

AREA VOCATIONAL-  
TECHNICAL SCHOOLS  
OF MERCER COUNTY  
SCHOOL DISTRICT

County of Mercer  
New Jersey

*Comprehensive Annual Financial Report  
For the Year Ended  
June 30, 2018*

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

**Hamilton, New Jersey**

**Comprehensive Annual Financial Report  
Year Ended June 30, 2018**

**Prepared by**

**Business Office**

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## Introductory Section



February 13, 2019

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

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report (CAFR) of the Area Vocational-Technical Schools of Mercer County (District) as of and for the year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and government-wide financial statements of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this Transmittal Letter (designed to complement Management's Discussion and Analysis and should be read in conjunction with it), the District's Organization Chart, list of Principal Officials and a list of independent auditors and advisors. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements and related footnotes and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." A federal single audit was not required in the 2018 fiscal year as federal expenditures did not exceed \$750,000. Information related to this single audit, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and questioned costs, is included in the Single Audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:**

The District is considered fiscally dependent upon County Government; therefore, it is an entity that must report under the Government Accounting Standards Board (GASB) Statement No. 34. All funds and the government-wide financial statements of the District are included in this report.

The District provides a full range of educational services appropriate to grade levels 9 to 12 in full-time academies and grades 11 to 12 in shared-time secondary programs, as well as adult and post-secondary programs. These include regular vocational, as well as vocational special education for handicapped students. The District completed the 2017-2018 fiscal year with an

average daily enrollment of 983 students. Following are the District's average daily enrollments over the last five (5) years:

**Average Daily Enrollment**

<u>Fiscal Year</u>	<u>Student Enrollment</u>
2017-2018	983
2016-2017	977
2015-2016	887
2014-2015	883
2013-2014	883

**2. ECONOMIC CONDITION AND OUTLOOK:**

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

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

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

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

The District acquires its funding from federal, state, county, and local sources. As per the 2017-18 budget of \$15,323,000 approximately 45% of the budget is supported by county tax, 16% by

state aid, 2% by federal/state special revenue aid, and 37% from tuition, fees, miscellaneous income and through the addition of fund balance.

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

Mercer County is projected to add 15,935 jobs from 2018 to 2024. Professional, scientific, and technical services (+7,829 or +32.0%) is projected to experience the most employment growth, followed by healthcare and social services (+5,733 or +17.6%), accommodation and food services (+2,272), and retail trade (+1,806). Total employment in the county is projected to grow by 6.3 percent, slightly lower than the statewide rate of 6.5 percent. The county's unemployment rate is 4.1%, which is in line with the national average of 4.0%.

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

The District experienced a slight increase in enrollment during the 2017-2018 school year. The District cannot accurately forecast future enrollment. While the District does not anticipate a significant change in enrollment for the 2018-2019 school year, the District is aware that requirements for controlling out of district placements from sending districts and the 2% cap on the sending district's tax levy increases have the potential to impact future enrollment.

### **3. MAJOR INITIATIVES:**

#### **Capital Project Initiatives:**

The conversion from a shared-time facility to a full-time facility still remains an ongoing capital improvement project as part of the Long-Range Facility Plan. It has become more evident that "full-time" career and technical education programs will offer students an integrated academic and technical comprehensive educational program. The design schematics for the proposed full-time educational program will include specialized laboratory facilities and academic classrooms for additional career programs in five (5) distinct academies: Green Construction, Transportation and Logistics, Law and Public Safety, Interactive Design, and Performing Arts. The academy concept incorporates innovative approaches to education such as flexible scheduling, integrated curriculum, industry-school mentorship and partnership, technology, project-based research experiences, and internships.

The District buildings range in age from 44 to 107 years old. The District is committed to the continued maintenance and repair of the buildings. During the 2017-2018 school year, the District had ongoing capital projects which included the ROD project. The District continues to provide for security upgrades as part of the original ROD scope.

Additional ongoing projects include, network infrastructure improvements, burglar alarm replacement at all district sites and perimeter security upgrades to limit unauthorized access to the facilities.

### **Program Initiatives:**

- Construction of a new Science Lab at the Arthur R. Sypek Center will begin during the 2018-2019 school year.
- A new Food Science Lab for the Culinary Arts program will begin during the 2018-2019 school year.
- The district will begin recruitment efforts for a new Aviation shared-time program.
- Expansion of collaborative partnerships to develop student centered programs in higher education, business/industry, and labor and government in order to meet the future demands of the economy and workforce requirements.

#### **4. INTERNAL ACCOUNTING CONTROLS:**

Management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities. ("GAAP"). Internal control 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 adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control environment, including that portion related to Federal and State financial assistance programs, as well as, to determine that the District has complied with applicable laws and regulations.

#### **5. BUDGETARY CONTROLS:**

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of School Estimate. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance on June 30, 2018.

6. **ACCOUNTING SYSTEM AND REPORTS:**

The District's accounting records reflect GAAP as promulgated by the GASB. The accounting system of the District is organized on the basis of funds and a government-wide presentation is also included. These funds and government-wide statements are explained in "Notes to the Basic Financial Statements," Note 1.

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

As demonstrated by the various statements and schedules included in the financial section of the report, the District continues to meet its responsibility for sound financial management. Financial summaries and detail should be reviewed in the Management's Discussion and Analysis for the Fiscal Year ended June 30, 2018.

8. **DEBT ADMINISTRATION:**

At June 30, 2018, the District had no outstanding debt other than obligations under capital leases.

9. **CASH MANAGEMENT:**

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

10. **RISK MANAGEMENT:**

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

11. **OTHER INFORMATION:**

**Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm Wiss and Company, LLP. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Uniform Guidance and New Jersey OMB Circular 15-08. The auditors' report on the basic financial statements and footnotes, combining and individual fund statements and schedules is included in the financial section of this report. The auditors' report related specifically to the single audit is included in the single audit section of this report.

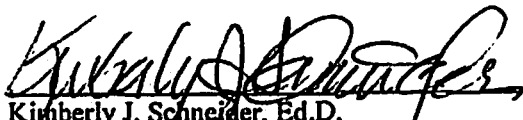
**Awards** – The District had applied to the Association of School Business Officials (ASBO) International for the "Certificate of Excellence in Financial Reporting" for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 2014 through 2017 and was granted the award. In order to be awarded this certificate, the District published an easily readable and efficiently organized Comprehensive Annual Financial Report and satisfied both generally accepted accounting principles and applicable legal requirements.

We believe that our current Comprehensive Annual Financial Report continues to meet the Program's rigorous requirements, and we are submitting it to ASBO to determine its eligibility for the fiscal year 2017-2018 award.

**ACKNOWLEDGEMENTS:**

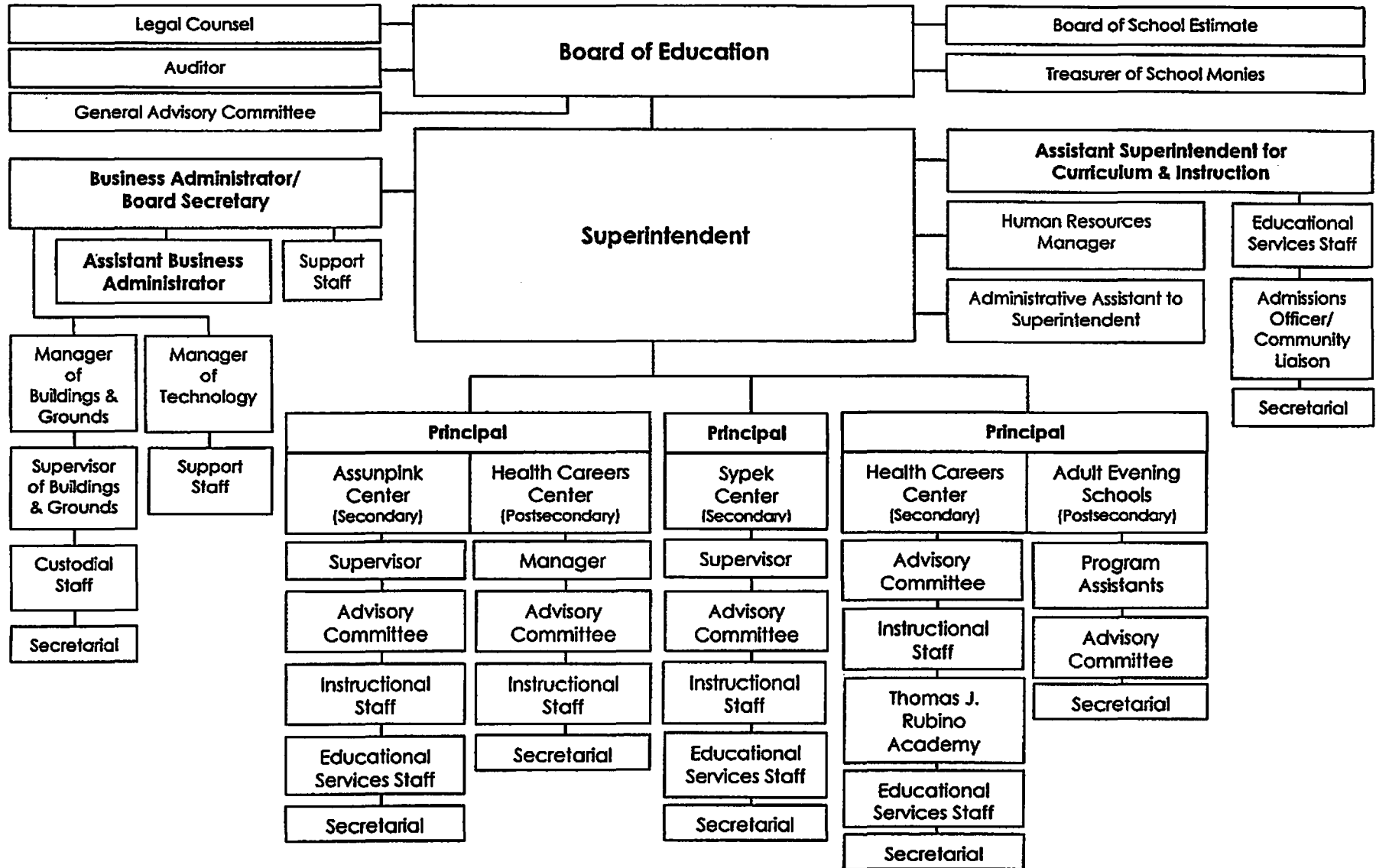
We would like to express our appreciation to the members of the Area Vocational-Technical Schools of Mercer County Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the District and thereby contributing their full support to the development and maintenance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

Respectfully submitted:

  
Kimberly J. Schneider, Ed.D.  
Superintendent

  
Deborah Donnelly  
Business Administrator/Board Secretary

# Mercer County Technical School District Organization Chart



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

Roster of Officials

June 30, 2018

**Members of the Board of Education**

**Term Expires**

Albert W. Pitman, President	2019
John Zoller, Vice- President	2019
Judith Iszard	2019
Yolanda Stinger	2020
Tenille McCoy	2019
Vacancy	
Yasmin Hernandez-Manno, Interim Executive County Superintendent of Schools	Ex-Officio

**Other Officials**

Dr. Kimberly Schneider, Superintendent of Schools – Chief School Administrator  
Tanya Dawson, School Business Administrator / Board Secretary (Effective  
through April 30, 2018)  
Deborah Donnelly, Assistant Business Administrator / Assistant Board Secretary  
(Business Administrator effective May 1, 2018)  
Thomas Venanzi, Treasurer of School Monies



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

Independent Auditors and Advisors

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

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

**Official Depositories**  
New Jersey Cash Management  
PNC Bank  
Investors Bank  
Bank of America



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

The Certificate of Excellence in Financial Reporting  
is presented to

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

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.**

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



A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.' The signature is written in a cursive style.

Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written in a cursive style.

John D. Musso, CAE  
Executive Director

## **Financial Section**

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Area-Vocational Technical Schools of Mercer County School District, in the County of Mercer, New Jersey (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of the District's proportionate share of the net pension liability-PERS, schedule of District pension contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the District-TPAF, schedule of the State's proportionate share of the net OPEB liability associated with the District and changes in the total OPEB liability and related ratios-PERS and TPAF and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

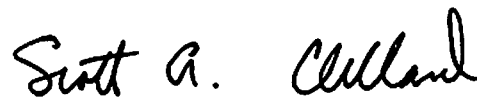
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, such as the combining and individual fund financial statements, long-term debt schedules and schedules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

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

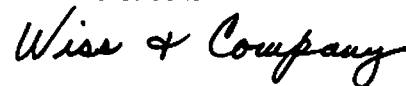
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Scott A. Clelland  
Licensed Public School Accountant  
No. 1049



WISS & COMPANY, LLP

Livingston, New Jersey  
February 13, 2019

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

**AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

Management's Discussion and Analysis (MD&A) of the Area Vocational-Technical Schools of Mercer County School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements, notes to the basic financial statements and additional information in the transmittal letter to enhance their understanding of the District's financial performance.

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

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- ◆ In total, net position increased by \$1,082,453 from 2017.
- ◆ Total assets of governmental activities increased by \$238,221. Deferred outflow of resources decreased \$1,193,038 as a result of the effects of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.
- ◆ Total liabilities of governmental activities decreased by \$4,079,485, which was largely related to a decrease in the net pension liability of \$3,046,747 at June 30, 2018. This was in addition to a decrease in non-current liabilities of \$950,327 due to principal payments on capital leases made by the District.
- ◆ General revenues accounted for \$12,871,504 of revenue or 65.8% of all revenues. Program specific revenues in the form of tuition and other fees accounted for \$6,688,698 or 34.2% of total revenues of \$19,560,202.
- ◆ Total expenses for all programs was \$18,477,749, including expenses of \$1,475,668 for allocated depreciation. Expenses in the amount of \$5,596,617 were offset by specific tuition and operating grants and contributions. General revenues (primarily county tax levy and state and federal aid) of \$13,456,963 were adequate to provide for the balance of these programs, exclusive of the charge for depreciation.
- ◆ The General Fund had \$14,663,733 in revenues and \$14,292,793 in expenditures. The General Fund's fund balance increased \$431,375 from 2017.



- ◆ The activity in the Special Revenue Fund increased from the prior year, experiencing an increase in revenue from state sources of \$147,573, offset by a slight decrease from federal sources of \$34,359.
- ◆ In FY 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, which resulted in the District recording expense and corresponding revenue in the amount of \$1,369,179 related to post-employment health benefits paid by the State on behalf of the District.

### **Using this Comprehensive Annual Financial Report (CAFR)**

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

### **Reporting the School District as a Whole**

#### **Government-wide Activities**

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of Area Vocational-Technical Schools of Mercer County School District, the General Fund is by far the most significant fund.

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017-18?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

### **Reporting the School District’s Most Significant Funds**

#### **Fund Financial Statements**

The analysis of the District’s major (all) funds is included in the 2017-18 Comprehensive Annual Financial Report as presented by the District. Fund financial statements provide detailed information about the District’s major funds. All of the funds of the District can be divided into three (3) categories: governmental funds, proprietary funds and fiduciary funds. The fund financial statements are utilized for District financial decision making.

#### **Governmental Funds**

The District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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

## **General Fund**

The general fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$529,730, while total fund balance was \$4,376,722. The fund balance increased \$431,375 during the current fiscal year primarily due to an increase in tuition.

## **Special Revenue Fund**

The special revenue fund is the fund that accounts for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. During the current fiscal year, the District expended \$485,587 from federal sources and \$172,548 from state sources.

## **Capital Projects Fund**

The District uses the capital projects fund to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by proprietary funds and trust funds). During the current fiscal year, the District expended \$723,201 for improvements to both the Assunpink and Sypek Centers.

## **Enterprise Fund**

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

## **Fiduciary Funds**

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

## **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34 through 72 of this report.

## Other Information

The required supplementary information and combining statements referred to earlier in connection with governmental funds are presented immediately following the notes to the basic financial statements. Required supplementary information and combining and individual fund statements and schedules can be found on pages 73-97 of this report.

## The School District as a Whole

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

The following table provides a summary of the District's net position as of June 30, 2018 and 2017:

### Net Position June 30, 2018 and 2017

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 5,184,384	\$ 5,090,917	\$8,378	\$248,784	\$5,192,762	\$5,339,701
Capital assets, net	28,171,030	28,026,276			28,171,030	28,026,276
<b>Total assets</b>	<b>33,355,414</b>	<b>33,117,193</b>	<b>8,378</b>	<b>248,784</b>	<b>33,363,792</b>	<b>33,365,977</b>
Deferred Outflow of Resources	2,505,531	3,698,569			2,505,531	3,698,569
Current liabilities and other	1,527,439	1,609,850		246,976	1,527,439	1,856,826
Net pension liability	7,090,516	10,137,263			7,090,516	10,137,263
Long-term liabilities	7,380,289	8,330,616			7,380,289	8,330,616
<b>Total liabilities</b>	<b>15,998,244</b>	<b>20,077,729</b>		<b>246,976</b>	<b>15,998,244</b>	<b>20,324,705</b>
Deferred Inflows of Resources	2,220,173	171,388			2,220,173	171,388
Net position:						
Net investment in capital assets	20,326,428	19,222,712			20,326,428	19,222,712
Restricted	4,212,218	4,254,896			4,212,218	4,254,896
Unrestricted (deficit)	(6,896,118)	(6,910,963)	8,378	1,808	(6,887,740)	(6,909,155)
<b>Total net position</b>	<b>\$ 17,642,528</b>	<b>\$ 16,566,645</b>	<b>\$ 8,378</b>	<b>\$ 1,808</b>	<b>\$ 17,650,906</b>	<b>\$ 16,568,453</b>

Total assets remained in line with the prior year decreasing by \$2,185.

Total liabilities decreased by \$4,326,461. The District's long-term liabilities decreased \$950,327 and current and other liabilities decreased \$329,387. The decrease in long-term liabilities is due to the District making annual principal payments on capital leases. The decrease in current liabilities is due to a decrease in accounts payable related to Rubino Academy and unearned revenue related to funds received from the SDA. The net pension liability decreased by

\$3,046,747, deferred outflow of resources decreased \$1,193,038 and deferred inflow of resources increased by \$2,048,785 all of which are a result of the effects of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Unrestricted net position, the part of net position that can be used to finance day-to day activities, without constraints, established by grants or legal requirements of the District, increased by \$1,453,344. The Net Position for Business-Type Activities is \$8,378 at June 30, 2018.

The following table provides a comparison of government-wide changes in net position for the 2018 and 2017 fiscal years:

**Changes in Net Position  
Years ended June 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$3,819,606	\$3,380,962	\$1,704,335	\$1,833,030	\$5,523,941	\$5,213,992
Operating grants and contributions	658,135	544,921			658,135	544,921
Capital grants and contributions	506,622	486,434			506,622	486,434
<b>General revenues:</b>						
County Appropriation/Taxes	6,897,498	6,762,253			6,897,498	6,762,253
State and Federal Sources	5,738,142	5,019,211			5,738,142	5,019,211
Miscellaneous	235,864	338,013			235,864	338,013
<b>Total revenues</b>	<b>17,855,867</b>	<b>16,531,794</b>	<b>1,704,335</b>	<b>1,833,030</b>	<b>19,560,202</b>	<b>18,364,824</b>
<b>Expenses:</b>						
Instructional services	7,275,284	7,136,862	1,697,765	1,882,070	8,973,049	9,018,932
Support services	7,067,168	6,706,239			7,067,168	6,706,239
Special schools	2,142,790	2,298,668			2,142,790	2,298,668
Interest on long term obligations	294,742	327,362			294,742	327,362
<b>Total expenses</b>	<b>16,779,984</b>	<b>16,469,131</b>	<b>1,697,765</b>	<b>1,882,070</b>	<b>18,477,749</b>	<b>18,351,201</b>
<b>Change in net position</b>	<b>1,075,883</b>	<b>62,663</b>	<b>6,570</b>	<b>(49,040)</b>	<b>1,082,453</b>	<b>13,623</b>
<b>Net position – beginning</b>	<b>16,566,645</b>	<b>16,503,982</b>	<b>1,808</b>	<b>50,848</b>	<b>16,568,453</b>	<b>16,554,830</b>
<b>Net position – ending</b>	<b>\$ 17,642,528</b>	<b>\$ 16,566,645</b>	<b>\$ 8,378</b>	<b>\$ 1,808</b>	<b>\$ 17,650,906</b>	<b>\$ 16,568,453</b>

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

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

## Financial Analysis of the District's Funds

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

As the District completed the fiscal year ended June 30, 2018, it reported a general fund balance of \$4,376,722, which is an increase of \$431,375 from the prior year. The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, Schedule B-3, presents the reader with a detailed explanation of the increase in fund balance for the fiscal year.

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

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

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility of sound financial management. The following schedules represent revenues and expenditures from a New Jersey budgetary viewpoint. The first schedule presents a summary of the revenues of the General Fund and Special Revenue Fund for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

#### Revenues Year Ended June 30, 2018

Revenue	Amount	Percent of Total	Increase (Decrease) from 2017	Percent of Increase (Decrease)
Local sources	\$ 10,952,533	71.5%	\$ 471,893	4.5%
State sources	3,883,748	25.3	492,757	14.5
Federal sources	485,587	3.2	(34,359)	(6.6)
<b>Total</b>	<b>\$ 15,321,868</b>	<b>100.0%</b>	<b>\$ 930,291</b>	<b>6.5%</b>

The increase in the local sources was mainly attributable to the increase in enrollment and general tuition fees. Federal sources decreased primarily due to the District receiving less grant funds. The increase in State sources is primarily attributable to an increase in state aid. The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the year ended June 30, 2018, and the amount and percentage of increases in relation to prior year expenditures:

**Expenditures  
Year Ended June 30, 2018**

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease ) From 2017</u>	<u>Percent of Increase (Decrease )</u>
<b>Current:</b>				
Instruction	\$ 3,883,942	26.0%	\$ 98,190	2.6%
Support services	7,575,753	50.6	551,171	7.8
Capital outlay	845,206	5.7	551,265	187.5
Debt Service – capital lease	1,268,005	8.5	2,857	0.2
Special schools	1,378,022	9.2	(85,054)	(5.8)
<b>Total</b>	<b>\$ 14,950,928</b>	<b>100.0%</b>	<b>\$ 1,118,429</b>	<b>8.1%</b>

The increase in instruction and support services is due to an increase in enrollment. The increase in capital outlay is due to IT network equipment upgrades, the purchase of two new school buses, and STEM Academy instructional equipment purchases in the current year.

**Capital Assets**

At the end of fiscal years 2018 and 2017, the District had \$28,171,030 and \$28,026,276, respectively invested in a broad range of capital assets, including construction in progress, buildings, furniture, vehicles, instructional equipment and other equipment. This amount is net of accumulated depreciation. Increases during the year represent additions to those categories, while decreases represent retirement of assets during the year, and depreciation of depreciable assets for the year. The table below shows the net book value of governmental activities capital assets at the end of the 2018 and 2017 fiscal years.

**Capital Assets (Net of Depreciation)**

	<u>2018</u>	<u>2017</u>
Construction in Progress	\$ 3,380,550	\$ 10,663,458
Buildings and Building Improvements	23,197,356	16,402,846
Machinery and Equipment	1,593,124	959,972
<b>Total</b>	<b>\$ 28,171,030</b>	<b>\$ 28,026,276</b>

During the current fiscal year, \$1,622,721 of capital assets were capitalized as net additions. Increases in capital assets were offset by depreciation expense for the year. The District’s capital additions for the 2017-18 fiscal year included site improvements to both Assunpink and Sypek Centers.

## Long Term Debt/Liabilities

The District maintains a liability for vested compensated absences which is recorded in the government-wide financial statements. This liability is attributable to unused sick and vacation time that is due to employees at retirement or termination. Of the \$414,428 and \$428,588 liabilities at June 30, 2018 and 2017, respectively, \$31,401 and \$1,000 are due within one year, respectively.

In July 2011, the District entered into a long-term capital lease to obtain funding sources for an Energy Savings Improvement Plan (ESIP). The lease agreement requires the District to make annual principal and interest payments from its general fund budget. Of the \$7,415,000 liability at June 30, 2018, \$695,000 is due within one year.

In July 2015, the District entered into a long-term capital lease to obtain funding sources for a capital project. The lease agreement requires the District to make annual principal and interest payments from its general fund budget. Of the \$726,555 liability at June 30, 2017, \$238,527 is due within one year. The following table presents the balances of long-term liabilities as of June 30, 2018 and 2017 for governmental activities:

	<b>Governmental Activities</b>	
	<u>2018</u>	<u>2017</u>
Compensated Absences Payable	\$414,428	\$428,588
ESIP Capital Lease	7,415,000	8,135,000
Capital Lease	<u>488,028</u>	<u>726,555</u>
Total	<u>\$ 8,317,456</u>	<u>\$ 9,290,143</u>

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

## General Fund Budgetary Highlights

The District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of the year, the District revises its budget as it attempts to take into consideration unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget compared with actual operating results is provided in Section C of the CAFR, entitled Budgetary Comparison Schedules. The District generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind. The General Fund finished the fiscal year \$293,799 less than had been budgeted in terms of local revenues and \$906,297 better in terms of expenditures. Both the revenues and appropriations were adjusted for \$1,120,543 of non-budgeted amounts reflected in the comparison schedule for reimbursed TPAF social security contributions, on-behalf TPAF pension contributions, TPAF post retirement medical contributions and TPAF non-contributory insurance contributions. Due to the high precision of the District's formulated budget, significant transfers between various account lines were not necessary.



## **Economic Factors and Next Year's Budget**

For the 2017-18 school year, the Area Vocational-Technical Schools of Mercer County School District was able to sustain its general operating budget through the County Aid Levy, State Education Aid and Local Revenue Sources. Approximately 25% of the District's general fund revenue was from State Aid (Restricted and Not Restricted), while 47% of total general fund revenue was from the County Tax Levy. The balance of the general fund revenue was comprised of Tuition, Registration Fees and Miscellaneous Income.

The 2017-18 budget was adopted on March 30, 2017 by the County Freeholders. The District anticipates an increase in enrollment for the 2018-19 fiscal year but, due to the elective nature of its programs, the District cannot accurately forecast future enrollment. If the District were to experience a significant increase in enrollment with no appreciable increase in the County Tax Levy for future budgets, the District will be faced with the following alternatives: (a) reduce programs and services; (b) propose a Tuition Plan for the sending school districts; or (c) increase Tuition and other related fees for adult students.

## **Contacting the School District's Financial Management**

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

## **Basic Financial Statements**

## **Government-wide Financial Statements**

**The government-wide financial statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the year ended June 30, 2018.**

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 556,227		\$ 556,227
Accounts Receivable	1,841,421	\$ 357,634	2,199,055
Internal Balances	349,256	(349,256)	-
<b>Restricted Assets:</b>			
Cash and Cash Equivalents	2,264,082		2,264,082
Cash Held with Fiscal Agent	58,426		58,426
Accounts Receivable	114,972		114,972
Capital Assets, Non-Depreciable	3,380,550		3,380,550
Capital Assets, Depreciable, Net	<u>24,790,480</u>		<u>24,790,480</u>
Total Assets	<u>33,355,414</u>	<u>8,378</u>	<u>33,363,792</u>
<b>Deferred Outflow of Resources</b>			
Pension Deferrals	<u>2,505,531</u>		<u>2,505,531</u>
Total Deferred Outflow of Resources	<u>2,505,531</u>		<u>2,505,531</u>
<b>Liabilities</b>			
Accounts Payable	342,014		342,014
Accrued Interest Payable	133,626		133,626
Unearned Revenue	114,523		114,523
Other Liabilities	109		109
Net Pension Liability	7,090,516		7,090,516
<b>Noncurrent Liabilities:</b>			
Due Within One Year	968,568		968,568
Due Beyond One Year	<u>7,348,888</u>		<u>7,348,888</u>
Total Liabilities	<u>15,998,244</u>		<u>15,998,244</u>
<b>Deferred Inflow of Resources</b>			
Pension Deferrals	<u>2,220,173</u>		<u>2,220,173</u>
Total Deferred Inflow of Resources	<u>2,220,173</u>		<u>2,220,173</u>
<b>Net Position</b>			
Net Investment in Capital Assets	20,326,428		20,326,428
<b>Restricted For:</b>			
Capital Projects	597,235		597,235
Excess Surplus - Current Year	931,929		931,929
Excess Surplus - Prior Year	304,000		304,000
Capital Reserve	2,379,054		2,379,054
Unrestricted (Deficit)	<u>(6,896,118)</u>	<u>8,378</u>	<u>(6,887,740)</u>
Total Net Position	<u>\$ 17,642,528</u>	<u>\$ 8,378</u>	<u>\$ 17,650,906</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities:</b>							
Instruction:							
Regular	\$ 5,324,742	\$ 2,430,418	\$ 134,011		\$ (2,760,313)		\$ (2,760,313)
Special Education	1,950,542	803,729	106,249		(1,040,564)		(1,040,564)
Support Services:							
Student and Instruction Related Services	2,249,689		417,875		(1,831,814)		(1,831,814)
General Administrative Services	726,390				(726,390)		(726,390)
School Administrative Services	1,213,086				(1,213,086)		(1,213,086)
Central Administrative Services	564,248				(564,248)		(564,248)
Administrative Information Technology	556,387				(556,387)		(556,387)
Plant Operations and Maintenance	1,666,374			\$ 506,622	(1,159,752)		(1,159,752)
Pupil Transportation	90,994				(90,994)		(90,994)
Interest on Long-Term Obligations	294,742				(294,742)		(294,742)
Special Schools	2,142,790	585,459			(1,557,331)		(1,557,331)
<b>Total Primary Government</b>	<b>16,779,984</b>	<b>3,819,606</b>	<b>658,135</b>	<b>506,622</b>	<b>(11,795,621)</b>		<b>(11,795,621)</b>
<b>Business-type Activities:</b>							
Enterprise Fund	1,697,765	1,704,335				\$ 6,570	6,570
<b>Total Business-type Activities</b>	<b>1,697,765</b>	<b>1,704,335</b>				<b>6,570</b>	<b>6,570</b>
<b>Total Primary Government</b>	<b>\$ 18,477,749</b>	<b>\$ 5,523,941</b>	<b>\$ 658,135</b>	<b>\$ 506,622</b>	<b>(11,795,621)</b>	<b>6,570</b>	<b>(11,789,051)</b>
<b>General Revenues:</b>							
County Appropriation/Taxes					6,897,498		6,897,498
State and Federal Sources					5,738,142		5,738,142
Interest earnings					28,713		28,713
Miscellaneous					207,151		207,151
<b>Total General Revenues</b>					<b>12,871,504</b>		<b>12,871,504</b>
<b>Changes in Net Position</b>					<b>1,075,883</b>	<b>6,570</b>	<b>1,082,453</b>
<b>Net Position - Beginning</b>					<b>16,566,645</b>	<b>1,808</b>	<b>16,568,453</b>
<b>Net Position - Ending</b>					<b>\$ 17,642,528</b>	<b>\$ 8,378</b>	<b>\$ 17,650,906</b>

## **Fund Financial Statements**

## **Governmental Funds**

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

BALANCE SHEET

June 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
<b>Assets</b>				
Cash and Cash Equivalents			\$ 556,227	\$ 556,227
Cash Held with Fiscal Agent			58,426	58,426
Interfund Receivable	\$ 531,472			531,472
Accounts Receivable:				
State	12,938	\$ 72,977		85,915
Federal		71,440		71,440
Other	1,486,840		197,226	1,684,066
Restricted Cash and Cash Equivalents	2,264,082			2,264,082
Restricted Accounts Receivable	114,972			114,972
<b>Total Assets</b>	<b>\$ 4,410,304</b>	<b>\$ 144,417</b>	<b>\$ 811,879</b>	<b>\$ 5,366,600</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 19,073	\$ 18,296		\$ 37,369
Interfund Payable		121,193	\$ 61,023	182,216
Unearned Revenue	14,400	4,928	95,195	114,523
Other Liabilities	109			109
<b>Total Liabilities</b>	<b>33,582</b>	<b>144,417</b>	<b>156,218</b>	<b>334,217</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Excess Surplus - current year	931,929			931,929
Prior Year Excess Surplus - Designated for Subsequent Year's Expenditures	304,000			304,000
Capital Reserve	2,379,054			2,379,054
Capital Projects			655,661	655,661
<b>Assigned to:</b>				
Other Purposes	232,009			232,009
Unassigned	529,730			529,730
<b>Total Fund Balances</b>	<b>4,376,722</b>		<b>655,661</b>	<b>5,032,383</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,410,304</b>	<b>\$ 144,417</b>	<b>\$ 811,879</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$51,833,112 and the accumulated depreciation is \$23,662,082 (See Note 4).	28,171,030
Deferred pension costs in governmental activities are not financial resources and are therefore not reported in the funds.	285,358
Accrued interest on long - term liabilities is not due and payable in the current period and therefore is not reported as a liability in the funds.	(133,626)
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds.	(7,090,516)
Accrued pension contributions for the June 30, 2018 plan year end are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position.	(304,645)
Long-term liabilities, including compensated absences and principal on long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund (See Note 5).	(8,317,456)
<b>Net Position of Governmental Activities</b>	<b>\$ 17,642,528</b>



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2018

	Major Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
<b>Revenues:</b>				
<b>Local Sources:</b>				
County Appropriation/Tax Levy	\$ 6,897,498			\$ 6,897,498
Tuition from Individuals	52,031			52,031
Tuition From Other LEA's	3,013,134			3,013,134
Non-Resident Fees	168,982			168,982
Interest	28,278		\$ 435	28,713
Miscellaneous	792,610		362,236	1,154,846
<b>Total - Local Sources</b>	<b>10,952,533</b>		<b>362,671</b>	<b>11,315,204</b>
State Sources	3,711,200	\$ 172,548	144,386	4,028,134
Federal Sources		485,587		485,587
<b>Total Revenues</b>	<b>14,663,733</b>	<b>658,135</b>	<b>507,057</b>	<b>15,828,925</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Regular Vocational - Instruction	2,696,395	134,011		2,830,406
Special Vocational - Instruction	947,287	106,249		1,053,536
<b>Support Services:</b>				
Student and Instruction Related Services	1,065,193	107,830		1,173,023
General Administration	427,765			427,765
School Administration	600,551			600,551
Central Services	298,623			298,623
Administrative Information Technology	363,617			363,617
Plant Operations and Maintenance	1,083,857			1,083,857
Pupil Transportation	50,501			50,501
Unallocated Benefits	2,457,273			2,457,273
On-behalf TPAF FICA and Pension	1,120,543			1,120,543
Capital Outlay	535,161	310,045	723,201	1,568,407
<b>Debt Service:</b>				
Principal	958,527			958,527
Interest	309,478			309,478
Special Schools	1,378,022			1,378,022
<b>Total Expenditures</b>	<b>14,292,793</b>	<b>658,135</b>	<b>723,201</b>	<b>15,674,129</b>
Excess (deficiency) of revenues over (under) expenditures	370,940	-	(216,144)	154,796
<b>Other Financing Sources (Uses):</b>				
Transfers in	60,435			60,435
Transfers out			(60,435)	(60,435)
<b>Total Other Financing Sources (Uses)</b>	<b>60,435</b>	<b>-</b>	<b>(60,435)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>431,375</b>		<b>(276,579)</b>	<b>154,796</b>
Fund Balance, July 1	3,945,347		932,240	4,877,587
<b>Fund Balance, June 30</b>	<b>\$ 4,376,722</b>	<b>\$ -</b>	<b>\$ 655,661</b>	<b>\$ 5,032,383</b>

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

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

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

Year ended June 30, 2018

Total Net Change in Fund Balances - Governmental Funds (B-2) \$ 154,796

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

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

Depreciation Expense	\$ (1,475,668)	
Capital Asset Additions, net	1,622,721	
Loss on disposal of assets	<u>(2,299)</u>	
		144,754

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

Obligations under Capital Leases		958,527
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In the Statement of Activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is recorded when due. The decrease in accrued interest from the prior year is an addition to the reconciliation.

14,736

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

Pension Expense		(211,090)
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In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.

14,160

Change in Net Position of Governmental Activities (A-2)	\$	<u><u>1,075,883</u></u>
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## Proprietary Fund

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

STATEMENT OF NET POSITION

June 30, 2018

	Major Enterprise Fund Rubino Academy
<b>Assets</b>	
<b>Current Assets:</b>	
Accounts Receivable - Other	\$ 357,634
<b>Total Assets</b>	357,634
 <b>Liabilities</b>	
<b>Current Liabilities:</b>	
Interfund Payable	349,256
<b>Total Liabilities</b>	349,256
 <b>Net Position</b>	
Unrestricted	8,378
<b>Total Net Position</b>	\$ 8,378

*See accompanying notes to the basic financial statements.*

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION

Year ended June 30, 2018

	Major Enterprise Fund Rubino Academy
Operating Revenues:	
Tuition	\$ 1,704,335
Total Operating Revenues	1,704,335
Operating Expenses:	
Purchased Professional - Educational Services	1,447,765
Rental	250,000
Total Operating Expenses	1,697,765
Operating Income and Change in Net Position	6,570
Total Net Position-Beginning	1,808
Total Net Position-Ending	\$ 8,378

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

STATEMENT OF CASH FLOWS

Year ended June 30, 2018

	Major Enterprise Fund Rubino Academy
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 1,824,081
Payments to suppliers	(1,944,741)
Net cash used by operating activities	(120,660)
<b>Cash flows from noncapital financing activity:</b>	
Repayments to other funds	120,660
Net cash used for non-capital financing activity	120,660
Net change in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -
<b>Reconciliation of operating income to net cash used by operating activities</b>	
Operating income	\$ 6,570
Adjustments to reconcile operating income to net cash used by operating activities:	
Decrease in accounts receivable	119,746
Decrease in accounts payable	(246,976)
Net cash used by operating activities	\$ (120,660)

## **Fiduciary Funds**

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

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund	Agency Fund
<b>Assets</b>			
Cash and Cash Equivalents	\$ 5,995	\$ 11,547	\$ 156,437
Total Assets	<u>5,995</u>	<u>11,547</u>	<u>156,437</u>
<b>Liabilities</b>			
Payroll Deductions and Withholdings Due to Student Groups			\$ 125,080 31,357
Total Liabilities			<u>156,437</u>
<b>Net Position</b>			
Held in Trust for Unemployment Claims		<u>11,547</u>	
Held in Trust for Scholarships	<u>5,995</u>		



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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2018

	Private-Purpose Scholarship Trust Fund	Unemployment Compensation Trust Fund
<b>Additions</b>		
Interest Income	\$ 6	\$ 35
Employee Contributions		21,582
Board Contributions		12,000
Other Contributions	5,898	
Total Additions	<u>5,904</u>	<u>33,617</u>
<b>Deductions</b>		
Scholarship Payments	3,500	
Unemployment Benefits		59,407
Total Deductions	<u>3,500</u>	<u>59,407</u>
Change in Net Position	2,404	(25,790)
Net Position - Beginning of Year	3,591	37,337
Net Position - End of Year	<u>\$ 5,995</u>	<u>\$ 11,547</u>

# Area Vocational-Technical Schools of Mercer County School District

## Notes to the Basic Financial Statements

Year ended June 30, 2018

### 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**1. Summary of Significant Accounting Policies (continued)**

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

**B. Government-wide and fund financial statements**

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

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

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

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

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

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**1. Summary of Significant Accounting Policies (continued)**

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

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

The District has reported the following major governmental funds:

*General Fund:* The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the capital outlay subfund.

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

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

The District reports the following major proprietary fund:

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**1. Summary of Significant Accounting Policies (continued)**

Additionally, the District reports the following fiduciary fund types:

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

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

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

*Agency Funds (Payroll and Student Activity Fund):* Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**1. Summary of Significant Accounting Policies (continued)**

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

The District reports unearned revenue on its statement of net position and balance sheet. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when federal or state assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and balance sheet and revenue is recognized. When an asset is recorded in governmental fund financial statements, but the revenue is not available, the District should report a deferred inflow of resources until such time the revenue becomes available.

**D. Budgets/Budgetary Control**

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**1. Summary of Significant Accounting Policies (continued)**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America with the exception of the legally mandated revenue recognition of the last two state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**E. Cash and Cash Equivalents**

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

**F. Tuition Receivable / Payable**

Tuition charges were established by the District based on estimated costs. The charges are subject to adjustment when the final costs are determined. These adjustments are recorded upon certification by the State Department of Education, which is usually one to two years following the contract year. The cumulative adjustments through June 30, 2018 which have not been recorded, are not determinable.

**G. Interfund Receivables/Payables**

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

**H. Capital Assets**

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**1. Summary of Significant Accounting Policies (continued)**

by an independent appraisal company. Donated capital assets are valued at their acquisition value on the date of acquisition.

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

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

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

**I. Compensated Absences**

A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. The District uses the “vesting method” for estimating its accrued sick and vacation leave liability.

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

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



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

**Notes to the Basic Financial Statements (continued)**

**Year ended June 30, 2018**

**1. Summary of Significant Accounting Policies (continued)**

The liability for vested compensated absences of the District is recorded in the government-wide financial statements and includes salary related payments. As of June 30, 2018, a liability existed for compensated absences in the government-wide financial statements in the amount of \$414,428.

**J. Unearned Revenue**

Unearned revenue in the general fund represents cash receipts received from tuition for future classes that have been received in advance. Unearned revenue in the special revenue fund represents cash, which has been received but not yet spent. Unearned revenue in the capital projects fund represents cash receipts received from the State of New Jersey School Development Authority in excess of the state share of the state approved project for mechanical, electrical, security and general construction improvements and alterations to the Sypek Center Vocational School at June 30, 2018.

**K. Deferred Outflows / Inflows of Resources**

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the District has one item that qualifies for reporting in this category, deferred amounts related to pensions.

**L. Long-Term Obligations**

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**1. Summary of Significant Accounting Policies (continued)**

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

**M. Fund Balances**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**1. Summary of Significant Accounting Policies (continued)**

committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

Of the \$4,376,722 of fund balance in the General Fund, \$232,009 are encumbrances assigned to other purposes, \$2,379,054 has been restricted in the capital reserve account, \$931,929 has been restricted for excess surplus – current year, \$304,000 has been restricted for excess surplus - prior year and \$529,730 is classified as unassigned.

**N. Calculation of Excess Surplus**

The designation for restricted fund balance - excess surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve general fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. Excess surplus of \$304,000, which was generated during the 2017 fiscal year will be utilized in the 2018-19 budget. The current year excess surplus at June 30, 2018 was \$931,929, which will be utilized in the 2019-20 budget.

**O. Net Position**

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

**P. Management Estimates**

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**1. Summary of Significant Accounting Policies (continued)**

**Q. On-Behalf Payments**

Revenues and expenditures of the general fund include payments made by the State of New Jersey for social security contributions and post-retirement pension and medical contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. Additionally, revenues and expenses related to on-behalf pension contributions in the government-wide financial statements have been increased by \$989,831 to adjust for the full accrual basis expense incurred by the State of New Jersey during the most recent measurement period. The amounts are not required to be included in the District's annual budget.

**R. Recently Issued and Adopted Accounting Principles**

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The District has adopted GASB No. 75 during the year ended June 30, 2018, which resulted in an increase in full accrual revenues and expenses and additional disclosures in the notes to the basic financial statements.

In March, 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for periods beginning after June 15, 2017. The District has adopted GASB Statement No. 85 during the year ended June 30, 2018, which did not have a significant impact on the financial statements.

**S. Recently Issued Accounting Pronouncements**

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not determined the impact of the statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**1. Summary of Significant Accounting Policies (continued)**

Statement are effective for periods beginning after December 15, 2019. Management has not determined the impact of the statement on the financial statements.

**T. Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2018 through February 13, 2019, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

**2. Reconciliation of Government-Wide and Fund Financial Statements**

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

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

The details of this \$8,317,456 difference are as follows:

Compensated absences	\$ 414,428
Capital leases	7,903,028
Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities	<u>\$ 8,317,456</u>

**3. Deposits and Investments**

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and Statement No. 72 *Fair Value Measurement and Application*. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value.

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

**Notes to the Basic Financial Statements (continued)**

Year ended June 30, 2018

**Deposits and Investments (continued)**

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at last equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

**Deposits**

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

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

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

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

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

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

**Notes to the Basic Financial Statements (continued)**

Year ended June 30, 2018

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

Operating cash accounts are held in the District's name by several commercial banking institutions. At June 30, 2018, the District's carrying amount of deposits was \$1,018,076 including funds held with fiscal agent and the bank balance was \$2,116,659. Of the bank balance, \$342,340 of the District's cash deposits on June 30, 2018 was secured by federal depository insurance. The New Jersey Governmental Unit Deposit Protection Act (GUDPA) covered the bank balance of \$1,531,989. \$242,330 held in the District agency accounts are not covered by GUDPA.

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

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

**Investments**

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

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

**New Jersey Cash Management Fund**

In order to maximize liquidity, the District utilizes the New Jersey Cash Management Fund ("NJCMF") as its sole investment. The NJCMF is administered by the State of New Jersey, Department of the Treasury and issues a separate report that can be obtained directly from the Department of the Treasury. It invests pooled monies from various State and non-State agencies in primarily short-term investments. The fair value of the District's portion in the pool is the same as the

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

fair value of the pool shares. These investments include: U.S. Treasuries, short-term Commercial Paper, U.S. Agency Bonds, Corporate Bonds, and Certificates of Deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At June 30, 2018, the District's balance was \$2,034,634 and is classified as cash equivalents due to its short-term nature. The debt instruments in the NJCMF are rated by three national rating agencies.

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

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

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

*Concentration of Credit Risk:* The District places no limit on the amount the District may invest in any one issuer and does not have a policy for limiting the concentration of investments. At June 30, 2018, the District's investments were invested in the NJCMF.

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



Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**4. Capital Assets**

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2018:

	Beginning Balance	Increases	Transfers and Decreases	Ending Balance
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Construction in Progress	\$ 10,663,458	\$ 577,747	\$ (7,860,655)	\$ 3,380,550
<b>Total Capital Assets, Not Being Depreciated:</b>	<b>10,663,458</b>	<b>577,747</b>	<b>(7,860,655)</b>	<b>3,380,550</b>
<b>Capital Assets, Being Depreciated:</b>				
Buildings & Building Improvements	36,391,387	167,554	7,860,655	44,419,596
Machinery and Equipment	3,171,549	877,420	(16,003)	4,032,966
<b>Total Capital Assets, Being Depreciated</b>	<b>39,562,936</b>	<b>1,044,974</b>	<b>7,844,652</b>	<b>48,452,562</b>
<b>Less accumulated depreciation for:</b>				
Buildings & building improvements	(19,988,541)	(1,233,699)		(21,222,240)
Machinery and equipment	(2,211,577)	(241,969)	13,704	(2,439,842)
<b>Total accumulated depreciation</b>	<b>(22,200,118)</b>	<b>(1,475,668)</b>	<b>13,704</b>	<b>(23,662,082)</b>
<b>Total capital assets being depreciated, net</b>	<b>17,362,818</b>	<b>(430,694)</b>	<b>7,858,356</b>	<b>24,790,480</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 28,026,276</b>	<b>\$ 147,053</b>	<b>\$ (2,299)</b>	<b>\$ 28,171,030</b>

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

Regular Instruction	\$ 529,916
Special Education Instruction	197,246
Student and Instruction Related Services	219,617
General Administrative Services	80,087
School Administrative Services	112,437
Central Services	55,909
Administrative Information Technology	68,077
Plant operations and maintenance	202,923
Pupil Transportation	9,456
	<u>\$ 1,475,668</u>

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**5. Long-Term Liabilities**

During the year ended June 30, 2018, the following changes occurred in governmental activities long-term liabilities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Compensated Absences Payable	\$ 428,588	\$ 9,768	\$ 23,928	\$ 414,428	\$ 31,401
Capital Leases	8,861,555		958,527	7,903,028	937,167
Subtotal	9,290,143	9,768	982,455	8,317,456	968,568
Net pension liability	10,137,263		3,046,747	7,090,516	-
<b>Governmental Activities</b>					
Total long-term liabilities	<b>\$ 19,427,406</b>	<b>\$ 9,768</b>	<b>\$ 4,029,202</b>	<b>\$ 15,407,972</b>	<b>\$ 968,568</b>

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

As of June 30, 2018, the District had no bonds payable and no authorized but not issued bonds or notes.

**Energy Savings Improvement Plan**

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

**First Niagara Capital Lease**

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

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

	<b>Amount</b>
Year:	
2019	\$ 1,215,767
2020	1,223,335
2021	985,793
2022	995,378
2023	944,578
2024 - 2027	3,907,401
Total minimum lease payments	9,272,252
Less amounts representing interest	(1,369,224)
Present value of net minimum lease payments	\$ 7,903,028

**6. Pension Plans**

**Description of Systems**

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

**Teachers’ Pension and Annuity Fund**

The Teachers’ Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into

Area Vocational-Technical Schools  
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Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60<sup>th</sup> of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

**Public Employee's Retirement System**

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

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

**Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% of employees' annual compensation. An additional increase is to be phased through July 2018 that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2018, the State of New Jersey contributed \$847,306 to the TPAF for on-behalf medical, non-contributory insurance and pension and post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$273,237 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members as calculated on their base salaries.

The District's actuarially determined contributions to PERS for each of the years ended June 30, 2018, 2017 and 2016 were \$282,176, \$288,631, and \$304,074, respectively.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

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

*Public Employee's Retirement System (PERS)*

At June 30, 2018, the District reported a liability of \$7,090,516 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2016, which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.0304596363 percent, which was a decrease of 0.0037680639 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized full accrual pension expense of \$499,721 in the government-wide financial statements. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 166,957	
Changes of assumptions	1,428,495	\$ 1,423,258
Net difference between projected and actual earnings on pension plan investments	48,282	
Changes in proportion and differences between District contributions and proportionate share of contributions	557,152	796,915
District contributions subsequent to the measurement date	304,645	
	<b>\$ 2,505,531</b>	<b>\$ 2,220,173</b>

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

\$304,645 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2019	\$ 161,358
2020	252,118
2021	121,652
2022	(313,519)
2023	<u>(240,896)</u>
	<u>\$ (19,287)</u>

*Actuarial Assumptions*

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.25%
Salary increases through 2026	1.65 - 4.15%
	based on age
Thereafter	2.65 - 5.15%
	based on age
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2016 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.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

*Mortality Rates*

Pre-retirement mortality rates were based on the RP-2000 Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of 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 1 year for females).

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:



Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

*Discount rate*

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

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

The following presents the District's proportionate share of the net pension liability as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
District's proportionate share of the net pension liability	\$ 8,796,266	\$ 7,090,516	\$ 5,669,415

*Pension Plan Fiduciary Net Position*

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

*Additional Information*

Collective balances of the Local Group at June 30, 2017 are as follows:

Collective deferred outflows of resources	\$ 6,424,455,842
Collective deferred inflows of resources	\$ 5,700,625,981
Collective net pension liability	\$ 23,278,401,588
District's Proportion	0.0304596363%

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 is \$1,694,305,613.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2017, 2016, 2015 and 2014 is 5.48, 5.57, 5.72, and 6.44 years, respectively.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

**Teachers Pensions and Annuity Fund (TPAF) – Special Funding Situation**

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2017 was \$21,710,090. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2017, the State's proportionate share of the TPAF net pension liability associated with the District was 0.0321995391 percent, which was a decrease of 0.0018976548 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized on-behalf pension expense and revenue in the government-wide financial statements of \$1,503,965 for contributions incurred by the State.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

*Actuarial assumptions*

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

Inflation rate	2.25%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

*Mortality Rates*

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

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

*Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

(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 TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
	<u>100.00%</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.85% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the State as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it calculated using a discount rate that is 1-percentage point lower (3.25%) or 1-percentage-point higher (5.25%) than the current rate:

	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's proportionate share of the net pension liability associated with the District	\$ 25,792,268	\$ 21,710,090	\$ 18,347,174

*Pension plan fiduciary net position*

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

**Additional Information**

Collective balances of the Local Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$ 14,251,854,934
Deferred inflows of resources	\$ 11,807,238,433
Net pension liability	\$ 67,423,605,859
State's proportionate share associated with the District	0.0321995391%

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**6. Pension Plans (continued)**

Collective pension expense of the Local Group for the plan for the measurement period ended June 30, 2017 is \$4,682,493,081.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at July 1, 2017, 2016, 2015 and 2014 is 8.3, 8.3, 8.3, and 8.5 years, respectively.

**7. Post-Retirement Benefits**

***Plan Description and benefits provided***

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

The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2018, 2017 and 2016 were \$332,068, \$301,781 and \$325,062 respectively, which equaled the required contributions for each year.

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (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. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. As the employer contributions for local government education employers are legally required to be funded by the State, this constitutes a special funding situation as defined by

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

GASB Statement No. 75 (GASB 75) and the State is treated as a non-employer contributing entity.

The State is also responsible for the cost attributable P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service.

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 provides OPEB benefits through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

*Total OPEB Liability*

The net OPEB liability from New Jersey's plan is \$53,639,841,858.

*Changes in the Total OPEB Liability*

Below represents the changes in the State's portion of the OPEB liability associated with the District for the year ended June 30, 2017:

	<u>Total OPEB Liability</u>
Beginning Total OPEB Liability, June 30, 2016	\$ 26,665,519
<b>Changes for the year:</b>	
Service Cost	929,757
Interest	778,662
Changes in assumptions or other inputs	(3,103,939)
Member contributions	21,082
Benefit payments	(572,534)
Net changes for the year	(1,946,972)
Ending Total OPEB Liability, June 30, 2017	\$ 24,718,547



Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

*Employees covered by benefit terms*

The following employees were covered by the benefit terms:

Local Education	June 30, 2017
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	366,078

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. The State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 was \$24,718,547. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

*Actuarial assumptions and other inputs*

The total OPEB liability in the June 30, 2018 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

	TPAF	PERS
Inflation rate	2.50%	2.50%
Salary increases:	1.55 - 4.55%	2.15 - 4.15%
Through 2026	based on years of service	based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the actual experience studies for the periods July 1, 2012 – June 30, 2015 and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

*Discount Rate*

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate chosen by the Division. The source is 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.

*Mortality Rates*

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

*Health Care Trend Assumptions*

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

*The following represents sensitivity of the State's proportionate share of the net OPEB liability associated with the District to changes in the discount rate and healthcare cost trend rate.*

The following presents the State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate (3.58%):

	At 1% decrease (2.58%)	At current discount rate (3.58%)	At 1% increase (4.58%)
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 29,342,699	\$ 24,718,547	\$ 21,050,626

The following presents the State's proportionate share of the net OPEB liability associated with the District as of June 30, 2017 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	At 1% decrease	Healthcare Cost Trend Rates	At 1% increase
Net OPEB Liability (Allocable to the District and the responsibility of the State)	\$ 20,328,615	\$ 24,718,547	\$ 30,548,325

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$1,369,179 for OPEB expenses incurred by the State.

Collective balances of the Education Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$ 99,843,255
Deferred inflows of resources	\$ 6,443,612,287
Collective OPEB expense	\$ 3,348,490,523
District's Proportion	0.05%

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

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

*Special Funding Situation*

The employer contributions for local participating employers are legally required to be funded by the State, therefore, the District records an expense and corresponding revenue for its respective share of total OPEB expense and revenue attributable to the State of New Jersey.

**8. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance**

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

**New Jersey Unemployment Compensation Insurance**

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

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

<b>Fiscal Year</b>	<b>Board Contributions</b>	<b>Employee Contributions</b>	<b>Interest on Investments</b>	<b>Amount Paid</b>	<b>Ending Balance</b>
2017-18	\$ 12,000	\$ 21,582	\$ 35	\$ 59,407	\$ 11,547
2016-17	65,870	2,445	6	40,644	37,337
2015-16	10,000	10,872	5	2,457	9,660

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**8. Risk Management (continued)**

**Joint Insurance Pool**

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

The Fund provides the District with the following coverage:

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

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

**9. Deferred Compensation**

The District offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457(b). The plans, which are administered by Lincoln Investment Planning, Inc., Met Life, and AXA Equitable permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of the deferred account of each participant. The District has no liability for losses under the plan. Since the District does not hold the assets in a trustee capacity, the related assets are not included in the District's Fiduciary Fund Financial Statements.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**10. Interfund Receivables and Payables**

The total interfund accounts receivables and payables for the District amounted to the following as of June 30, 2018:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 531,472	
Special Revenue Fund		\$ 121,193
Capital Projects Fund		61,023
Rubino Academy Enterprise Fund		349,256
	\$ 531,472	\$ 531,472

The interfund receivable of \$531,472 in the General Fund is offset with an interfund payable in the Special Revenue Fund for \$121,193 and in the Rubino Academy Enterprise Fund for \$349,256, which represent funds advanced to these funds to cover temporary pooled cash shortages and in the Capital Projects Fund for \$61,023 which represents a transfer for interest earned on Cash Held with Fiscal Agents. All interfunds are expected to be repaid within one year.

**11. Economic Dependency**

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

**12. Contingent Liabilities**

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

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

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**13. Capital Reserve Account**

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

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

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 1,796,552
Interest Earnings	22,502
Deposits:	
Unspent proceeds returned to Capital Reserve	60,000
Approved in June 2018 Board Resolution	500,000
Ending balance, June 30, 2018	\$ 2,379,054

At June 30, 2018, the amount deposited in the capital reserve account does not exceed the District's local share reported in its Long-Range Facility Plan.

**14. Transfers**

The following presents a reconciliation of transfers during the 2018 fiscal year:

	Transfers In	Transfers Out
General Fund	\$ 60,435	
Capital Projects Fund		\$ 60,435
	\$ 60,435	\$ 60,435

The transfer out of the capital projects fund to the general fund relates to a transfer of unspent funds on completed projects of \$60,000 and interest in the amount of \$435.

Area Vocational-Technical Schools  
of Mercer County School District

Notes to the Basic Financial Statements (continued)

Year ended June 30, 2018

**15. Commitments**

The District has contractual commitments at June 30, 2018 to various vendors, which are recorded in the general fund as fund balance assigned to other purposes in the amount of \$232,009. The District also has contractual commitments at June 30, 2018 to various vendors recorded as fund balance restricted for capital projects in the Capital Projects Fund in the amount of \$548,333.

**16. Restricted Assets**

The District has \$2,379,054 of capital reserve funds that are classified as restricted assets on the statement of net position because they are restricted by the District to be utilized for future capital projects that have been approved in the District's Long-Range Facility Plan.

**17. Solar Renewable Energy Credits**

Solar Renewable Energy Credits are stated at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The District sold 303 Solar Renewable Energy Credits on July 17, 2018. The District realized revenue in both the Government-Wide and Fund financial statements of \$62,873.



**Required Supplementary Information – Part II**

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

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - Local Group	0.0304596363%	0.0342277002%	0.0311686736%	0.0325376872%	n/a	n/a	n/a	n/a	n/a	n/a
District's proportionate share of the net pension liability (asset)	\$ 7,090,516	\$ 10,137,263	\$ 6,996,743	\$ 6,091,945	\$ 5,775,933	n/a	n/a	n/a	n/a	n/a
District's covered payroll	\$ 2,099,084	\$ 2,163,582	\$ 2,266,652	\$ 2,190,683	\$ 2,179,379	\$ 2,089,934	\$ 2,260,433	\$ 2,439,281	\$ 2,110,454	\$ 2,234,207
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	337.79%	468.54%	308.68%	278.08%	265.03%	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability - Local Group	48.10%	40.14%	47.93%	52.08%	48.72%	n/a	n/a	n/a	n/a	n/a

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

n/a - information not available

See notes to Required Supplementary Information

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

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 304,645	\$ 288,631	\$ 304,074	\$ 267,967	\$ 268,236	\$ 253,560	\$ 260,531	\$ 284,342	\$ 251,304	\$ 215,790
Contributions in relation to the contractually required contribution	(304,645)	(288,631)	(304,074)	(267,967)	(268,236)	(253,560)	(260,531)	(284,342)	(251,304)	(215,790)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,047,264	\$ 2,099,084	\$ 2,163,582	\$ 2,266,652	\$ 2,190,683	\$ 2,179,379	\$ 2,089,934	\$ 2,260,433	\$ 2,439,281	\$ 2,110,454
Contributions as a percentage of covered-employee payroll	14.88%	13.75%	14.05%	11.82%	12.24%	11.63%	12.47%	12.58%	10.30%	10.22%

*See notes to Required Supplementary Information*

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

Last Ten Fiscal Years\*

	Year Ended June 30.			
	2018	2017	2016	2015
State's proportion of the net pension liability (asset) associated with the District - Local Group	0.0321995391%	0.0340971939%	0.0335513725%	0.0313901977%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	\$ 21,710,090	\$ 26,823,024	\$ 21,205,900	\$ 16,777,039
Total proportionate share of the net pension liability (asset) associated with the District	<u>\$ 21,710,090</u>	<u>\$ 26,823,024</u>	<u>\$ 21,205,900</u>	<u>\$ 16,777,039</u>
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	28.71%	33.64%

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

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

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

*See notes to Required Supplementary Information*

Area Vocational-Technical Schools  
Of Mercer County School District  
Schedule of the State's Proportionate Share of the Net OPEB Liability Associated With the District  
and Changes in the Total OPEB Liability and Related Ratios  
Public Employee's Retirement System and Teachers' Pension and Annuity Fund  
Required Supplementary Information

Last Ten Fiscal Years\*

	Year Ended June 30,	
	2018	2017
State's proportion of the net OPEB liability (asset) associated with the District	0.05%	0.05%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	\$ 24,718,547	\$ 26,665,519
Total proportionate share of the net OPEB liability (asset) associated with the District	<u>\$ 24,718,547</u>	<u>\$ 26,665,519</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
	<u>2018</u>	<u>2017**</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 929,757	
Interest cost	778,662	
Changes of assumptions	(3,103,939)	
Member contributions	21,082	
Gross benefit payments	(572,534)	
Net change in total OPEB liability	<u>(1,946,972)</u>	
Total OPEB liability - beginning	<u>26,665,519</u>	
Total OPEB liability - ending	<u>\$ 24,718,547</u>	
Covered-employee payroll	<u>\$ 5,860,573</u>	
Total OPEB liability as a percentage of covered-employee payroll	421.78%	

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

\*\* information not available

See notes to Required Supplementary Information

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

Notes to Required Supplementary Information

Year ended June 30, 2018

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM - PENSION**

**Benefit Changes**

There were none.

**Changes of Assumptions**

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

**TEACHERS PENSION AND ANNUITY FUND - PENSION**

**Benefit Changes**

There were none.

**Changes of Assumptions**

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017.

**OTHER POST-RETIREMENT BENEFIT PLAN-PUBLIC EMPLOYEES' RETIRMENT  
SYSTEM AND TEACHERS' PENSION AND ANNUITY FUND**

**Benefit Changes**

There were none.

**Changes of Assumptions**

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

**Required Supplementary Information – Part III**

**Budgetary Comparison Schedules**

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

BUDGETARY COMPARISON SCHEDULE  
(BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
<b>Local Sources:</b>					
County Tax Levy	\$ 6,897,498		\$ 6,897,498	\$ 6,897,498	
Tuition from other LEAs within the State	3,205,484	\$ (17,500)	3,187,984	3,013,134	\$ (174,850)
Tuition from other sources	45,000	17,500	62,500	52,031	(10,469)
Non-Resident Fees	196,000		196,000	168,982	(27,018)
Interest Earned on Investments	1,400	(250)	1,150	5,776	4,626
Interest Earned on Capital Reserve Funds	750	250	1,000	22,502	21,502
Unrestricted Miscellaneous Revenues	899,450	750	900,200	792,610	(107,590)
<b>Total - Local Sources</b>	<b>11,245,582</b>	<b>750</b>	<b>11,246,332</b>	<b>10,952,533</b>	<b>(293,799)</b>
<b>State Sources:</b>					
Equalization Aid	2,042,056	65,371	2,107,427	2,107,427	
Categorical Special Education Aid	228,891		228,891	228,891	
Security Aid	45,080		45,080	45,080	
Adjustment Aid	103,021		103,021	103,021	
Adult and Post Graduate Program Aid		108,050	108,050	108,050	
PARCC Readiness Aid	4,260		4,260	4,260	
Per Pupil Growth Aid	4,260		4,260	4,260	
Professional Learning Community Aid	5,070		5,070	5,070	
Lead Testing of Drinking Water				1,941	1,941
TPAF Pension (On-Behalf - Non-Budgeted)				514,134	514,134
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				332,068	332,068
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				1,104	1,104
TPAF Social Security (Reimbursed - Non-Budgeted)				273,237	273,237
<b>Total State Sources</b>	<b>2,432,638</b>	<b>173,421</b>	<b>2,606,059</b>	<b>3,728,543</b>	<b>1,122,484</b>
<b>Total Revenues</b>	<b>13,678,220</b>	<b>174,171</b>	<b>13,852,391</b>	<b>14,681,076</b>	<b>828,685</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Vocational Programs- Instruction</b>					
Salaries of Teachers	2,362,002		2,362,002	2,275,636	86,366
Purchased Professional-Educational Services	101,000	(3,691)	97,309	80,788	16,521
Purchased Technical Services	20,800	3,677	24,477	14,589	9,888
Other Purchased Services	40,650	5,524	46,174	43,260	2,914
General Supplies	228,850	21,743	250,593	196,647	53,946
Textbooks	79,500	6,149	85,649	71,224	14,425
Other Objects	19,650	(1,332)	18,318	14,251	4,067
<b>Total Regular Vocational Programs- Instruction</b>	<b>2,852,452</b>	<b>32,070</b>	<b>2,884,522</b>	<b>2,696,395</b>	<b>188,127</b>
<b>Special Vocational Programs - Instruction</b>					
Salaries of Teachers	678,405		678,405	562,909	115,496
Other Salaries for Instruction	267,214		267,214	226,802	40,412
Purchased Technical Services	13,700	4,741	18,441	7,191	11,250
Other Purchased Services	30,251	1,347	31,598	23,550	8,048
General Supplies	150,650	7,801	158,451	108,650	49,801
Textbooks	11,850	2,955	14,805	8,397	6,408
Other Objects	12,250	(100)	12,150	9,788	2,362
<b>Total Special Vocational Programs- Instruction</b>	<b>1,164,320</b>	<b>16,744</b>	<b>1,181,064</b>	<b>947,287</b>	<b>233,777</b>
<b>TOTAL VOCATIONAL PROGRAMS - INSTRUCTION</b>	<b>4,016,772</b>	<b>48,814</b>	<b>4,065,586</b>	<b>3,643,682</b>	<b>421,904</b>
<b>Undistributed Expend. - Attend. &amp; Social Work</b>					
Salaries	20,007	36	20,043	20,043	
<b>Total Undistributed Expend. - Attend. &amp; Social Work</b>	<b>20,007</b>	<b>36</b>	<b>20,043</b>	<b>20,043</b>	
<b>Undist. Expend. - Health Services</b>					
Salaries	190,540	(36)	190,504	169,932	20,572
Purchased Professional and Technical Services	7,300	150	7,450	7,450	
Other Purchased Services	15,364	(150)	15,214	4,531	10,683
Supplies and Materials	13,000		13,000	8,436	4,564
<b>Total Undistributed Expenditures - Health Services</b>	<b>226,204</b>	<b>(36)</b>	<b>226,168</b>	<b>190,349</b>	<b>35,819</b>



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

BUDGETARY COMPARISON SCHEDULE  
(BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Undist. Expend. - Guidance</b>					
Salaries of Other Professional Staff	\$ 369,753	\$ 181	\$ 369,934	\$ 363,223	\$ 6,711
Other Salaries	12,000	(181)	11,819	9,753	2,066
Other Purchased Services	47,150	(10,026)	37,124	26,991	10,133
Supplies and Materials	39,400	12,226	51,626	26,839	24,787
Other Objects	2,300	(200)	2,100	1,754	346
<b>Total Undist. Expend. - Guidance</b>	<b>470,603</b>	<b>2,000</b>	<b>472,603</b>	<b>428,560</b>	<b>44,043</b>
<b>Undist. Expend. - Improvement of Inst. Serv.</b>					
Salaries of Supervisors of Instruction	337,760		337,760	323,171	14,589
Salaries of Secretarial and Clerical Assistants	62,060		62,060	62,001	59
Other Purchased Services	15,000		15,000	2,700	12,300
<b>Total Undist. Expend. - Improvement of Inst. Serv.</b>	<b>414,820</b>		<b>414,820</b>	<b>387,872</b>	<b>26,948</b>
<b>Undist. Expend. - Inst Staff Training Serv</b>					
Salaries	19,200		19,200	19,097	103
Purchased Prof. - Ed Services	9,000		9,000	1,201	7,799
Other Purchased Services	32,900		32,900	16,571	16,329
Supplies and Materials	2,000		2,000	1,500	500
<b>Total Undist. Expend. - Inst Staff Training Serv</b>	<b>63,100</b>		<b>63,100</b>	<b>38,369</b>	<b>24,731</b>
<b>Undist. Expend. - Supp. Serv. - General Admin.</b>					
Salaries	248,128		248,128	246,630	1,498
Legal Services	65,000	14,200	79,200	58,645	20,555
Audit Fees	36,225		36,225	36,225	
Other Purchased Professional Services	9,000		9,000	8,090	910
Communications/Telephone	46,050	24	46,074	39,604	6,470
Board of Education Other Purchased Services	500		500		500
Other Purchased Services	30,000	995	30,995	28,115	2,880
General Supplies	7,500		7,500	4,497	3,003
Miscellaneous Expenditures	3,200	(995)	2,205	129	2,076
Board of Education Dues and Fees	12,500		12,500	5,830	6,670
<b>Total Undist. Expend. - Supp. Serv. - General Admin.</b>	<b>458,103</b>	<b>14,224</b>	<b>472,327</b>	<b>427,765</b>	<b>44,562</b>
<b>Undist. Expend. - Support Serv. - School Admin.</b>					
Salaries of Principals/Assistant Principals	231,793	(3,862)	227,931	227,911	20
Salaries of Secretarial and Clerical Assistants	349,032	852	349,884	336,472	13,412
Purchased Prof. and Tech. Services	900		900	108	792
Other Purchased Services	31,060	(1,930)	29,130	17,500	11,630
Supplies and Materials	13,650	1,571	15,221	10,641	4,580
Other Objects	6,200	3,369	9,569	7,919	1,650
<b>Total Undist. Expend. - Support Serv. - School Admin.</b>	<b>632,635</b>		<b>632,635</b>	<b>600,551</b>	<b>32,084</b>
<b>Undist. Expend. - Central Services</b>					
Salaries	266,847	(19,636)	247,211	236,675	10,536
Misc Purchased Services	57,200	6,517	63,717	48,337	15,380
Supplies and Materials	10,000	(1,406)	8,594	8,551	43
Miscellaneous Expenditures	3,500	2,306	5,806	5,060	746
<b>Total Undist. Expend. - Central Services</b>	<b>337,547</b>	<b>(12,219)</b>	<b>325,328</b>	<b>298,623</b>	<b>26,705</b>
<b>Undist. Expend. - Admin. Info. Technology</b>					
Salaries	193,161	(50,000)	143,161	140,722	2,439
Purchased Technical Services	55,000	6,000	61,000	50,150	10,850
Other Purchased Services	70,999	69,620	140,619	125,159	15,460
Supplies and Materials	65,000		65,000	41,031	23,969
Other Objects	25,000	(12,000)	13,000	6,555	6,445
<b>Total Undist. Expend. - Admin. Info. Technology</b>	<b>409,160</b>	<b>13,620</b>	<b>422,780</b>	<b>363,617</b>	<b>59,163</b>
<b>Undist. Expend. - Required Maint. for Sch. Facil.</b>					
Cleaning, Repair and Maintenance Services	59,621	420	60,041	56,974	3,067
Lead Testing of Drinking Water	7,500		7,500	1,941	5,559
<b>Total Undist. Expend. - Required Maint. for Sch. Facil.</b>	<b>67,121</b>	<b>420</b>	<b>67,541</b>	<b>58,915</b>	<b>8,626</b>

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

BUDGETARY COMPARISON SCHEDULE  
(BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Undist. Expend. - Custodial Services</b>					
Salaries	\$ 598,229	\$ (16,636)	\$ 581,593	\$ 428,390	\$ 153,203
Salaries of Non-Instructional Aides	10,500	1,636	12,136	12,136	
Cleaning, Repair and Maintenance Services	121,500	97,297	218,797	156,076	62,721
Lease Purchase Payments- Energy Savings Improvement Program	1,019,340		1,019,340	1,019,338	2
Other Purchased Property Services	52,000	(13,520)	38,480	34,454	4,026
Insurance	102,000	(1,102)	100,898	99,273	1,625
Miscellaneous Purchased Services	40,000	15,000	55,000	40,000	15,000
General Supplies	104,250	(18,866)	85,384	71,224	14,160
Natural Gas	108,580	(12,877)	95,703	74,200	21,503
Electricity	122,520	(7,231)	115,289	106,531	8,758
Other Objects	2,500	600	3,100	2,657	443
<b>Total Undist. Expend. - Custodial Services</b>	<b>2,281,419</b>	<b>44,301</b>	<b>2,325,720</b>	<b>2,044,279</b>	<b>281,441</b>
<b>Undist. Expend. - Security</b>					
Cleaning, Repair and Maintenance Services	5,000	(5,000)			
General Supplies	10,000	(10,000)			
<b>Total Undist. Expend. - Security</b>	<b>15,000</b>	<b>(15,000)</b>			
<b>Undist. Expend. - Student Transportation Serv.</b>					
Salaries for Pupil Trans. Other than Between Home & School	34,000	1,028	35,028	35,028	
Cleaning, Repair & Maintenance Services	750	820	1,570	1,441	129
Contracted Services (Other than Between Home and School) - Vendors	24,500	(1,848)	22,652	13,654	8,998
General Supplies	750		750	378	372
<b>Total Undist. Expend. - Student Transportation Serv.</b>	<b>60,000</b>		<b>60,000</b>	<b>50,501</b>	<b>9,499</b>
<b>Unallocated Benefits</b>					
Social Security Contributions	165,000	(13,256)	151,744	151,743	1
Other Retirement Contributions - PERS	334,500	(41,368)	293,132	293,131	1
Unemployment Compensation	12,000		12,000	12,000	
Workers' Compensation	97,000		97,000	97,000	
Health Benefits	1,788,000	79,909	1,867,909	1,867,830	79
Tuition Reimbursement	7,500	60	7,560	7,560	
Other Employee Benefits	10,500	(6,003)	4,497	4,081	416
Unused Vac. Payment to Term/Ret. Staff	30,000	(6,072)	23,928	23,928	
<b>Total Unallocated Benefits</b>	<b>2,444,500</b>	<b>13,270</b>	<b>2,457,770</b>	<b>2,457,273</b>	<b>497</b>
TPAF Pension (On-Behalf - Non-Budgeted)				514,134	
TPAF Post Retirement Medical (On-behalf - Non-Budgeted)				332,068	
TPAF Non-contributory Insurance (On-behalf - Non-Budgeted)				1,104	(1,104)
TPAF Social Security (Reimbursed - Non-Budgeted)				273,237	(273,237)
<b>Total On-behalf Contributions</b>				<b>1,120,543</b>	<b>(274,341)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>7,900,219</b>	<b>60,616</b>	<b>7,960,835</b>	<b>8,487,260</b>	<b>319,777</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>11,916,991</b>	<b>109,430</b>	<b>12,026,421</b>	<b>12,130,942</b>	<b>(104,521)</b>
<b>CAPITAL OUTLAY</b>					
<b>Increase in Capital Reserve</b>					
Interest Deposit to Capital Reserve	1,000		1,000		1,000
<b>Equipment</b>					
<b>Special Education-Instruction:</b>					
Regular Voc. Programs	10,000		10,000	168	9,832
<b>Undistributed Expenditures:</b>					
Undistributed Exp.-Instruction	118,000		118,000	37,644	80,356
Central Services	6,000	(6,000)			
Admin Info Tech	351,795	6,000	357,795	284,471	73,324
Undistributed Exp.-Custodial Services	344,300	(1,685)	342,615	342,006	609
<b>Undistributed Exp.-Non-Instructional Services</b>					
School buses-regular	100,000	1,685	101,685	99,986	1,699
<b>Total Equipment</b>	<b>930,095</b>		<b>930,095</b>	<b>764,275</b>	<b>165,820</b>
<b>Facilities Acquisition and Construction Services</b>					
Architectural/Engineering Services	100,000	14,804	114,804	14,804	100,000
Construction Services	275,000		275,000	4,750	270,250
<b>Total Facilities Acquisition and Construction Services</b>	<b>375,000</b>	<b>14,804</b>	<b>389,804</b>	<b>19,554</b>	<b>370,250</b>
<b>TOTAL CAPITAL OUTLAY</b>	<b>1,306,095</b>	<b>14,804</b>	<b>1,320,899</b>	<b>783,829</b>	<b>537,070</b>

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

BUDGETARY COMPARISON SCHEDULE  
(BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
<b>SPECIAL SCHOOLS</b>					
<b>Post-Secondary Programs - Instruction</b>					
Salaries of Teachers	\$ 313,487		\$ 313,487	\$ 191,881	\$ 121,606
Purchased Prof.-Tech Services	13,100		13,100	150	12,950
Other Purchased Services	2,300	\$ 16	2,316	1,615	701
General Supplies	28,900	(16)	28,884	15,553	13,331
Textbooks	5,600		5,600		5,600
Other Objects	23,960		23,960	250	23,710
<b>Total Post-Secondary Programs- Instruction</b>	<b>387,347</b>		<b>387,347</b>	<b>209,449</b>	<b>177,898</b>
<b>Post-Secondary Programs - Support Services</b>					
Salaries	304,791		304,791	274,586	30,205
Personal Services-Emp. Benefits	130,600	(308)	130,292	125,674	4,618
Other Purchased Services	60,000	6,938	66,938	42,546	24,392
Supplies and Materials	55,000	(2,894)	52,106	38,683	13,423
Other Objects	3,600	(1,500)	2,100	1,912	188
<b>Total Post-Secondary Programs- Support Services</b>	<b>553,991</b>	<b>2,236</b>	<b>556,227</b>	<b>483,401</b>	<b>72,826</b>
<b>Total Post-Secondary Programs</b>	<b>941,338</b>	<b>2,236</b>	<b>943,574</b>	<b>692,850</b>	<b>250,724</b>
<b>Vocational Evening- local - Instruction</b>					
Salaries	218,260	(3,943)	214,317	170,685	43,632
Other Salaries for Instruction	61,896		61,896	46,355	15,541
Purchased Prof. & Tech. Services	11,500	3,860	15,360	8,906	6,454
Other Purchased Services	4,000	(300)	3,700	2,145	1,555
General Supplies	82,500	5,212	87,712	41,850	45,862
Textbooks	45,000	(917)	44,083	30,013	14,070
Other Objects	2,000	96,000	98,000	24,139	73,861
<b>Total Vocational Evening- local - Instruction</b>	<b>425,156</b>	<b>99,912</b>	<b>525,068</b>	<b>324,093</b>	<b>200,975</b>
<b>Vocational Evening- local - Support Services</b>					
Salaries	191,935	939	192,874	179,569	13,305
Personal Services - Emp. Benefits	66,850	4,784	71,634	71,218	416
Other Purchased Services	51,150	8,573	59,723	59,178	545
Supplies and Materials	52,800	2,326	55,126	47,381	7,745
Other Objects	6,000	(2,229)	3,771	3,733	38
<b>Total Vocational Evening- local - Support Services</b>	<b>368,735</b>	<b>14,393</b>	<b>383,128</b>	<b>361,079</b>	<b>22,049</b>
<b>Total Vocational Evening-Local</b>	<b>793,891</b>	<b>114,305</b>	<b>908,196</b>	<b>685,172</b>	<b>223,024</b>
<b>TOTAL SPECIAL SCHOOLS</b>	<b>1,735,229</b>	<b>116,541</b>	<b>1,851,770</b>	<b>1,378,022</b>	<b>473,748</b>
<b>TOTAL EXPENDITURES</b>	<b>14,958,315</b>	<b>240,775</b>	<b>15,199,090</b>	<b>14,292,793</b>	<b>906,297</b>
<b>(Deficiency) Excess of Revenues (Under) Over Expenditures</b>	<b>(1,280,095)</b>	<b>(66,604)</b>	<b>(1,346,699)</b>	<b>388,283</b>	<b>1,734,982</b>
<b>Other Financing Sources</b>					
Transfer In				60,435	60,435
<b>Total Other Financing Sources</b>				<b>60,435</b>	<b>60,435</b>
<b>(Deficiency) Excess of Revenues (Under) Over Expenditures and Other Financing Sources</b>	<b>(1,280,095)</b>	<b>(66,604)</b>	<b>(1,346,699)</b>	<b>448,718</b>	<b>1,795,417</b>
<b>Fund Balance, July 1</b>	<b>4,188,609</b>		<b>4,188,609</b>	<b>4,188,609</b>	
<b>Fund Balance, June 30</b>	<b>\$ 2,908,514</b>	<b>\$ (66,604)</b>	<b>\$ 2,841,910</b>	<b>\$ 4,637,327</b>	<b>\$ 1,795,417</b>

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

BUDGETARY COMPARISON SCHEDULE  
(BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
<b>Recapitulation of (Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing (uses)</b>					
Budgeted Fund Balance	\$ (1,280,095)	(582,502)	\$ (1,862,597)	\$ (67,180)	(1,795,417)
Withdrawal From Capital Reserve					
Deposit To Capital Reserve		582,502	582,502	582,502	
Adjustment for Prior Year Encumbrances		(66,604)	(66,604)	(66,604)	
<b>Total</b>	<b>\$ (1,280,095)</b>	<b>\$ (66,604)</b>	<b>\$ (1,346,699)</b>	<b>\$ 448,718</b>	<b>\$ (1,795,417)</b>

**Recapitulation of Fund Balance:**

<b>Restricted Fund Balance:</b>					
Prior Year Excess Surplus Designated for Subsequent Year's Expenditures				\$ 304,000	
Excess Surplus-current year				931,929	
Capital Reserve				2,379,054	
<b>Assigned to:</b>					
Year End Encumbrances				232,009	
Unassigned Fund Balance				<u>790,335</u>	
				4,637,327	

**Reconciliation of Budgetary Fund Balance to GAAP Fund Balance:**

Final State Aid Payments Not Realized on GAAP Basis				<u>(260,605)</u>	
Fund balance per Government Funds (GAAP)				\$ <u>4,376,722</u>	

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

**BUDGETARY COMPARISON SCHEDULE  
(BUDGETARY BASIS)  
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Revenues</b>					
State sources	\$ 10,000	\$ 167,476	\$ 177,476	\$ 177,476	
Federal sources	354,565	130,887	485,452	484,926	\$ 526
<b>Total revenues</b>	<u>364,565</u>	<u>298,363</u>	<u>662,928</u>	<u>662,402</u>	<u>526</u>
<b>Expenditures</b>					
<b>Current expenditures:</b>					
<b>Instruction:</b>					
<b>Salaries:</b>					
Salaries of teachers	70,232	(15,740)	54,492	54,492	
Purchased professional services		54,690	54,690	54,690	
General supplies	73,907	61,982	135,889	135,779	110
<b>Total instruction</b>	<u>144,139</u>	<u>100,932</u>	<u>245,071</u>	<u>244,961</u>	<u>110</u>
<b>Support services:</b>					
Salaries	10,000	(4,605)	5,395	5,075	320
Personal services-employee benefits		19,748	19,748	19,748	
Purchased professional services	5,152	47,279	52,431	52,431	
Other purchased professional services		16,597	16,597	16,596	1
Supplies and materials	205,274	(191,726)	13,548	13,546	2
<b>Total support services</b>	<u>220,426</u>	<u>(112,707)</u>	<u>107,719</u>	<u>107,396</u>	<u>323</u>
<b>Capital outlay:</b>					
Noninstructional equipment	-	310,138	310,138	310,045	93
<b>Total capital outlay</b>	<u>-</u>	<u>310,138</u>	<u>310,138</u>	<u>310,045</u>	<u>93</u>
<b>Total Expenditures</b>	<u>364,565</u>	<u>298,363</u>	<u>662,928</u>	<u>662,402</u>	<u>526</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGET TO GAAP RECONCILIATION**

**YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (C-1, C-2)	\$ 14,681,076	\$ 662,402
<b>Differences - Budgetary to GAAP:</b>		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior year		661
Current year		(4,928)
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.		
Prior year	243,262	
Current year	(260,605)	
<hr/>		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds (B-2)	<u>\$ 14,663,733</u>	<u>\$ 658,135</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule (C-1, C-2)	\$ 14,292,793	\$ 662,402
<b>Differences - Budgetary to GAAP:</b>		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Prior year		661
Current year		(4,928)
<hr/>		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 14,292,793</u>	<u>\$ 658,135</u>

## **Supplementary Information**

## **Special Revenue Fund**



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

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS

Year Ended June 30, 2018

	Carl D. Perkins	Title I Part A	Title II Part A	I.D.E.A. Part B Basic	Apprenticeship Coordinator	Vocational	Solar Challenge	Totals
<b>REVENUES:</b>								
State Sources					\$ 15,000	\$ 152,476	\$ 10,000	\$ 177,476
Federal Sources	\$ 305,385	\$ 107,990	\$ 25,700	\$ 45,851				484,926
Total Revenues	<u>\$ 305,385</u>	<u>\$ 107,990</u>	<u>\$ 25,700</u>	<u>\$ 45,851</u>	<u>\$ 15,000</u>	<u>\$ 152,476</u>	<u>\$ 10,000</u>	<u>\$ 662,402</u>
<b>EXPENDITURES:</b>								
<b>Instruction:</b>								
Salaries of Teachers		\$ 27,246		\$ 27,246				\$ 54,492
Purchased Professional and Technical Services	\$ 21,500							21,500
Purchased Professional - Educational Services		33,190						33,190
Supplies and Materials	90,783	18,567				\$ 23,929	\$ 2,500	135,779
Total Instruction	112,283	79,003		27,246		23,929	2,500	244,961
<b>Support Services:</b>								
Salaries of Principals/Assistant Principals/Program Directors					\$ 5,075			5,075
Personal Services - Employee Benefits		9,874		9,874				19,748
Purchased Professional - Educational Services		18,000	\$ 25,700	8,731				52,431
Other Purchased Services		1,113				14,408		15,521
Communications					200			200
Travel					875			875
Supplies and Materials	4,322				8,850	374		13,546
Total Support Services	4,322	28,987	25,700	18,605	15,000	14,782		107,396
<b>Equipment:</b>								
Instructional Equipment	188,780					113,765	7,500	310,045
Total Equipment	188,780					113,765	7,500	310,045
Total Expenditures	<u>\$ 305,385</u>	<u>\$ 107,990</u>	<u>\$ 25,700</u>	<u>\$ 45,851</u>	<u>\$ 15,000</u>	<u>\$ 152,476</u>	<u>\$ 10,000</u>	<u>\$ 662,402</u>

## **Capital Projects Fund**

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

SUMMARY SCHEDULE OF PROJECT EXPENDITURES

Year ended June 30, 2018

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations June 30, 2018
			Prior Years	Current Year	
Improvements and Upgrade to Technical Schools	4/25/2012	\$ 2,724,656	\$ 2,559,647	\$ 165,009	
Assumpink Center Vocational School: Mechanical, Electrical, Security and General Construction Alterations	8/17/2015	2,114,495	1,375,649	200,115	\$ 538,731
Sypek Center Vocational School: Mechanical, Electrical, Security and General Construction Alterations	8/17/2015	2,114,495	1,399,607	160,851	554,037
Science Lab	3/30/2017	610,500		197,226	413,274
Assumpink Center Vocational School: IT Upgrades	3/30/2017	125,000			125,000
Site Work	3/30/2017	263,000			263,000
<b>Totals</b>		<b>\$ 7,952,146</b>	<b>\$ 5,334,903</b>	<b>\$ 723,201</b>	<b>\$ 1,894,042</b>

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

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

(BUDGETARY BASIS)

Year ended June 30, 2018

	<u>Current Year</u>
<b>Revenues</b>	
County Sources	\$ 905,256
Interest	435
<b>Total Revenues</b>	<u>905,691</u>
<b>Expenditures</b>	
Engineering services	28,388
Construction services	694,813
<b>Total Expenditures</b>	<u>723,201</u>
<b>Excess of revenues over expenditures</b>	182,490
<b>Other Financing Uses:</b>	
Transfers out	(60,435)
<b>Total Other Financing Uses</b>	<u>(60,435)</u>
<b>Net Change in Fund Balance</b>	122,055
<b>Fund Balance, July 1</b>	<u>1,771,987</u>
<b>Fund Balance, June 30</b>	<u>\$ 1,894,042</u>
<b><u>Reconciliation of budgetary basis to GAAP basis:</u></b>	
<b>Fund balance, budgetary basis, June 30, 2018</b>	\$ 1,894,042
<b>Less: Revenue not recognized on a GAAP basis</b>	(1,238,381)
<b>Fund balance, GAAP basis, June 30, 2018</b>	<u>\$ 655,661</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Improvements and Upgrade to Technical Schools

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources:</b>				
Transfer to capital reserve	\$ 60,000	\$ (60,000)		
County Sources	<u>2,817,900</u>	<u>(93,244)</u>	\$ <u>2,724,656</u>	\$ <u>2,724,656</u>
Total Revenues and Other Financing Sources	<u>2,877,900</u>	<u>(153,244)</u>	<u>2,724,656</u>	<u>2,724,656</u>
<b>Expenditures and Other Financing Uses:</b>				
Construction Services	<u>2,559,647</u>	<u>165,009</u>	<u>2,724,656</u>	<u>2,724,656</u>
Total Expenditures and Other Financing Uses	<u>2,559,647</u>	<u>165,009</u>	<u>2,724,656</u>	<u>2,724,656</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 318,253</u>	<u>\$ (318,253)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project number	09K077
Grant date	4/25/2012
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 2,817,900
Additional Authorized Cost	(93,244)
Revised Authorized Cost	\$ 2,724,656
Percentage Increase over Original Authorized Cost	-3%
Percentage completion	100.00%
Target completion date	December 2015
Revised completion date	June 2018

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

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

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources:</b>				
Transfer from capital reserve	\$ 1,268,697		\$ 1,268,697	\$ 1,268,697
State Sources	845,798		845,798	845,798
Total Revenues and Other Financing Sources	<u>2,114,495</u>		<u>2,114,495</u>	<u>2,114,495</u>
<b>Expenditures and Other Financing Uses:</b>				
Engineering services	112,064		112,064	107,000
Construction Services	1,263,585	\$ 200,115	1,463,700	2,007,495
Total Expenditures and Other Financing Uses	<u>1,375,649</u>	<u>200,115</u>	<u>1,575,764</u>	<u>2,114,495</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 738,846</u>	<u>\$ (200,115)</u>	<u>\$ 538,731</u>	<u>\$ -</u>

**Additional Project Information:**

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

Percentage Increase over Original  
Authorized Cost

Percentage completion	75%
Target completion date	June 2019

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

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

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources:</b>				
Transfer from capital reserve	\$ 68,697		\$ 68,697	\$ 68,697
State sources	845,798		845,798	845,798
Lease proceeds	1,200,000		1,200,000	1,200,000
<b>Total Revenues and Other Financing Sources</b>	<u>2,114,495</u>		<u>2,114,495</u>	<u>2,114,495</u>
<b>Expenditures and Other Financing Uses:</b>				
Engineering services	133,403		133,403	107,000
Construction Services	1,266,204	\$ 160,851	1,427,055	2,007,495
<b>Total Expenditures and Other Financing Uses</b>	<u>1,399,607</u>	<u>160,851</u>	<u>1,560,458</u>	<u>2,114,495</u>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<u>\$ 714,888</u>	<u>\$ (160,851)</u>	<u>\$ 554,037</u>	<u>\$ -</u>

Additional Project Information:

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

Percentage Increase over Original  
Authorized Cost

Percentage completion	73.80%
Target completion date	June 2019

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Science Lab

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources:</b>				
County Sources	\$	\$ 610,500	\$ 610,500	\$ 610,500
Total Revenues and Other Financing Sources	-	610,500	610,500	610,500
<b>Expenditures and Other Financing Uses:</b>				
Engineering services		28,388	28,388	35,500
Construction Services		168,838	168,838	575,000
Total Expenditures and Other Financing Uses	-	197,226	197,226	610,500
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ 413,274	\$ 413,274	\$ -

Additional Project Information:

Project number	
Grant date	
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 610,500
Additional Authorized Cost	
Revised Authorized Cost	\$ 610,500

Percentage Increase over Original  
Authorized Cost

Percentage completion	32%
Target completion date	December 2018



AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Assunpink Center Vocational School: IT Upgrades

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources:</b>				
County Sources	\$ -	\$ 125,000	\$ 125,000	\$ 125,000
Total Revenues and Other Financing Sources	-	125,000	125,000	125,000
<b>Expenditures and Other Financing Uses:</b>				
Construction Services	-	-	-	125,000
Total Expenditures and Other Financing Uses	-	-	-	125,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ 125,000	\$ 125,000	\$ -

Additional Project Information:

Project number	
Grant date	
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 125,000
Additional Authorized Cost	
Revised Authorized Cost	\$ 125,000
Percentage Increase over Original Authorized Cost	
Percentage completion	0%
Target completion date	June 2019

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

CAPITAL PROJECTS FUND

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

(BUDGETARY BASIS)

Site Work

Year ended June 30, 2018

	Prior Periods	Current Year	Totals	Revised Authorized Cost
<b>Revenues and Other Financing Sources:</b>				
County Sources	\$ -	\$ 263,000	\$ 263,000	\$ 263,000
Total Revenues and Other Financing Sources	-	263,000	263,000	263,000
<b>Expenditures and Other Financing Uses:</b>				
Construction Services	-	-	-	263,000
Total Expenditures and Other Financing Uses	-	-	-	263,000
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ 263,000	\$ 263,000	\$ -

Additional Project Information:

Project number	
Grant date	
Bond authorization date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 263,000
Additional Authorized Cost	
Revised Authorized Cost	\$ 263,000

Percentage Increase over Original  
Authorized Cost

Percentage completion	0%
Target completion date	June 2019

## **Fiduciary Funds**

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

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	Trust			Agency		
	Private-Purpose Scholarship Fund	Unemployment Compensation	Total Trust	Student Activity	Payroll	Total Agency
<b>Assets</b>						
Cash and Cash Equivalents	\$ 5,995	\$ 11,547	\$ 17,542	\$ 31,357	\$ 125,080	\$ 156,437
<b>Total Assets</b>	<u>5,995</u>	<u>11,547</u>	<u>17,542</u>	<u>\$ 31,357</u>	<u>\$ 125,080</u>	<u>\$ 156,437</u>
<b>Liabilities</b>						
Payroll Deductions and Withholdings Payable					\$ 125,080	\$ 125,080
Due to Student Groups				\$ 31,357		31,357
<b>Total Liabilities</b>				<u>\$ 31,357</u>	<u>\$ 125,080</u>	<u>\$ 156,437</u>
<b>Net Position</b>						
Held in Trust for Unemployment Claims		11,547	11,547			
Held in Trust for Scholarships	5,995		5,995			
<b>Total net position</b>	<u>\$ 5,995</u>	<u>\$ 11,547</u>	<u>\$ 17,542</u>			

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

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2018

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
High Schools:				
Assunpink	\$ 11,182	\$ 13,864	\$ 15,582	\$ 9,464
Sypek Center	14,785	22,666	15,558	21,893
Total	<u>\$ 25,967</u>	<u>\$ 36,530</u>	<u>\$ 31,140</u>	<u>\$ 31,357</u>

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

SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2018

	Balance July 1, 2017	Cash Receipts	Cash Disbursements	Balance June 30, 2018
<b>Assets</b>				
Cash and Cash Equivalents	\$ 88,548	\$ 7,507,089	\$ 7,470,557	\$ 125,080
Total Assets	<u>\$ 88,548</u>	<u>\$ 7,507,089</u>	<u>\$ 7,470,557</u>	<u>\$ 125,080</u>
<b>Liabilities</b>				
Payroll Deductions and Withholdings Payable	\$ 88,548	\$ 7,507,089	\$ 7,470,557	\$ 125,080
Total Liabilities	<u>\$ 88,548</u>	<u>\$ 7,507,089</u>	<u>\$ 7,470,557</u>	<u>\$ 125,080</u>

## Long-Term Debt

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

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

Year Ended June 30, 2018

Purpose	Amount of Original Issue	Maturities		Interest Rate	Balance July 1, 2017	Retired	Balance June 30, 2018
		Date	Amount				
Energy Savings Improvement Plan Capital Lease	\$ 11,200,000	7/15/2018	\$ 695,000	3.85%	\$ 8,135,000	\$ 720,000	\$ 7,415,000
		7/15/2019	730,000	3.85%			
		7/15/2020	770,000	3.85%			
		7/15/2021	810,000	3.85%			
		7/15/2022	790,000	3.85%			
		7/15/2023	840,000	3.85%			
		7/15/2024	880,000	3.85%			
		7/15/2025	925,000	3.85%			
		7/15/2026	975,000	3.85%			
2015-16 Capital Equipment Lease	1,200,000	8/15/2018	120,625	1.52%	726,555	238,527	488,028
		2/15/2019	121,542	1.52%			
		8/15/2019	122,465	1.52%			
		2/15/2020	123,396	1.52%			
					<b>\$ 8,861,555</b>	<b>\$ 958,527</b>	<b>\$ 7,903,028</b>



**Statistical Section  
(Unaudited)**

**Statistical Section  
Unaudited**

**Contents**

**Financial Trends**

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

**Demographic and Economic Information**

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

**Operating Information**

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

**Revenue Capacity**

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

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 10,081,187	\$ 9,498,226	\$ 9,358,565	\$ 9,825,725	\$ 10,974,824	\$ 17,146,622	\$ 18,021,560	\$ 18,177,214	\$ 19,222,712	\$ 20,326,428
Restricted	2,918,581	2,446,789	2,422,154	1,486,672	2,231,457	2,565,448	2,722,326	4,459,879	4,254,896	4,212,218
Unrestricted (deficit)	489,328	429,540	525,834	451,476	102,687	152,319	(5,410,629)	(6,133,111)	(6,910,963)	(6,896,118)
<b>Total governmental activities net position</b>	<b>\$ 13,489,096</b>	<b>\$ 12,374,555</b>	<b>\$ 12,306,553</b>	<b>\$ 11,763,873</b>	<b>\$ 13,308,968</b>	<b>\$ 19,864,389</b>	<b>\$ 15,333,257</b>	<b>\$ 16,503,982</b>	<b>\$ 16,566,645</b>	<b>\$ 17,642,528</b>
<b>Business-type activities:</b>										
Unrestricted							\$ 20,708	\$ 50,848	\$ 1,808	\$ 8,378
<b>Total business-type activities net position</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,708</b>	<b>\$ 50,848</b>	<b>\$ 1,808</b>	<b>\$ 8,378</b>
<b>Government-wide:</b>										
Net investment in capital assets	\$ 10,081,187	\$ 9,498,226	\$ 9,358,565	\$ 9,825,725	\$ 10,974,824	\$ 17,146,622	\$ 18,021,560	\$ 18,177,214	\$ 19,222,712	\$ 20,326,428
Restricted	2,918,581	2,446,789	2,422,154	1,486,672	2,231,457	2,565,448	2,722,326	4,459,879	4,254,896	4,212,218
Unrestricted (deficit)	489,328	429,540	525,834	451,476	102,687	152,319	(5,389,921)	(6,082,263)	(6,909,155)	(6,887,740)
<b>Total government-wide net position</b>	<b>\$ 13,489,096</b>	<b>\$ 12,374,555</b>	<b>\$ 12,306,553</b>	<b>\$ 11,763,873</b>	<b>\$ 13,308,968</b>	<b>\$ 19,864,389</b>	<b>\$ 15,353,965</b>	<b>\$ 16,554,830</b>	<b>\$ 16,568,453</b>	<b>\$ 17,650,906</b>

Source: CAFR Schedule A-1 and District records.

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

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

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

	Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
<b>Current:</b>										
Vocational Education	\$ 2,352,142	\$ 2,484,146	\$ 2,718,487	\$ 3,035,578	\$ 3,222,243	\$ 3,328,663	\$ 3,848,035	\$ 4,203,647	\$ 4,927,850	\$ 5,324,742
Special Vocational Education	1,301,839	1,283,951	1,302,667	1,440,109	1,668,596	1,705,383	1,883,263	2,003,214	2,209,012	1,950,542
<b>Support Services and Undistributed Costs:</b>										
Student and Instruction Related Services	806,123	918,286	1,024,692	1,103,425	1,229,170	1,238,275	1,367,682	1,578,392	2,164,263	2,249,689
General Administrative Services	325,040	353,298	521,291	604,246	584,712	622,392	733,432	766,738	835,040	726,390
School Administration	799,971	831,526	795,035	809,625	883,739	885,199	934,242	967,944	1,134,178	1,213,086
Plant Operations and Maintenance	1,923,237	2,077,956	1,877,929	1,588,410	1,596,178	1,600,634	1,746,017	1,769,325	1,743,880	1,666,374
Pupil Transportation	24,771	15,949	13,442	15,640	20,338	25,366	31,411	28,960	19,230	90,994
Central Services/Benefits/Admin Info Tech	631,379	580,226	604,450	610,222	608,669	685,163	707,130	706,504	809,648	1,120,635
Special Schools	3,916,996	4,295,947	4,103,164	3,960,236	1,922,022	1,901,174	1,853,901	2,034,478	2,298,668	2,142,790
Interest on Long Term Obligations				415,981	419,558	427,910	365,488	356,459	327,362	294,742
<b>Total governmental activities expenses</b>	<b>12,081,498</b>	<b>12,841,285</b>	<b>12,961,157</b>	<b>13,583,472</b>	<b>12,155,225</b>	<b>12,420,159</b>	<b>13,470,601</b>	<b>14,415,661</b>	<b>16,469,131</b>	<b>16,779,984</b>
<b>Business-Type Activities:</b>										
Rubino Academy					2,432,215	2,792,285	2,639,250	2,298,370	1,882,070	1,697,765
H.O.S.A.							65,569			
<b>Total business-type activities expenses</b>					<b>2,432,215</b>	<b>2,792,285</b>	<b>2,704,819</b>	<b>2,298,370</b>	<b>1,882,070</b>	<b>1,697,765</b>
<b>Total district expenses</b>	<b>12,081,498</b>	<b>12,841,285</b>	<b>12,961,157</b>	<b>13,583,472</b>	<b>14,587,440</b>	<b>15,212,444</b>	<b>16,175,420</b>	<b>16,714,031</b>	<b>18,351,201</b>	<b>18,477,749</b>
<b>Program Revenues:</b>										
<b>Governmental Activities:</b>										
<b>Charges for Services:</b>										
Tuition	2,163,422	2,403,527	3,094,121	2,611,035	1,031,750	1,397,363	1,733,380	2,357,440	3,380,962	3,819,606
Operating Grants and Contributions		733,701	493,643	437,251	441,596	476,502	517,310	620,306	544,921	658,135
Capital Grants and Contributions		137,386						623,668	486,434	506,622
<b>Total governmental activities program revenues</b>	<b>2,163,422</b>	<b>3,274,614</b>	<b>3,587,764</b>	<b>3,048,286</b>	<b>1,473,346</b>	<b>1,873,865</b>	<b>2,250,690</b>	<b>3,601,414</b>	<b>4,412,317</b>	<b>4,984,363</b>
<b>Business-Type Activities:</b>										
<b>Charges for Services</b>										
<b>Total business-type activities program revenues</b>					<b>2,432,215</b>	<b>2,792,285</b>	<b>2,725,527</b>	<b>2,328,510</b>	<b>1,833,030</b>	<b>1,704,335</b>
<b>Total district program revenues</b>	<b>2,163,422</b>	<b>3,274,614</b>	<b>3,587,764</b>	<b>3,048,286</b>	<b>3,905,561</b>	<b>4,666,150</b>	<b>4,976,217</b>	<b>5,929,924</b>	<b>6,245,347</b>	<b>6,688,698</b>
<b>Net (Expense)/Revenue:</b>										
Governmental activities	(9,918,076)	(9,566,671)	(9,373,393)	(10,535,186)	(10,681,879)	(10,546,294)	(11,219,911)	(10,814,247)	(12,056,814)	(11,795,621)
Business-type activities							20,708	30,140	(49,040)	6,570
<b>Total district-wide net expense</b>	<b>(9,918,076)</b>	<b>(9,566,671)</b>	<b>(9,373,393)</b>	<b>(10,535,186)</b>	<b>(10,681,879)</b>	<b>(10,546,294)</b>	<b>(11,199,203)</b>	<b>(10,784,107)</b>	<b>(12,105,854)</b>	<b>(11,789,051)</b>
<b>General Revenues and Other Changes in Net Position:</b>										
<b>Governmental activities:</b>										
County Taxes / Appropriation	7,339,488	6,134,097	6,134,097	6,134,097	8,243,485	12,944,147	7,631,695	6,685,363	6,762,253	6,897,498
State and Federal Sources	3,394,758	2,215,931	2,603,150	2,920,568	3,060,513	3,002,117	3,845,589	4,310,883	5,019,211	5,738,142
Local and State Aid Restricted		11,917								
Miscellaneous Income	571,697	642,782	568,144	937,841	922,976	1,155,451	987,428	988,726	338,013	235,864
<b>Total governmental activities</b>	<b>11,305,943</b>	<b>9,004,727</b>	<b>9,305,391</b>	<b>9,992,506</b>	<b>12,226,974</b>	<b>17,101,715</b>	<b>12,464,712</b>	<b>11,984,972</b>	<b>12,119,477</b>	<b>12,871,504</b>
<b>Change in Net Position:</b>										
Governmental activities	1,387,867	(561,944)	(68,002)	(542,680)	1,545,095	6,555,421	1,244,801	1,170,725	62,663	1,075,883
Business-type activities							20,708	30,140	(49,040)	6,570
<b>Total district</b>	<b>\$ 1,387,867</b>	<b>\$ (561,944)</b>	<b>(68,002)</b>	<b>\$ (542,680)</b>	<b>\$ 1,545,095</b>	<b>\$ 6,555,421</b>	<b>\$ 1,265,509</b>	<b>\$ 1,200,865</b>	<b>\$ 13,623</b>	<b>\$ 1,082,453</b>

Source: CAFR Schedule A-2 and District records.

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

GASB 75 was implemented in the 2018 fiscal year, which increased the state and federal sources and various expense lines from the previous year.

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund:</b>										
Reserved	\$ 3,675,763	\$ 3,024,043								
Unreserved	387,282	429,540								
Restricted for			\$ 2,422,154	\$ 1,486,672	\$ 2,231,457	\$ 2,565,448	\$ 2,709,951	\$ 2,855,791	\$ 3,380,647	\$ 3,613,982
Assigned to			450,686	692,391	230,185	316,031	527,105	7,142	66,604	232,009
Unassigned (deficit)			510,873	533,077	395,546	419,956	429,573	522,748	498,096	530,730
<b>Total General Fund</b>	<b>\$ 4,063,045</b>	<b>\$ 3,453,583</b>	<b>\$ 3,383,713</b>	<b>\$ 2,712,140</b>	<b>\$ 2,857,188</b>	<b>\$ 3,301,435</b>	<b>\$ 3,666,629</b>	<b>\$ 3,385,681</b>	<b>\$ 3,945,347</b>	<b>\$ 4,376,721</b>
<b>All Other Governmental Funds:</b>										
Unreserved, Reported In:										
Special Revenue Fund (deficit)										
Capital Projects Fund (deficit)			\$ (34,375)	\$ 518						
Restricted for Capital Projects							\$ 12,375	\$ 1,661,891	\$ 932,240	\$ 655,661
<b>Total All Other Governmental Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (34,375)</b>	<b>\$ 518</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,375</b>	<b>\$ 1,661,891</b>	<b>\$ 932,240</b>	<b>\$ 655,661</b>

Source: CAFR Schedule B-1 and District records.

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
County Appropriation / Tax Levy	\$ 7,339,488	\$ 6,271,483	\$ 6,134,097	\$ 6,134,097	\$ 6,379,461	\$ 6,467,961	\$ 6,467,961	\$ 6,629,660	\$ 6,762,253	\$ 6,897,498
County Appropriation / Capital Projects Fund					1,864,024	6,476,186	1,163,734	55,703	-	
Tuition	2,163,422	2,403,527	2,326,258	2,611,035	1,031,750	1,397,363	1,733,380	2,357,440	2,804,093	3,234,147
Interest Earnings	21,475	11,917	4,991	2,935	2,099	1,794	1,827	4,815	7,669	28,713
Miscellaneous	550,222	648,102	1,346,934	948,211	920,877	1,187,127	939,147	1,077,823	907,213	1,154,846
State Sources	3,067,068	1,941,806	2,634,481	2,867,786	3,080,982	3,016,418	3,140,578	4,064,088	3,877,425	4,028,134
Federal Sources	327,690	1,002,506	446,394	476,728	421,127	454,161	491,137	468,354	519,946	485,587
<b>Total Revenues</b>	<b>13,469,365</b>	<b>12,279,341</b>	<b>12,893,155</b>	<b>13,040,792</b>	<b>13,700,320</b>	<b>19,001,010</b>	<b>13,937,764</b>	<b>14,657,883</b>	<b>14,878,599</b>	<b>15,828,925</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	1,848,149	2,002,571	952,951	979,183	1,095,073	1,114,374	2,422,239	2,505,922	2,512,063	2,830,406
Special Education Instruction	1,731,970	1,699,488	2,086,611	2,140,412	2,220,331	2,263,532	1,135,116	1,144,187	1,273,689	1,053,536
<b>Support Services:</b>										
Student and Instruction Related Services	297,737	316,279	763,839	767,265	828,845	818,284	843,437	944,223	1,123,759	427,765
General Administration	351,428	392,353	404,000	403,236	416,844	433,215	473,236	474,167	484,134	600,551
School Administrative Services	499,518	553,121	570,982	542,501	571,793	571,123	550,415	565,965	567,240	298,623
Central Services	300,731	192,531	205,250	191,036	217,133	249,582	188,303	194,856	216,683	363,617
Admin. Information Technology	229,061	291,806	263,260	246,247	198,058	230,671	267,552	240,831	285,455	1,083,857
Plant Operations and Maintenance	1,348,338	1,447,898	1,550,228	1,185,631	1,068,878	1,136,740	1,179,485	1,168,244	1,117,284	50,501
Pupil Transportation	36,066	27,769	12,730	13,714	17,458	21,299	26,463	24,447	16,332	2,457,273
Other Support Services	401,463	522,091								
Employee Benefits	2,193,041	2,059,256	2,181,379	2,171,923	2,372,496	2,352,347	2,518,099	2,773,564	3,213,695	1,120,543
Special Schools	2,440,326	2,853,904	3,549,569	3,567,078	1,515,673	1,500,642	1,364,351	1,431,568	1,463,076	1,568,407
<b>Debt Service:</b>										
Principal					390,000	650,000	680,000	893,502	924,943	958,527
Interest					639,293	403,673	377,487	362,537	340,205	309,478
Cost of Issuance				41,200						
Capital Outlay	858,728	529,736	456,600	12,628,046	2,003,915	6,811,281	1,534,012	1,765,302	1,510,026	1,378,022
<b>Total Expenditures</b>	<b>12,536,556</b>	<b>12,888,803</b>	<b>12,997,399</b>	<b>24,877,472</b>	<b>13,555,790</b>	<b>18,556,763</b>	<b>13,560,195</b>	<b>14,489,315</b>	<b>15,048,584</b>	<b>15,674,129</b>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>932,809</b>	<b>(609,462)</b>	<b>(104,244)</b>	<b>(11,836,680)</b>	<b>144,530</b>	<b>444,247</b>	<b>377,569</b>	<b>168,568</b>	<b>(169,985)</b>	<b>154,796</b>
<b>Other Financing Sources/(Uses):</b>										
Proceeds from Capital Leases				11,200,000				1,200,000		
Transfers In							60,000	1,337,394	588	60,435
Transfers Out							(60,000)	(1,337,394)	(588)	(60,435)
<b>Total Other Financing Sources/(Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,200,000</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>\$ 932,809</b>	<b>\$ (609,462)</b>	<b>\$ (104,244)</b>	<b>(636,680)</b>	<b>\$ 144,530</b>	<b>\$ 444,247</b>	<b>\$ 377,569</b>	<b>\$ 1,368,568</b>	<b>\$ (169,985)</b>	<b>\$ 154,796</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9%</b>	<b>9%</b>	<b>9%</b>	<b>10%</b>	<b>9%</b>	<b>9%</b>

Source: CAFR Schedule B-2 and District records.

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE

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

Fiscal Year Ending <u>June 30,</u>	<u>HCC/Evening School Fees</u>	<u>Interest on Investments</u>	<u>Textbook Sales</u>	<u>Miscellaneous</u>	<u>Program Sales</u>	<u>Total</u>
2009	\$ 366,104	\$ 21,475	\$ 37,919	\$ 145,338		\$ 570,836
2010	378,648	11,917	32,750	264,133		687,448
2011	338,366	4,370	22,567	197,850		563,153
2012	707,695	2,417	38,269	186,525		934,906
2013	686,473	2,099	23,337	165,912	\$ 45,155	922,976
2014	752,580	1,794	15,896	375,383	35,228	1,180,881
2015	664,816	1,827	18,069	206,907	39,542	931,161
2016	592,650	4,815	23,808	429,480	31,285	1,082,038
2017	576,869	7,081	20,482	276,219	33,643	914,294
2018	588,771	28,278	19,947	167,146	16,746	820,888

Source: District records

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

Year Ended June 30,	<u>Governmental Activities</u>		Percentage of	
	Capital Leases	Total District	Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
2009	\$ 11,820	\$ 11,820	0.00%	\$ 0.2
2010	-	-	0.00%	-
2011	-	-	0.00%	-
2012	11,200,000	11,200,000	0.06%	30.4
2013	10,810,000	10,810,000	0.05%	29.3
2014	10,160,000	10,160,000	0.05%	27.4
2015	9,480,000	9,480,000	0.04%	25.5
2016	9,786,498	9,786,498	0.04%	26.4
2017	8,861,555	8,861,555	0.04%	23.9
2018	7,903,028	7,903,028	0.03%	21.1

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

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

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



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

Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2009	364,571	\$ 19,430,905,158	\$ 53,298	7.8%
2010	366,222	20,183,959,308	55,114	7.8%
2011	367,959	19,555,181,055	53,145	7.7%
2012	367,908	20,087,776,800	54,600	7.8%
2013	369,171	21,032,041,041	56,971	6.7%
2014	370,984	22,076,515,872	59,508	5.7%
2015	371,601	21,301,284,123	57,323	4.7%
2016	371,398	22,237,455,250	59,875	4.8%
2017	371,023	23,466,091,681	63,247	4.3%
2018	374,733	23,696,990,721	63,237	4.1%

**Source:**

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

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

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

Data reflects revised estimates for 2009-2018.

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

LAST TEN FISCAL YEARS  
(UNAUDITED)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Instruction:</b>										
Vocational - Regular	25.0	25.0	22.0	25.0	25.5	25.0	26.0	27.5	28.5	31.3
Vocational - Special	11.0	11.0	10.0	10.0	10.0	11.0	11.5	10.5	11.0	11.0
<b>Support Services:</b>										
Student and Instruction Related Services	18.5	18.0	19.0	19.0	20.0	19.0	17.5	18.0	18.0	19.0
General Administration	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0
School Administrative Services	8.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0	8.0	10.0
Central Services	16.0	18.0	21.5	21.5	21.0	22.0	20.0	19.0	19.0	19.0
Vocational - Post Secondary	12.0	11.0	15.0	15.0	15.0	13.0	11.0	10.0	10.0	8.0
<b>Total</b>	<b>92.5</b>	<b>94.0</b>	<b>99.5</b>	<b>102.5</b>	<b>103.5</b>	<b>102.0</b>	<b>98.0</b>	<b>96.0</b>	<b>97.5</b>	<b>100.3</b>

Source: District Personnel Records

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

LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff<sup>b</sup></u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE)<sup>c</sup></u>	<u>Average Daily Attendance (ADA)<sup>c</sup></u>	<u>Percentage Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2009	783.90	\$ 11,497,549	\$ 14,667	-6.72%	48	16.33	783.90	714.80	2.27%	91.19%
2010	747.60	12,017,716	16,075	9.60%	47	15.91	747.60	682.30	-4.63%	91.27%
2011	699.70	12,540,799	17,923	11.50%	47	14.89	699.70	652.00	-6.41%	93.18%
2012	865.00	12,208,226	14,114	-21.25%	50	17.30	836.00	791.00	19.48%	94.62%
2013	877.00	10,522,582	11,998	-14.99%	51	17.37	847.00	784.00	1.32%	90.20%
2014	886.00	10,691,809	12,068	0.58%	45	19.69	883.00	846.00	4.25%	95.49%
2015	884.00	10,968,696	12,408	2.82%	45	19.64	883.00	842.00	0.00%	95.25%
2016	878.00	11,467,974	13,061	5.27%	47	18.68	887.00	842.00	0.45%	95.90%
2017	935.00	12,273,410	13,127	0.50%	49	19.08	977.12	927.80	10.16%	99.23%
2018	879.00	13,028,102	14,822	12.91%	53	16.58	983.22	925.82	0.62%	105.33%

Source: District records

Note: Enrollment based on annual October District count.

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

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION

LAST TEN FISCAL YEARS  
(UNAUDITED)

<u>District/Building</u>	<u>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>	<u>2018</u>
High School:										
Assunpink (1972)										
Square Feet	90,678	90,678	90,678	90,678	90,678	90,678	90,678	90,678	90,678	90,678
Capacity (Students)	336	336	336	336	380	380	380	380	380	380
Enrollment	409	391	357	355	372	372	345	380	397	355
Sypek (1974)										
Square Feet	90,713	90,713	90,713	90,713	90,713	90,713	90,713	90,713	90,713	90,713
Capacity (Students)	444	444	444	444	444	444	444	444	444	444
Enrollment	401	395	386	339	368	368	481	478	493	465
Other:										
Health Careers Center (1911)										
Square Feet	26,984	26,984	26,984	26,984	26,984	26,984	26,984	26,984	26,984	26,984
Capacity (Students)	200	200	200	200	200	200	200	200	200	200
Enrollment	169	163	154	171	162	162	171	156	142	170

Number of Schools at June 30, 2018

High Schools = 2

Other = 1

Source: District Facilities Office

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

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

SCHEDULE OF REQUIRED MAINTENANCE

LAST TEN FISCAL YEARS  
(UNAUDITED)

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

Year	Assunpink Buildings	Sypek Buildings	Other Buildings	Total
2009	\$ 29,182	33,000	\$ 8,800	\$ 70,982
2010	32,662	37,110	9,680	79,452
2011	32,100	36,284	9,291	77,675
2012	26,160	32,816	7,702	66,678
2013	25,220	25,963	6,902	58,085
2014	25,960	25,944	7,717	59,621
2015	25,960	25,944	7,541	59,445
2016	22,082	25,827	7,893	55,802
2017	29,836	25,694	7,665	63,195
2018	24,834	26,312	7,769	58,915
Total School Facilities	<u>\$ 291,910</u>	<u>\$ 303,679</u>	<u>\$ 113,055</u>	<u>\$ 708,644</u>

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

Source: District records

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2018  
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
<b>Burlington County Insurance Pool Joint Insurance Fund:</b>		
Property, Inland Marine and Automobile Physical Damages	\$ 175,000,000	\$ 500
Boiler and Machinery	125,000,000	1,000
Crime	500,000	500
General and Automobile Liability	20,000,000	
Workers' Compensation	Statutory	
Educator's Legal Liability	20,000,000	
Pollution Legal Liability	3,000,000	25,000
-Mold		100,000
Cyber Liability	1,000,000	25,000
Violent Malicious Acts	1,000,000	15,000
Disaster Management Services	2,000,000	15,000

Source: District records

## **Single Audit Section**

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Area Vocational-Technical Schools of Mercer County School District, in the County of Mercer, New Jersey (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 13, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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



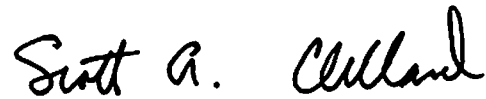
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Scott A. Clelland  
Licensed Public School Accountant  
No. 1049



WISS & COMPANY, LLP

Livingston, New Jersey  
February 13, 2019

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

Independent Auditors' Report

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

**Report on Compliance for Each Major State Program**

We have audited the Area Vocational-Technical Schools of Mercer County School District's, in the County of Mercer, New Jersey (the "District") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with state statutes, regulations and the terms and conditions of its state awards applicable to its state programs.

***Auditors' Responsibility***

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

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

### ***Opinion on Each Major State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

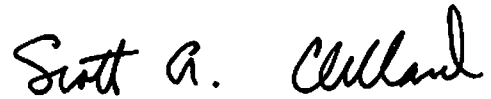
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

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

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

**Purpose of this Report**

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



Scott A. Clelland  
Licensed Public School Accountant  
No. 1049



WISS & COMPANY, LLP

Livingston, New Jersey  
February 13, 2019

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2017			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance, June 30, 2018										
					From	To	(Accounts Receivable)	Unearned Revenue	Due to Grantor				Adjustment	(Accounts Receivable)	Unearned Revenue	Due To Grantor							
<b>U.S. Department of Education:</b>																							
<b>Passed-Through State Department of Education:</b>																							
<b>Special Revenue Fund:</b>																							
Perkins (P.L. 101-391)	84 048A	V048A170030	PERK310518	\$ 181,030	07/01/17	06/30/18				\$ 153,383	\$ (180,671)		\$ (27,288)										
Perkins (P.L. 101-391)	84 048A	V048A170030	PSF310518	100,268	07/01/17	06/30/18				100,204	(100,204)												
Perkins (P.L. 101-391)	84 048A	V048A160030	PERK310517	205,500	07/01/16	06/30/17	\$ (21,866)			21,866													
Perkins (P.L. 101-391)	84 048A	V048A160030	PSF310517	105,791	07/01/16	06/30/17	(42,803)			42,803													
Perkins (P.L. 101-391)	84 048A	V048A170030	PSF310518	24,612	07/01/17	06/30/18				24,510	(24,510)												
Title I - Part A	84 010A	S010A170030	NCLB310518	107,990	07/01/17	06/30/18				86,530	(107,990)		(21,460)										
Title I - Part A	84 010A	S010A160030	NCLB310517	93,643	07/01/16	06/30/17	(14,328)			14,328													
Title II - Part A - Improving Teacher Quality State Grants	84 367A	S367A170029	NCLB310518	25,700	07/01/17	06/30/18				25,700	(25,700)												
I D E A. Part B Basic (Special Education Cluster)	84 027A	H027A170100	IDEA310518	45,851	07/01/17	06/30/18				23,159	(45,851)		(22,692)										
I D E A. Part B Basic (Special Education Cluster)	84 027A	H027A160100	IDEA310517	98,543	07/01/16	06/30/17	(30,255)			30,255													
Total Special Revenue Fund							(109,252)			\$ 222,738	(484,926)		(71,440)										
Total Expenditures of Federal Awards							\$ (109,252)	\$ -	\$ -	\$ -	\$ 222,738	\$ (484,926)	\$ -	\$ (71,440)	\$ -								

AREA VOCATIONAL-TECHNICAL SCHOOLS  
OF MERCER COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
Year ended June 30, 2018

State Grants Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance, June 30, 2017					Repayment of Prior Year's Balance	Balance, June 30, 2018			Memo		
			From	To	(Accounts Receivable)	Unearned Revenue	Due To Grantee	Cash Received	Budgetary Expenditures		Adjustments	(Accounts Receivable)	Unearned Revenue	Due To Grantee	Budgetary Receivable	Commutative Total Expenditures
<b>State Department of Education</b>																
<b>General Fund</b>																
Equization Aid	18-495-034-5120-078	\$ 2,107,427	07/01/17	06/30/18				\$ 1,396,685	\$ (2,107,427)					\$ (210,742)	\$ (2,107,427)	
Equization Aid	17-495-034-5120-078	2,042,056	07/01/16	06/30/17	\$ (204,206)		204,206									
Special Education Categorical Aid	18-495-034-5120-089	228,891	07/01/17	06/30/18			206,002		(228,891)					(22,889)	(228,891)	
Special Education Categorical Aid	17-495-034-5120-089	228,891	07/01/16	06/30/17	(22,887)		22,887									
Security Aid	18-495-034-5120-084	45,080	07/01/17	06/30/18			40,572		(45,080)					(4,508)	(45,080)	
Security Aid	17-495-034-5120-084	45,080	07/01/16	06/30/17	(4,508)		4,568									
Adjustment Aid	18-495-034-5120-085	103,021	07/01/17	06/30/18			92,719		(103,021)					(10,302)	(103,021)	
Adjustment Aid	17-495-034-5120-085	103,021	07/01/16	06/30/17	(10,302)		10,302									
PARCC Readiness Aid	18-495-034-5120-098	4,260	07/01/17	06/30/18			3,834		(4,260)					(426)	(4,260)	
PARCC Readiness Aid	17-495-034-5120-098	4,260	07/01/16	06/30/17	(426)		426									
Per Pupil Growth Aid	18-495-034-5120-097	4,260	07/01/17	06/30/18			3,834		(4,260)					(426)	(4,260)	
Per Pupil Growth Aid	17-495-034-5120-097	4,260	07/01/16	06/30/17	(426)		426									
Adult and Post-Graduate Program Aid	18-100-034-5120-510	108,050	07/01/17	06/30/18			97,245		(108,050)					(10,805)	(108,050)	
Professional Learning Communities Aid	18-495-034-5120-101	5,070	07/01/17	06/30/18			4,563		(5,070)					(507)	(5,070)	
Professional Learning Communities Aid	17-495-034-5120-101	5,070	07/01/16	06/30/17	(507)		507									
On-Behalf TPAF Pension and Medical Contributions	495-034-5094-001/006-007	847,306	07/01/17	06/30/18			847,306		(847,306)						(847,306)	
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	273,237	07/01/17	06/30/18			260,299		(273,237)		\$ (12,938)			(273,237)		
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	266,560	07/01/16	06/30/17	(13,029)		13,029									
Lead Testing for Schools Aid	18-495-034-5120-104	1,941	07/01/17	06/30/18			1,941		(1,941)						(1,941)	
<b>Total General Fund</b>					<u>(256,291)</u>		<u>3,711,291</u>		<u>(3,728,543)</u>			<u>(12,938)</u>		<u>(260,605)</u>	<u>(3,728,543)</u>	
<b>State Department of Education</b>																
<b>Special Revenue Fund</b>																
Apprentice Coordinator	99000127	15,000	07/01/17	06/30/18			11,555		(15,000)			(3,445)			(15,000)	
Apprentice Coordinator	99000127	15,000	07/01/16	06/30/17	(3,459)		3,459									
Solar Challenge	Not available	10,000	07/01/17	06/30/18			10,000		(10,000)						(10,000)	
County Vocational Comp	Not available	300,000	07/01/15	06/30/17		\$ 2,016	80,928		(152,476)			(69,532)		(152,476)		
<b>Total Special Revenue Fund</b>					<u>(3,459)</u>	<u>2,016</u>	<u>105,942</u>		<u>(177,476)</u>			<u>(72,977)</u>		<u>(177,476)</u>		
<b>State Department of Education</b>																
<b>Capital Projects Fund</b>																
NI Schools Development Authority	Not available	1,018,350	07/01/15	completion	(550,260)	113,203	676,618		(144,386)			\$ 95,195		(144,386)		
<b>Total Capital Projects Fund</b>					<u>(550,260)</u>	<u>113,203</u>	<u>676,618</u>		<u>(144,386)</u>			<u>95,195</u>		<u>(144,386)</u>		
<b>Total Expenditures of State Financial Assistance</b>					\$ (810,010)	\$ 115,219	\$ 4,493,871	\$ (4,050,405)	\$ -	\$ -	\$ (85,915)	\$ 95,195	\$ -	\$ (260,605)	\$ (6,050,405)	
<b>State Financial Assistance Not Subject to Single Audit Determination:</b>																
On-Behalf TPAF Pension and Medical Contributions	495-034-5094-001/006-007	847,306	07/01/17	06/30/18			847,306		(847,306)						(847,306)	
<b>Total State Financial Assistance Subject to Single Audit Determination</b>					\$ (810,010)	\$ 115,219	\$ 3,646,565	\$ (3,203,099)	\$ -	\$ -	\$ (85,915)	\$ 95,195	\$ -	\$ (260,605)	\$ (3,203,099)	

Area Vocational-Technical Schools  
of Mercer County School District

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

Year ended June 30, 2018

**1. General**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance programs of the District. The District is defined in Note 1 to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance.

**2. Basis of Accounting**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in these schedules are presented in accordance with the requirements of New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented, or used in the preparation of, the basic financial statements.

**3. Relationship to Basic Financial Statements**

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

Area Vocational-Technical Schools  
of Mercer County School District

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

Year ended June 30, 2018

**3. Relationship to Basic Financial Statements**

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

The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$17,343 for the general fund and \$4,267 for the special revenue fund. See note to required supplementary information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3). Federal and State award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund		\$ 3,711,200	\$ 3,711,200
Special Revenue Fund	\$ 485,587	172,548	658,135
Capital Projects Fund		144,386	144,386
Total award revenues	<u>\$ 485,587</u>	<u>\$ 4,028,134</u>	<u>\$ 4,513,721</u>

**4. Relationship to Federal and State Financial Reports**

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



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

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

**Year ended June 30, 2018**

**5. Other**

TPAF Social Security contributions represent the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2018.

The post retirement pension and medical benefits and insurance received on-behalf of the District for the year ended June 30, 2018, amounted to \$847,306. Since on-behalf post retirement pension, non-contributory insurance and medical benefits are paid by the State directly, these expenditures are not subject to a Single Audit in accordance with New Jersey OMB Circular 15-08, as directed by the funding agency.

**6. Indirect Costs**

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

Area Vocational-Technical Schools  
of Mercer County School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Part I – Summary of Auditors’ Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es)

\_\_\_\_\_ Yes   X   No

Significant deficiency(ies)

\_\_\_\_\_ Yes   X   None Reported

Is any noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

State Financial Assistance

Internal control over major state programs:

Material weakness(es)

\_\_\_\_\_ Yes   X   No

Significant deficiency(ies)

\_\_\_\_\_ Yes   X   None Reported

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

Unmodified

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

\_\_\_\_\_ Yes   X   No

Identification of major state programs:

GMS/Program Number	Name of State Program or Cluster
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Categorical Aid
495-034-5120-084	Security Aid
495-034-5120-085	Adjustment Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-098	PARCC Readiness Aid
495-034-5120-101	Professional Learning Community Aid
495-034-5120-510	Adult and Post Graduate Program Aid

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

\$750,000

Auditee qualified as low-risk auditee?

  X   Yes \_\_\_\_\_ No

Area Vocational-Technical Schools  
of Mercer County School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2018

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

No compliance or internal control over financial reporting findings noted that are required to be reported under *Government Auditing Standards*.

Area Vocational-Technical Schools  
of Mercer County School District

Schedule of Findings and Questioned Costs (continued)

Year ended June 30, 2018

**Part III – Schedule of State Award Findings and Questioned Costs**

**State Award Programs**

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

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

**Summary Schedule of Prior Year Audit Findings**

**Year ended June 30, 2018**

**No prior year findings were noted.**