21,623,825	\$ 16,250,445	\$ 19,001,859	\$ 19,479,911	\$ 17,947,668
Business-type Activities										
Net Investment in Capital Assets	\$ 62,785	\$ 46,852	\$ 38,426	\$ 34,104	\$ 32,216	\$ 28,254	\$ 21,889	\$ 59,168	\$ 54,132	\$ 51,626
Unrestricted/(Deficit)	467,862	381,707	263,690	211,506	116,132	121,914	(337,263)	(272,787)	(335,504)	(389,405)
Total Business-type Activities Net Position/(Deficit)	\$ 530,647	\$ 428,559	\$ 302,116	\$ 245,610	\$ 148,348	\$ 150,168	\$ (315,374)	\$ (213,619)	\$ (281,372)	\$ (337,779)
District-wide										
Net Investment in Capital Assets	\$ 18,516,378	\$ 18,161,377	\$ 17,765,091	\$ 17,303,068	\$ 16,831,449	\$ 18,277,696	\$ 19,105,522	\$ 20,508,951	\$ 21,412,993	\$ 21,246,587
Restricted	2,440,427	1,277,463	1,014,488	719,472	2,842,525	773,349	1,809,685	2,766,786	3,122,283	3,109,566
Unrestricted/(Deficit)	824,337	1,279,696	393,560	792,288	800,270	2,722,948	(4,980,136)	(4,487,497)	(5,336,737)	(6,746,264)
Total District Net Position	\$ 21,781,142	\$ 20,718,536	\$ 19,173,139	\$ 18,814,828	\$ 20,474,244	\$ 21,773,993	\$ 15,935,071	\$ 18,788,240	\$ 19,198,539	\$ 17,609,889

Source: School District Financial Reports

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental Activities:										
Instruction										
Regular	\$ 3,995,248	\$ 4,114,766	\$ 4,574,965	\$ 4,802,430	\$ 5,273,623	\$ 5,302,990	\$ 5,285,328	\$ 6,214,158	\$ 6,756,299	\$ 7,353,268
Special Education	223,776	277,639	379,783	409,248	450,689	534,556	534,548	943,045	680,667	720,377
Vocational Education	3,880,587	3,536,180	3,777,258	3,585,918	3,720,334	3,941,855	3,752,582	4,576,541	5,065,655	5,498,804
Other Instruction	441,039	445,002	440,205	256,821	233,990	290,081	287,998	359,390	413,282	473,395
Support Services:										
Student and Instruction Related Services	1,372,369	1,370,525	1,830,658	2,373,119	2,714,931	2,800,250	2,749,365	2,923,717	3,416,421	3,944,530
General Administrative Services	536,066	415,245	392,675	583,387	607,139	736,765	536,254	679,650	790,458	770,423
School Administrative Services	1,751,725	1,562,126	1,490,547	1,309,806	1,332,581	1,203,423	1,226,292	1,128,066	1,135,391	1,229,957
Central Services	504,734	522,604	528,839	671,784	655,869	581,469	570,132	667,080	730,335	852,529
Administrative Information Technology	146,381	155,508	163,698	215,829	244,956	302,753	428,018	297,466	367,155	465,288
Plant Operations and Maintenance	1,538,568	1,513,626	1,621,683	2,069,839	2,101,988	2,028,223	2,023,212	2,205,533	2,025,996	2,380,780
Pupil Transportation	3,014,889	3,242,842	2,909,832	1,084,70	142,824	126,746	152,221	165,439	177,197	225,412
Special Schools	2,962	49,839	2,909,832	1,203,924	1,106,689	1,169,112	1,334,528	1,263,140	1,408,989	1,460,425
Capital Outlay	407,758	407,757	463,126	78,585	54,775	64,549	62,039	62,289	57,548	
Unallocated Depreciation	17,816,102	17,613,898	18,580,373	18,104,921	19,076,150	19,552,459	19,412,480	21,485,514	23,025,393	25,375,188
Total Governmental Activities Expenses	389,188	468,985	706,502	999,329	936,633	811,257	795,080	792,832	835,537	792,011
Business-Type Activities:										
Enterprise Funds	389,188	468,985	706,502	999,329	936,633	811,257	795,080	792,832	835,537	792,011
Total Business-Type Activities Expense	18,205,290	18,082,883	19,286,875	19,104,250	20,012,783	20,363,716	20,207,560	22,278,346	23,860,930	26,167,199
Total District Expenses	389,188	468,985	706,502	999,329	936,633	811,257	795,080	792,832	835,537	792,011
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Tuition	3,765,529	2,935,855	2,903,398	2,997,416	3,100,157	3,842,274	3,560,437	5,097,290	6,121,970	9,813,791
Operating Grants and Contributions	3,765,529	2,935,855	2,903,398	2,997,416	3,100,157	3,842,274	3,560,437	5,097,290	6,121,970	9,813,791
Total Governmental Activities Program Revenues	18,205,290	18,082,883	19,286,875	19,104,250	20,012,783	20,363,716	20,207,560	22,278,346	23,860,930	26,167,199
Business-Type Activities:										
Charges for Services:										
Enterprise Funds	342,643	326,277	521,007	872,288	781,278	762,613	726,521	845,773	831,756	703,503
Operating Grants and Contributions	13,248	20,998	25,795	25,551	32,379	27,173	21,401	28,556	29,977	32,089
Total Business-Type Activities Program Revenues	355,891	347,275	546,802	897,839	813,657	789,786	747,922	874,329	861,733	735,592

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED
(Continued)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total District Program Revenues	\$ 4,121,420	\$ 3,283,130	\$ 3,450,200	\$ 3,895,255	\$ 12,688,515	\$ 13,556,904	\$ 13,622,868	\$ 15,922,461	\$ 16,513,397	\$ 18,159,509
Net (Expense)/Revenue:										
Governmental Activities	(14,050,573)	(14,678,043)	(15,676,975)	(15,107,505)	(7,201,292)	(6,785,341)	(6,537,534)	(6,437,382)	(7,373,729)	(7,951,271)
Business-Type Activities	(33,297)	(121,710)	(159,700)	(101,490)	(122,976)	(21,471)	(47,158)	81,497	26,196	(56,419)
Total District-Wide Net Expense	(14,083,870)	(14,799,753)	(15,836,675)	(15,208,995)	(7,324,268)	(6,806,812)	(6,584,692)	(6,355,885)	(7,347,533)	(8,007,690)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
County Tax Levy	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286
Federal and State Aid not Restricted	335,005	1,032,956	655,008	388,508	623,050	695,443	706,862	720,276	718,955	729,129
Tuition	5,580,316	5,992,857	6,937,181	8,232,968						
Interest Earnings	32,524	22,000	2,435	2,461	2,671	5,761	4,687	4,063	11,714	27,608
Transfers	(36,646)	(19,152)	(34,092)	(47,664)	(26,554)	(32,748)	(44,059)	(16,761)	94,798	115
Contributed Capital										
County Improvement Authorization	773,626	(8,307)		1,963,892	1,963,892	972,351	1,292,220	2,061,000	601,000	116,000
County Improvement Authorization Cancelled									(23,694)	(923,134)
Debt Service Contribution to County of Morris										
Miscellaneous Income	652,702	592,085	592,403	124,341	43,625	91,177	47,972	72,190	97,722	118,024
Total Governmental Activities	13,688,813	13,717,525	14,258,021	14,805,700	8,957,970	8,083,270	8,358,968	9,188,796	7,851,781	6,419,028
Business-Type Activities:										
Transfers	36,646	19,152	34,092	47,664	27,702	33,325	44,142	17,000	(93,949)	
Contributed Capital										
Miscellaneous Income								3,258		
Cancellation of Prior Year's Accounts Receivable/Payable	166	470	(835)	(2,680)	(1,988)	(10,034)	(3,283)			
Deletion of Capital Assets, Net of Accumulated Depreciation	(6,627)									
Total Business-Type Activities	30,185	19,622	33,257	44,984	25,714	23,291	40,859	20,258	(93,949)	12
Total District-Wide	13,718,998	13,737,147	14,291,278	14,850,684	8,983,684	8,106,561	8,399,827	9,209,054	7,757,832	6,419,040
Change in Net Position:										
Governmental Activities	(361,760)	(960,518)	(1,418,954)	(301,805)	1,756,678	1,297,929	1,821,434	2,751,414	478,052	(1,532,243)
Business-Type Activities	(3,112)	(102,088)	(126,443)	(56,506)	(97,262)	1,820	(6,299)	101,755	(67,753)	(56,407)
Total District	\$ (364,872)	\$ (1,062,606)	\$ (1,545,397)	\$ (358,311)	\$ 1,659,416	\$ 1,299,749	\$ 1,815,135	\$ 2,853,169	\$ 410,299	\$ (1,588,650)

Source: School District Financial Reports

MORRIS COUNTY VOCATIONAL 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/Restricted	\$ 2,440,427	\$ 1,277,463	\$ 1,014,488	\$ 719,472	\$ 878,633	\$ 773,349	\$ 1,809,685	\$ 2,766,786	\$ 3,122,283	\$ 3,109,566
Assigned	697,007	1,204,247	494,765	191,506	506,184	365,812	300,573	280,788	108,958	288,294
Unreserved/Unassigned	\$ 3,137,434	\$ 2,481,710	\$ 1,509,253	\$ 1,642,111	\$ 1,998,765	\$ 2,017,107	\$ 2,959,247	\$ 3,934,610	\$ 4,141,169	\$ 4,324,342
Total General Fund										
All Other Governmental Funds										
Committed	\$ -	\$ -	\$ -	\$ -	\$ 1,963,892	\$ 1,846,257	\$ 1,871,012	\$ 2,200,313	\$ 1,636,014	\$ 740,104
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ -	\$ 1,963,892	\$ 1,846,257	\$ 1,871,012	\$ 2,200,313	\$ 1,636,014	\$ 740,104
Total All Governmental Funds	\$ 2,440,427	\$ 1,277,463	\$ 1,014,488	\$ 719,472	\$ 878,633	\$ 773,349	\$ 1,809,685	\$ 2,766,786	\$ 3,122,283	\$ 3,109,566
Reserved/Restricted					1,963,892	1,846,257	1,871,012	2,200,313	1,636,014	740,104
Committed					506,184	365,812	300,573	280,788	108,958	288,294
Assigned	697,007	1,204,247	494,765	731,133	613,948	877,946	848,989	887,036	909,928	926,482
Unreserved/Unassigned/(Deficit)	\$ 3,137,434	\$ 2,481,710	\$ 1,509,253	\$ 1,642,111	\$ 3,962,657	\$ 3,863,364	\$ 4,830,259	\$ 6,134,923	\$ 5,777,183	\$ 5,064,446
Total All Governmental Funds										

Source: School District Financial Reports

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
County Tax Levy	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286
Tuition from LEA's	5,248,766	5,697,043	6,607,163	7,915,480	8,439,180	8,445,786	8,856,352	9,462,981	9,037,355	9,374,983
Other Tuition	331,550	295,814	330,018	317,488	335,521	479,058	458,157	487,339	492,339	438,808
Interest Earned on Capital Reserve Funds	32,524	7,980	650	514	1,094	1,226	768	1,475	4,161	10,778
Unrestricted Miscellaneous Revenue	652,702	606,105	594,188	126,288	45,202	95,712	53,422	75,528	107,154	134,854
State Sources	2,706,358	2,366,682	1,993,269	1,835,427	2,279,210	3,021,850	2,556,977	2,786,118	3,072,492	3,537,683
Federal Sources	1,394,176	1,602,129	1,565,137	1,550,497	1,443,997	1,515,867	1,708,791	1,391,840	1,546,750	1,523,814
Total Revenue	16,717,362	16,927,039	17,441,711	18,096,980	18,895,490	19,910,785	19,985,753	20,557,089	20,611,537	21,372,206
Expenditures:										
Instruction:										
Regular Instruction	3,378,653	3,615,355	3,933,461	3,993,233	4,411,557	4,370,028	4,456,229	4,642,339	4,832,218	4,844,904
Special Education Instruction	164,887	227,084	303,079	301,950	321,444	385,919	389,739	432,043	411,301	403,777
Vocational Education Instruction	2,895,232	2,866,273	2,858,581	2,715,427	2,737,163	2,909,703	2,894,868	3,038,607	3,014,179	3,020,720
School-Sponsored/Other Instruction	381,734	428,209	420,870	238,683	219,463	272,978	266,705	307,298	344,322	361,942
Support Services:										
Student and Instruction Related Services	1,218,697	1,140,551	1,538,262	1,914,034	2,065,247	2,215,824	2,207,515	2,200,507	2,400,740	2,552,870
General Administrative Services	460,798	357,542	332,430	483,439	497,829	616,342	452,648	527,100	608,332	522,608
School Administrative Services	1,325,925	1,256,705	1,064,143	931,067	929,527	892,389	946,985	791,065	762,568	698,542
Central Services	370,721	417,662	398,580	504,745	476,847	459,217	459,317	495,682	513,617	546,588
Administrative Information Technology	97,334	107,313	102,974	144,417	162,096	229,006	286,859	221,550	262,562	320,193
Plant Operations and Maintenance	1,314,221	1,307,840	1,351,665	1,717,503	1,728,846	1,665,586	1,661,447	1,960,469	1,726,021	1,858,580
Pupil Transportation		239	7,104	108,470	146,113	129,593	155,760	154,556	164,468	153,635
Allocated Benefits	1,658,630	1,319,648	1,829,784	2,278,270	2,414,478	1,807,979	5,251			
Unallocated Benefits	1,125,669	867,620	978,141	964,464	1,196,143	1,784,453	3,321,966	3,435,663	3,743,454	4,275,466
Special Schools	2,879,265	3,162,328	2,831,627	1,194,196	1,072,169	1,118,531	1,292,440	1,078,813	1,189,895	1,161,358
Capital Outlay	957,815	234,735	183,175	180,360	177,994	2,172,326	1,469,290	2,007,714	1,667,704	556,741
Total Expenditures	18,229,581	17,309,104	18,133,876	17,670,258	18,556,916	21,029,874	20,267,019	21,293,406	21,641,381	21,277,924
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,512,219)	(382,065)	(692,165)	426,722	338,574	(1,119,089)	(281,266)	(736,317)	(1,029,844)	94,282

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED
(Continued)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses):										
County Improvement Authorizations	\$ 773,026	\$ (8,307)		\$ 1,963,892	\$ 972,351	\$ 1,292,220	\$ 2,061,000	\$ 601,000	\$ 116,000	\$ 116,000
Transfers	(36,646)	(19,152)	(34,092)	(47,664)	(26,554)	(32,748)	(16,761)	94,798	115	115
Capital Contribution to Food Service Fund		(246,200)	(246,200)	(246,200)			(3,258)			
Debt Service Contribution to County of Morris					44,634	80,193			(23,694)	(923,134)
County Improvement Authorizations Cancelled										
Capital Leases (Non-budgeted)					1,981,972	1,019,796	1,248,161	2,040,981	672,104	(807,019)
Total Other Financing Sources (Uses)	\$ 736,980	(273,659)	(280,292)	(293,864)	1,981,972	1,019,796	1,248,161	2,040,981	672,104	(807,019)
Net Change in Fund Balances	\$ (775,239)	\$ (655,724)	\$ (972,457)	\$ 132,858	\$ 2,320,546	\$ (99,293)	\$ 966,895	\$ 1,304,664	\$ (357,740)	\$ (712,737)
Debt Service as a Percentage of Noncapital Expenditures	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A Not Applicable										

Source: School District Financial Reports

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

Fiscal Year Ended June 30,	Tuition	Interest on Investments	Program Fees	Miscellaneous	Total
2008	\$ 5,580,316	\$ 131,231	\$ 438,648	\$ 115,347	\$ 6,265,542
2009	5,992,857	22,000	453,116	138,969	6,606,942
2010	6,937,181	2,435	438,161	154,242	7,532,019
2011	8,232,968	2,461	971	123,370	8,359,770
2012	8,774,701	2,671		43,625	8,820,997
2013	8,924,844	5,761		91,177	9,021,782
2014	9,314,509	4,687		47,972	9,367,168
2015	9,950,842	4,063		72,190	10,027,095
2016	9,529,694	11,714		97,722	9,639,130
2017	9,813,791	27,608		118,024	9,959,423

Source: District records

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate	Estimated Actual (County Equalized Value)
2007	\$ 1,334,469,750	\$ 54,814,294,479	\$ 574,707,200	\$ 13,183,558	\$ 10,831,009,211	\$ 2,557,634,300	\$ 1,819,573,000	\$ 71,944,871,498	\$ 6,829,609,200	\$ 133,403,935	\$ 72,078,275,433	N/A	\$ 98,075,628,273
2008	1,373,940,350	58,547,857,080	709,356,800	13,465,748	11,350,378,461	2,711,381,200	1,994,223,900	76,700,603,539	7,001,701,800	142,959,362	76,843,562,901	N/A	102,596,960,196
2009	1,310,313,450	60,378,573,088	714,322,900	13,238,748	11,613,287,447	2,841,125,700	2,080,489,400	78,951,350,733	7,413,133,700	147,168,209	79,098,518,942	N/A	103,669,450,016
2010	1,218,511,450	58,195,366,425	652,147,200	12,013,308	11,275,927,757	2,690,796,500	2,071,807,000	76,116,569,640	7,395,815,300	148,405,358	76,264,974,998	N/A	102,332,070,127
2011	1,150,385,750	57,863,255,210	667,820,200	12,177,178	11,088,116,597	2,626,022,625	2,119,407,700	75,527,185,260	7,393,879,200	128,034,958	75,655,220,218	N/A	98,052,992,752
2012	1,172,274,150	59,774,842,190	690,767,100	12,282,578	11,568,762,422	2,980,678,200	2,191,170,400	78,390,777,040	7,061,681,200	125,183,300	78,515,960,340	N/A	94,996,537,642
2013	1,121,535,950	60,489,876,715	685,237,400	11,944,478	11,513,732,422	2,917,649,400	2,286,186,900	79,026,163,265	7,277,468,700	61,429,260	79,087,592,525	N/A	90,780,233,689
2014	1,040,064,650	60,385,164,210	690,643,400	12,057,978	11,666,953,422	2,923,186,200	2,295,606,200	79,013,678,060	7,293,537,400	45,147,771	79,058,825,831	N/A	89,368,907,348
2015	1,006,685,850	60,605,580,547	693,260,300	11,915,400	11,629,578,222	2,887,476,900	2,323,159,100	79,157,656,319	7,346,524,200	33,841,181	79,191,497,500	N/A	90,711,159,054
2016	1,010,630,100	59,960,359,430	590,134,200	8,695,260	12,000,529,422	2,747,812,600	2,344,932,900	78,663,093,912	7,319,296,950	34,501,222	82,168,381,134	N/A	91,741,656,968

N/A - Not Applicable

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs in each municipality when ordered by the County Board of Taxation

^a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

Source: Morris County Board of Taxation

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS, COUNTY OF MORRIS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2016		
	Taxable Assessed Value	Rank	% of Total County Net Valuation Taxable
Novartis Corporation	\$ 415,030,700	1	0.51%
Point View Campus, LLC	358,026,000	2	0.44%
Rockaway Center Associates	170,000,000	3	0.21%
Bayer Healthcare, LLC	155,670,300	4	0.19%
Oakwood Garden Associates, LLC	120,000,000	5	0.15%
SDK Village Green, LLC	98,000,000	6	0.12%
Saint Clare's	83,552,300	7	0.10%
KBS II 300-600 Campus Drive, LLC	93,517,700	8	0.11%
Honeywell International, Inc.	81,992,400	9	0.10%
MC NEIL-PPC, Inc.	77,464,000	10	0.09%
Total	<u>\$ 1,653,253,400</u>		<u>1.82%</u>

Taxpayer	2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Novartis Corporation	\$ 344,327,300	1	0.48%
Point View Campus, LLC	329,630,600	2	0.46%
Rockaway Center Associates	145,000,000	3	0.20%
LTINJ Financial LLC	91,000,000	4	0.13%
Oakwood Garden Associates, LLC	86,550,000	5	0.12%
MC NEIL-PPC Inc.	84,440,000	6	0.12%
Segal Realty Associates	82,400,000	7	0.11%
Toys R US	70,000,000	8	0.10%
TA Wharton LLC	65,062,100	9	0.09%
Bear Sterns & Co.	62,229,800	10	0.09%
	<u>\$ 1,360,639,800</u>		<u>1.89%</u>

Source: County of Morris

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
COUNTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 6,351,286	\$ 5,811,860	91.51%	\$ 539,426
2009	6,351,286	6,351,286	100.00%	-0-
2010	6,351,286	6,351,286	100.00%	-0-
2011	6,351,286	6,351,286	100.00%	-0-
2012	6,351,286	6,351,286	100.00%	-0-
2013	6,351,286	6,351,286	100.00%	-0-
2014	6,351,286	6,099,391	96.03%	251,895
2015	6,351,286	6,351,286	100.00%	-0-
2016	6,351,286	6,351,286	100.00%	-0-
2017	6,351,286	6,351,286	100.00%	-0-

^a School taxes are collected by the County Treasurer. Under New Jersey State Statute, a county is required to remit to the school district the entire property county tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: District records.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SIX FISCAL YEARS
(DOLLARS IN THOUSANDS, EXCEPT PER CAPITA)
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities							Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Business-Type Activities		Income ^a			
					Capital Leases	Capital Leases				
2012	\$ -0-	\$ -0-	\$ 35,943	\$ -0-	\$ -0-	\$ -0-	35,943	0.0001%	\$ 0.07	
2013	-0-	-0-	104,972	-0-	12,367	-0-	117,339	0.0003%	0.24	
2014	-0-	-0-	80,685	-0-	9,910	-0-	90,595	0.0002%	0.18	
2015	-0-	-0-	55,828	-0-	7,401	-0-	63,229	0.0002%	0.13	
2016	-0-	-0-	30,385	-0-	4,839	-0-	35,224	0.0001%	0.07	
2017	-0-	-0-	-0-	-0-	-0-	-0-	-0-	0.0000%	0.00	

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

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

This schedule does not contain ten years of information as there was no outstanding debt until the fiscal year ending June 30, 2012.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Year</u>	<u>Population ^a</u>	<u>Morris County Per Capital Personal Income ^b</u>	<u>Total Morris County Personal Income</u>	<u>Unemployment Rate ^c</u>
2008	486,946	\$ 74,636	\$ 36,343,701,656	4.00%
2009	488,518	70,516	34,448,335,288	7.20%
2010	492,793	72,780	35,865,474,540	7.30%
2011	495,750	76,194	37,773,175,500	7.00%
2012	497,395	78,693	39,141,504,735	7.30%
2013	499,072	79,094	39,473,600,768	6.30%
2014	499,236	82,810	41,341,733,160	4.90%
2015	499,509	82,810	41,364,340,290	4.20%
2016	499,509	82,810 **	41,364,340,290	3.90%
2017	498,423 *	86,582 **	43,154,460,186 ***	N/A

* - Latest population data available (2016) was used for calculation purposes.

** - Latest Morris County per capita personal income available (2015) was used for calculation purposes.

*** - Latest available population data (2016) and latest available Morris County per capita personal income (2015) was used for calculation purposes.

N/A - Information not available

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the county population and per capita personal income presented

^c Per capita personal income by county estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
PRINCIPAL EMPLOYERS, COUNTY OF MORRIS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Employer	2016		
	Employees	Rank (Optional)	Percentage of Total Employment
Picatinny Arsenal	6,000	1	2.40%
Atlantic Health Systems	5,455	2	2.18%
Novartis Corporation	4,220	3	1.69%
Bayer Healthcare, LLC	2,800	4	1.12%
ADP	2,266	5	0.91%
Honeywell	1,838	6	0.73%
County of Morris	1,817	7	0.73%
Wyndham Worldwide	1,708	8	0.68%
St. Clare's Health System	1,688	9	0.67%
Accenture	1,631	10	0.65%
	<u>29,423</u>		<u>11.75%</u>
Total Employment	<u>250,348</u>		

Employer	2007		
	Employees	Rank (Optional)	Percentage of Total Employment
Atlantic Health Systems	5,900	1	2.23%
Novartis Corporation	5,000	2	1.89%
U.S. Army Armament Research and Development	3,412	3	1.29%
Lucent Technologies	2,300	4	0.87%
St. Clare's Health Services	2,250	5	0.85%
County of Morris	2,156	6	0.82%
United Parcel Service	2,131	7	0.81%
Automated Data Processing	1,986	8	0.75%
AT&T	1,500	9	0.57%
Greystone Psychiatric Center	1,300	10	0.49%
	<u>27,935</u>		<u>10.57%</u>
Total Employment	<u>264,282</u>		

Source: County of Morris

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</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>
Instruction:										
Regular	28.0	32.5	34.5	32.0	33.0	33.0	33.0	35.0	36.0	37.0
Special Education	5.0	5.0	5.0	5.0	5.0	6.0	6.0	6.0	5.0	3.0
Vocational	24.0	24.0	24.0	23.0	22.5	22.5	23.5	24.5	24.0	27.0
Other Instruction	5.0	5.0	5.0	4.5	5.0	5.0	5.0	5.0	5.0	5.0
Adult/Continuing Education Programs	73.5	79.0	68.0	70.0	71.0	74.0	91.0	76.0	52.0	67.0
Support Services:										
Student & Instruction Related Services	12.0	12.0	12.0	10.0	10.0	10.0	10.0	10.0	10.5	12.0
School Administrative Services	23.0	23.0	22.0	22.0	22.0	20.0	21.0	21.0	20.0	18.0
General Administrative Services	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0
Central Services	6.0	6.0	6.0	7.0	7.0	5.0	5.0	6.0	6.0	6.0
Administrative Information Technology	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0	2.0	2.0
Plant Operations and Maintenance	17.0	16.0	15.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Total	198.0	207.0	196.0	192.0	194.0	194.5	212.5	201.5	176.5	193.0

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Attendance		% Change in Average Daily Enrollment	Student Attendance Percentage
						School of Technology	School of Technology	(ADE) ^c	(ADA) ^c		
2008	695.0	\$ 14,392,501	\$ 20,709	9.43%	64.0	1:11.00	695.0	649.6	2.07%	93.47%	
2009	715.2	13,912,041	19,452	-6.07%	73.0	1:09.80	715.2	688.1	2.91%	96.21%	
2010	734.9	15,119,074	20,573	5.76%	73.0	1:10.06	734.9	710.7	2.75%	96.71%	
2011	939.3	16,295,702	17,349	-15.67%	64.5	1:14.56	939.3	893.2	27.81%	95.09%	
2012	942.6	17,306,753	18,361	5.83%	68.0	1:13.86	942.6	887.2	0.35%	94.12%	
2013	946.5	17,739,017	18,742	2.08%	66.5	1:14.23	946.5	905.6	0.41%	95.68%	
2014	971.7	17,505,289	18,015	-3.88%	67.5	1:14.40	971.7	923.5	2.66%	95.04%	
2015	975.1	18,206,879	18,672	3.65%	70.5	1:13.80	975.1	933.1	0.35%	95.69%	
2016	996.0	18,783,782	18,859	1.00%	70.0	1:13.80	996.0	955.0	2.14%	95.88%	
2017	1,035.5	19,559,825	18,889	0.16%	72.0	1:14.30	1,035.6	991.3	3.97%	95.72%	

Note: Enrollment based on annual October district count.

^a Operating expenditures equal total expenditures less debt service, capital outlay and special schools. Operating expenditures reflected above do not include special schools expenditures for comparison purposes.

^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).

^d Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Sources: School District records

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>District Buildings</u>										
School of Technology (1969)	165,011	165,011	165,011	165,011	165,011	165,011	165,011	165,011	187,911	187,911
Square Feet	934	934	934	934	934	934	934	934	934	934
Capacity (students)	695.0	715.2	734.9	939.3	942.6	946.5	971.7	975.1	996.0	1,035.6
Enrollment										

Number of Schools at June 30, 2017

School of Technology = 1

Off-site Academies = 3

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October district count.

Source: School District Facilities Office

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance for School Facilities
 Account # 11-000-261-xxx

Facility	Fiscal Year Ended June 30, 2017									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Morris County Vocational School*	\$ 695,927	\$ 447,707	\$ 589,085	\$ 373,338	\$ 370,050	\$ 384,072	\$ 329,790	\$ 274,042	\$ 250,993	\$ 252,112
Total School Facilities*	\$ 695,927	\$ 447,707	\$ 589,085	\$ 373,338	\$ 370,050	\$ 384,072	\$ 329,790	\$ 274,042	\$ 250,993	\$ 252,112

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

Source: School District records

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

Morris County Insurance Fund

	<u>Coverage</u>
Chubb Insurance Company of New Jersey	
Property Policy – Policy Loss Limit:	\$250,000,000
Sub-Limits:	
Earthquake (Annual Aggregate)	\$ 10,000,000
Flood (Annual Aggregate)	\$ 10,000,000
Debris removal)	\$ 500,000
Pollutant Cleanup and Removal	\$ 50,000
Utility Services-direct damage/Business Income	\$ 250,000
Ordinance or Law	\$ 5,000,000
Accounts receivables-on premises	\$ 1,000,000
Fine Arts	\$ 1,500,000
Ordinance or Law	\$ 5,000,000
Valuable Papers-on premises	\$ 1,000,000
Transit	\$ 100,000
Business Income Limit	\$ 5,000,000
Boiler & Machinery	\$ 5,000,000
EDP Equipment	incl.in Policy Limits
EDP-Data & Media	\$ 1,000,000
Inland Marine Floater-Equipment Floater	\$ 8,055,003
Deductibles:	
Earthquake	\$ 50,000
Flood	\$ 50,000
AOP	\$ 25,000
Business Income	48 hour deductible
 Argonaut Insurance Company	
General Liability Policy	
Policy Limits	
Each Occurrence Limit	\$ 1,000,000
Products-Completed Operations Aggregate	\$ 2,000,000
Personal & Advertising Injury Limit	\$ 1,000,000
Annual Aggregate	\$ 2,000,000
Damage To Premises rented To You	\$ 100,000
Self-Insured Retention	\$ 500,000
 Employee Benefits Errors or Omissions	
Policy Limits	
Each Occurrence	\$ 1,000,000
Annual Aggregate	\$ 2,000,000
Self-Insured Retention	\$ 500,000
 Educators Legal Liability	
Policy Limits	
Each Wrongful Act	\$ 1,000,000
Annual Aggregate	\$ 2,000,000
Self-Insured Retention	\$ 500,000

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

Coverage

Argonaut Insurance Company

Sexual Misconduct Sublimit

Policy Limits

Each Occurrence	\$ 1,000,000
Maximum Sublimit	\$ 1,000,000
Media Expense	\$ 50,000
Self-Insured Retention	\$ 500,000

Employee Practices Liability

Policy Limits

Each Wrongful Act	\$ 1,000,000
Annual Aggregate	\$ 2,000,000
Self-Insured Retention	\$ 500,000

Argonaut Insurance Company

Business Automobile Policy

Policy Limits

Each Accident Including Owned, Non-Owned & Hired Autos	\$ 1,000,000
---	--------------

Argonaut Insurance Company

Umbrella Liability Policy

Policy Limits

Each Occurrence Limit	\$ 9,000,000
Products-Completed Operations Aggregate	\$ 9,000,000
Personal & Advertising Injury Limit	\$ 9,000,000
General Aggregate	\$ 9,000,000

Great American Insurance Group

Crime Policy

Public Employee Dishonesty	\$ 1,000,000
Forgery or Alteration	\$ 1,000,000
Computer Fraud	\$ 1,000,000
Money Orders and Counterfeit Paper Currency	\$ 1,000,000
Theft, Destruction and Disappearance	\$ 10,000

Hartford Insurance

Statutory Bonds

Treasurer of School Monies	\$ 250,000
Business Administrator	\$ 250,000

Ironshore Specialty Insurance Company

Site Pollution Incident Legal Liability (Claims-Made)

Each Loss/Incident	\$ 1,000,000
Policy Aggregate	\$ 3,000,000
Deductible	\$ 25,000

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

Coverage

Morris Essex Insurance Group

Workers Compensation

Policy Limits

Part One

Statutory Benefits as Required by the State of New Jersey

Part Two, Employer's Liability

\$ 5,000,000

Fund Retention per Claim

\$ 500,000

Cyber Liability

Policy Limits

First Party Coverage

Business Interruption & Extra Expense

\$ 1,000,000

Data Recovery

\$ 1,000,000

Cyber Extortion

\$ 1,000,000

Third Party Coverage

\$ 2,000,000

Privacy & Cyber Security

\$ 2,000,000

Privacy Regulatory Defense, Awards & Fines

\$ 2,000,000

Data Breach Response and Crisis Management Coverage

\$ 1,000,000

Shared Policy Aggregate for All Coverages

\$ 4,000,000

Retention Each Claim

\$ 15,000

SINGLE AUDIT



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Report on Internal Control over Financial Reporting and
 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Morris County Vocational School District
 County of Morris, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Morris County Vocational School District, in the County of Morris (the "District") as of and for the fiscal 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 September 15, 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 the 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.

The Honorable President and Members
of the Board of Education
Morris County Vocational School District
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

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 result 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.

September 15, 2017
Mount Arlington, New Jersey


NISIVOCCIA LLP



Francis Jones
Licensed Public School Accountant #1154
Certified Public Accountant



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Report on Compliance For Each Major Federal and State Programs;
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members
of the Board of Education
Morris County Vocational School District
County of Morris, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Morris County Vocational School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the fiscal year ended June 30, 2017. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal 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 federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 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 District's internal control over compliance.


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

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

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 the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

September 15, 2017
Mount Arlington, New Jersey


NISIVOCIA LLP


Francis Jones
Licensed Public School Accountant #1154
Certified Public Accountant

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Cancellation of Prior Year Accounts Payable	Repayment of Prior Years' Balances	Balance at June 30, 2017		Amount Provided to Subrecipients	
					Budgetary Accounts Receivable	Budgetary Unearned Revenue			Budgetary Accounts Receivable	Budgetary Unearned Revenue		
U.S. Department of Education:												
Passed-through State Department of Education:												
Special Revenue Fund:												
Student Financial Aid Cluster:												
Federal Pell Grant	84.063	P063P064434	9/1/16-8/31/17	\$ 40,967	\$	40,967	\$ (40,967)					
Federal Direct Student Loans (Direct Loan):												
Stafford Loans - Subsidized	84.268	N/A	9/1/16-8/31/17	55,668		55,668	(55,668)					
Stafford Loans - Unsubsidized	84.268	N/A	9/1/16-8/31/17	116,262		116,262	(116,262)					
Total Student Financial Aid Cluster				212,897		212,897	(212,897)					
Passed-through State Department of Education:												
No Child Left Behind:												
Title I	84.010	NCLB336517	7/1/16-6/30/17	43,402		10,856	(17,208)			\$ (6,352)		
Subtotal Title I						10,856	(17,208)			(6,352)		
Special Education Cluster:												
I.D.E.A. Part B, Basic	84.027	IDEA336517	7/1/16-6/30/17	277,743		199,440	(248,153)			(48,713)		
I.D.E.A. Part B, Basic	84.027	IDEA336516	7/1/15-6/30/16	250,266		49,368					\$ 315	\$ 315
Total Special Education Cluster						248,808	(248,153)			(48,713)		315
Carl D. Perkins Secondary	84.048	PERK336517	7/1/16-6/30/17	306,561		271,447	(293,179)			(21,732)		
Carl D. Perkins Secondary	84.048	PERK336516	7/1/15-6/30/16	270,910		85,301		\$ (1)				
Carl D. Perkins Secondary	84.048	PERK336515	7/1/14-6/30/15	315,273		\$ 41		\$ (41)		(10,673)		
Carl D. Perkins Post Secondary	84.048	PERK336517	7/1/16-6/30/17	117,409		104,981	(115,654)					
Carl D. Perkins Post Secondary	84.048	PERK336516	7/1/15-6/30/16	127,478		60		(60)				
Subtotal Carl D. Perkins						461,729	(408,833)	(1)	(101)	(32,405)		
Passed thru State Department of Labor and Workforce Development:												
Consolidated Adult Basic Skills and Integrated English Literacy and Civics Education												
Consolidated Adult Basic Skills and Integrated English Literacy and Civics Education	84.002	ABS-17-07-31	7/1/16-6/30/17	719,130		502,412	(637,535)			(135,123)		\$ 245,158
Consolidated Adult Basic Skills and Integrated English Literacy and Civics Education	84.002	ABS-16-07-31	7/1/15-6/30/16	641,050		136,722		8	(17)			
Consolidated Adult Basic Skills and Integrated English Literacy and Civics Education	84.002	ABS-15-07-31	7/1/14-6/30/15	570,280		115			(115)			
Total U.S. Department of Education						1,573,424	(1,524,626)	7	(233)	(222,593)	315	245,158

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016			Cancellation of Prior Year Accounts Payable	Adjust- ments	Repayment of Prior Years' Balances	Balance at June 30, 2017		
					Budgetary Accounts Receivable	Due to Grantor	Budgetary Unearned Revenue				Budgetary Accounts Receivable	Unearned Revenue	Due to Grantor
U.S. Department of Agriculture:													
Passed-through State Department of Agriculture:													
Child Nutrition Cluster:													
Food Distribution Program	10.555	N/A	7/1/16-6/30/17	\$ 11,013							\$ 1,656		
Food Distribution Program	10.555	N/A	7/1/15-6/30/16	9,497		\$ 1,758							
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	17,650						\$ (1,455)			
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	19,597		\$ (1,487)							
School Breakfast Program	10.553	N/A	7/1/16-6/30/17	2,197						(180)			
School Breakfast Program	10.553	N/A	7/1/15-6/30/16	1,565		(116)							
Total Child Nutrition Cluster						(1,603)				(1,635)	1,656		
Total Federal Awards					\$ 216	\$ 1,758	\$ 332	\$ 7	\$ (233)	\$ (224,228)	\$ 1,656	\$ 315	\$ 245,158

N/A - Not Available/Applicable

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Balance at June 30, 2017		Cumulative Total Expenditures
				Budgetary Accounts Receivable	Budgetary Accounts Receivable			GAAP Accounts Receivable	Budgetary Accounts Receivable	
NJ Department of Education:										
General Fund State Aid:										
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 73,419	\$	\$ 66,554	\$ (73,419)	\$	\$ (6,865)	\$	\$ 73,419
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	503,287		456,226	(503,287)		(47,061)		503,287
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	64,934		58,862	(64,934)		(6,072)		64,934
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	563,785		511,067	(563,785)		(52,718)		563,785
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	8,910		8,077	(8,910)		(833)		8,910
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	8,910		8,077	(8,910)		(833)		8,910
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	9,820		8,901	(9,820)		(919)		9,820
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	505,618		505,618	(505,618)				505,618
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16-6/30/17	663,838		663,838	(663,838)				663,838
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	768,850		768,850	(768,850)				768,850
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	27,857		27,857	(27,857)				27,857
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	2,223		2,223	(2,223)				2,223
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	76,082	\$ (7,124)	7,124					76,082
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	490,726	(45,947)	45,947					490,726
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	64,206	(6,012)	6,012					64,206
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	563,785	(52,787)	52,787					563,785
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	8,910	(834)	834					8,910
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	8,910	(834)	834					8,910
Adult Education Programs Aid	16-100-034-5120-510	7/1/15-6/30/16	43,694	(4,091)	4,091					43,694
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	522,198	(26,823)	26,823					522,198
Total General Fund State Aid				(144,452)	3,230,602	(3,201,451)		(115,301)		4,979,962
Enterprise Fund:										
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	1,127		1,033	(1,127)		(94)		1,127
State School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	1,076	(83)	83					1,076
Total Enterprise Fund State Aid				(83)	1,116	(1,127)		(94)		2,203
Special Revenue Fund:										
New Jersey Achievement Coaches Program	16-TG03-A01	3/1/16-11/30/16	64,720	(6,485)	58,440	(48,136)			\$ 3,819	54,621
New Jersey Achievement Coaches Program	15-TG03-A01	2/1/15-8/31/15	34,995	(889)	889					27,541
County Vocational School District Partnership Grant, C3 Comp	17-E00-155	4/15/17-6/30/20	330,000			(73,790)				73,790
County Vocational School District Partnership Grant, Cohort 2	16-VE02-G06	3/1/16-6/30/19	445,325	(2,574)	136,568	(166,508)				169,082
County Vocational School District Partnership Grant	15-VE01-G06	4/1/15-6/30/18	353,807	(3,790)	100,682	(102,581)		(5,689)		171,597
Total Special Revenue Fund State Aid				(13,738)	296,579	(391,015)		(38,203)	(111,993)	496,631

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2017		Cumulative Total Expenditures
				Budgetary Accounts Receivable	Budgetary Accounts Receivable				GAAP Accounts Receivable	Budgetary Accounts Receivable	
NJ Department of Labor and Workforce Development: Special Revenue Fund: Apprenticeship Coordinator	N/A	7/1/16-6/30/17	\$ 15,000	\$ (10,267)	\$ 10,659	\$ (12,346)	\$ (1)	\$ (1,687)	\$ (1,687)	\$ 12,346	
Apprenticeship Coordinator	N/A	7/1/14-6/30/16	38,000	(10,267)	10,268	(12,346)	(1)	(1,687)	(1,687)	37,145	
Total NJ Department of Labor and Workforce Development					20,927	(12,346)	(1)	(1,687)	(1,687)	49,491	
Total State Awards Subject to Single Audit Determination				\$ (168,540)	3,549,224	(3,605,939)	(1)	\$ (39,984)	\$ (229,075)	\$ 5,528,287	
Less: State Awards Not Subject to Single Audit Major Program Determination											
On-Behalf TPAF Pension System Contributions:											
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16-6/30/17	(663,838)		(663,838)	663,838					
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	(768,850)		(768,850)	768,850					
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	(27,857)		(27,857)	27,857					
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	(2,223)		(2,223)	2,223					
Subtotal - On-Behalf TPAF Pension System Contributions					(1,462,768)	1,462,768					
Total State Awards Subject to Single Audit Major Program Determination					\$ 2,086,456	\$ (2,143,171)					

N/A - Not Available

SEE THE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") includes the federal and state grant activity of the Morris County Vocational School District under programs of the federal and state governments for the fiscal year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund, special revenue fund and the capital projects fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last two 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 revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$2,328 for the General Fund and (\$70,269) for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund		\$ 3,203,779	\$ 3,203,779
Special Revenue Fund	\$ 1,523,814	333,904	1,857,718
Enterprise Funds (Food Service Fund)	30,962	1,127	32,089
Total Federal and State Awards	\$ 1,554,776	\$ 3,538,810	\$ 5,093,586

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2017. Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for its major federal and state award programs for the District expresses an unmodified opinion on all major federal and state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major federal and state programs for the current fiscal year consisted of the following:

	<u>C.F.D.A. Number/ State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Federal:				
Carl D. Perkins Secondary	84.048	7/1/16-6/30/17	\$ 306,561	\$ 293,179
Carl D. Perkins Post Secondary	84.048	7/1/16-6/30/17	117,409	115,654
State:				
<u>General Fund State Aid:</u>				
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	73,419	73,419
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	503,287	503,287
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	64,934	64,934
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	563,785	563,785
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	8,910	8,910
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	8,910	8,910
Prof. Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	9,820	9,820

- The District was determined to be a "low-risk" auditee for both state and federal programs.
- The threshold used for distinguishing between Type A and B federal and state programs was \$750,000.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs as defined in 2 CFR 200.516(a) of the Uniform Guidance.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

There were no prior year audit findings.