

Revised 4/8/19

**MORRIS COUNTY  
VOCATIONAL SCHOOL DISTRICT**

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

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

Revised 4/8/19

**Comprehensive Annual  
Financial Report**

**of the**

**Morris County Vocational School District  
Board of Education**

**(a component unit of the County of Morris)**

**Denville, New Jersey**

**For the Fiscal Year Ended June 30, 2018**

**Prepared by**

**Morris County Vocational School District  
Business Office**

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INTRODUCTORY SECTION



## MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT

400 East Main Street Denville, NJ 07834-2592

973-627-4600

January 18, 2019

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

Dear Board Members:

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

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

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

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

Thirty-nine (39) high schools from eighty (80) communities and six counties send students shared-time (half time) and full-time to the County Vocational School.

Three (3) full time postsecondary programs are offered during the day, twilight and evenings. In addition to the secondary programs and full time postsecondary courses, the District offers over 32 part time Adult Evening classes where enrollment averages around 360 students per semester.

The District completed the 2017-18 school year with a full time equivalent enrollment of 1,105.9. The District's secondary enrollment increased at a rate of 6.8% during the year.

2. **MAJOR INITIATIVES:** The major initiatives undertaken in the School District included but were not limited to:

- a. Application for and receipt of a competitive County Vocational Partnership Grant Cohort 4 of \$330,000 to develop and fund a new shared time Cybersecurity and Information Program in conjunction with County College of Morris to commence September 2018 on their campus.
- b. Commencement of the Academy for Biotechnology in collaboration with the Mountain Lakes School District at their facility.
- c. Negotiation of a revised agreement with the Morris Hills School District to begin a Performing Arts Academy for Vocal, Theater and Dance for the 2018-2019 school year at their district.
- d. Negotiation of an agreement with the Pequannock School District to begin an Allied Health program September 2018 at their district.
- e. Continued ongoing maintenance projects to replace outdated hot water heaters and HVAC deck units. Continual upgrading of technology infrastructure to accommodate expanding district needs.

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

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

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

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

Capital Improvements are funded by the County of Morris, which pays the resulting debt service. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open

The Honorable President and Members  
of the Board of Education  
Morris County Vocational School District  
January 18, 2019

encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2018.

5. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements," Note 1.
6. **CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
7. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, excess liability, automotive liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds.
8. **OTHER INFORMATION: INDEPENDENT AUDIT –** State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivocchia LLP, CPAs. was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The Auditors' report on the basic financial statements and individual fund statements and schedules is included in the financial section of this report. The Auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.
9. **ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Morris County Vocational School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the County and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our Business Office Staff.

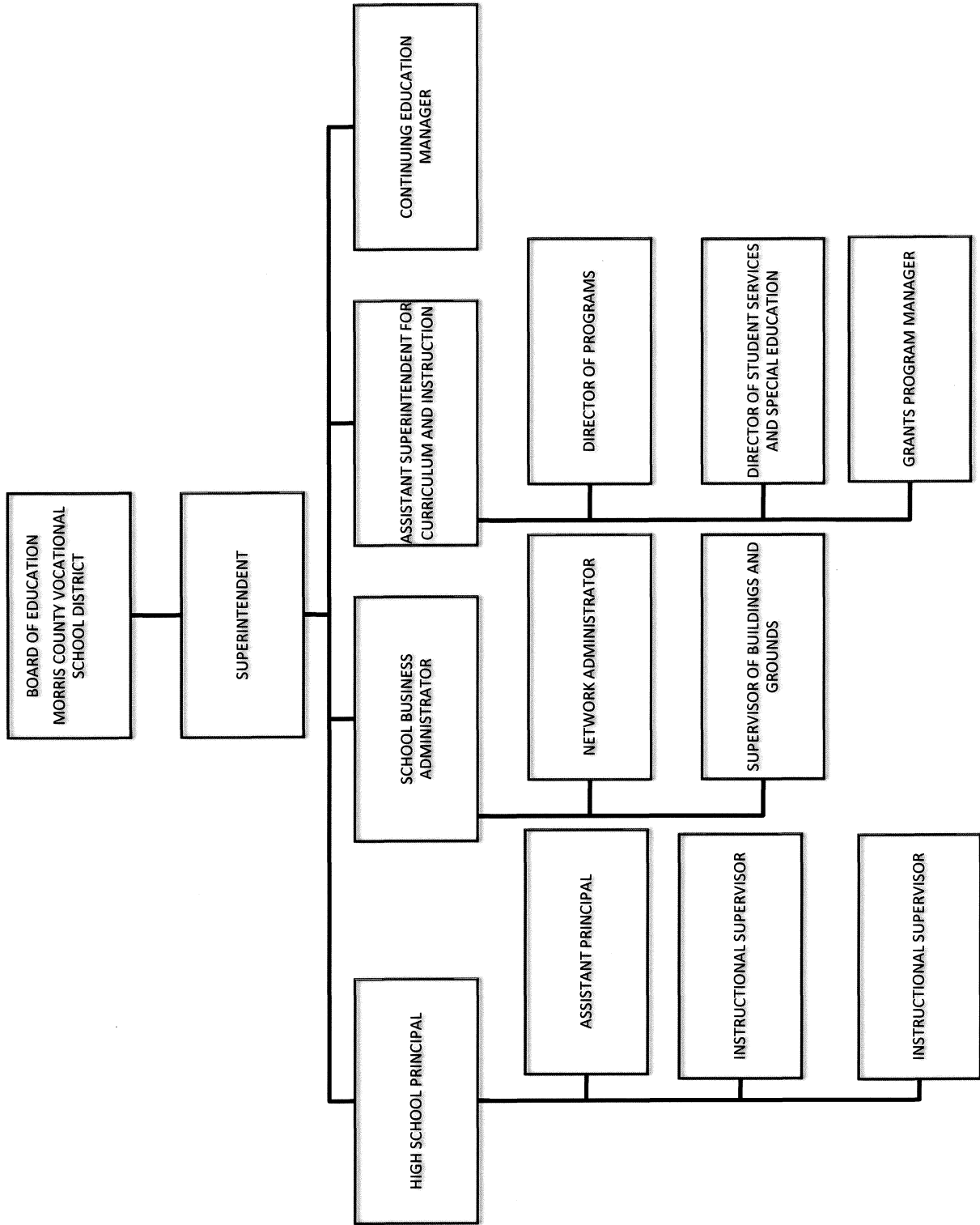
Respectfully submitted,



Scott Moffitt  
Superintendent



Susan Young  
Business Administrator/Board Secretary



**MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Barbara Dawson	President	2019
Lawrence J. Colasurdo	Vice President	2020
Mary Dougherty	Member	2018
John P. Hyland	Member	2021
Roger A. Jinks, Sr.	Member (Interim Executive County Superintendent)	N/A

Other Officers

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

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

**Audit Firm**

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

**Attorney**

Mills & Mills  
One Western Avenue  
Morristown, NJ 07960

**Official Depository**

Provident Bank  
41 Broadway  
Denville, NJ 07834



FINANCIAL SECTION

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Morris County Vocational School District (the "District"), a component unit of the County of Morris, as of and for the fiscal year ended June 30, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

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

### ***Emphasis of Matter***

As discussed in Note 16 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the pension and post-employment schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedule of schedules of expenditures of federal and state awards required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

January 18, 2019  
Mount Arlington, New Jersey

  
NISIVOCCIA LLP



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Francis Jones  
Licensed Public School Accountant #1154  
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management’s Discussion and Analysis  
(Unaudited)**

This section of Morris County Vocational School District’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

**Overview of the Financial Statements**

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

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

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

**Figure A-1**

**Organization of the School District’s Financial Report**

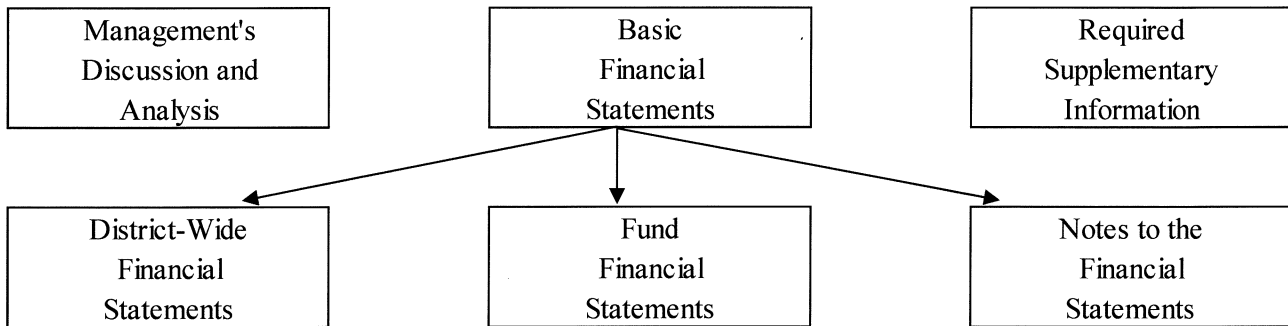


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

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

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

## District-wide Statements

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

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

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

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

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

## Fund Financial Statements

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

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

The District has three kinds of funds:

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



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

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

### Financial Analysis of the District as a Whole

*Net Position.* The District's combined net position increased by \$1,454,808. Net position from governmental activities increased by \$1,540,064 and net position from business-type activities decreased by \$85,256. Net investment in capital assets increased by \$532,473, restricted net position increased by \$293,185, and unrestricted net position increased by \$629,150.

Figure A-3

#### Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	
Current and Other Assets	\$ 5,448,964	\$ 6,387,221	\$ 146,372	\$ 123,140	\$ 5,595,336	\$ 6,510,361	16.35%
Capital Assets, Net	21,194,961	21,700,601	51,626	78,459	21,246,587	21,779,060	2.51%
Total Assets	<u>26,643,925</u>	<u>28,087,822</u>	<u>197,998</u>	<u>201,599</u>	<u>26,841,923</u>	<u>28,289,421</u>	5.39%
Deferred Outflows of Resources	3,435,381	2,400,621	205,620	180,692	3,641,001	2,581,313	-29.10%
Other Liabilities	739,518	537,753	27,487	43,370	767,005	581,123	-24.23%
Long-Term Liabilities	10,903,184	8,371,831	682,701	604,560	11,585,885	8,976,391	-22.52%
Total Liabilities	<u>11,642,702</u>	<u>8,909,584</u>	<u>710,188</u>	<u>647,930</u>	<u>12,352,890</u>	<u>9,557,514</u>	-22.63%
Deferred Inflows of Resources	488,936	2,091,127	31,209	157,396	520,145	2,248,523	332.29%
Net Position:							
Net Investment in Capital Assets	21,194,961	21,700,601	51,626	78,459	21,246,587	21,779,060	2.51%
Restricted	3,109,566	3,402,751			3,109,566	3,402,751	9.43%
Unrestricted/(Deficit)	<u>(6,356,859)</u>	<u>(5,615,620)</u>	<u>(389,405)</u>	<u>(501,494)</u>	<u>(6,746,264)</u>	<u>(6,117,114)</u>	9.33%
Total Net Position	<u>\$ 17,947,668</u>	<u>\$ 19,487,732</u>	<u>\$ (337,779)</u>	<u>\$ (423,035)</u>	<u>\$ 17,609,889</u>	<u>\$ 19,064,697</u>	8.26%

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities 2016/17	Governmental Activities 2017/18	Business- Type Activities 2016/17	Business- Type Activities 2017/18	Total School District 2016/17	Total School District 2017/18	Percentage Change
Revenue:							
Program Revenue:							
Charges for Services	\$ 9,813,791	\$ 11,294,811	\$ 703,503	\$ 752,240	\$ 10,517,294	\$ 12,047,051	14.55%
Operating Grants and Contributions	7,610,126	8,198,440	32,089	27,355	7,642,215	8,225,795	7.64%
General Revenue:							
County Tax Levy	6,351,286	6,351,286			6,351,286	6,351,286	0.00%
State and Federal Aid not Restricted	729,129	728,406			729,129	728,406	-0.10%
County Improvement Authorizations	116,000	1,048,000			116,000	1,048,000	803.45%
Other	145,632	178,598	12	14	145,644	178,612	22.64%
<b>Total Revenue</b>	<b>24,765,964</b>	<b>27,799,541</b>	<b>735,604</b>	<b>779,609</b>	<b>25,501,568</b>	<b>28,579,150</b>	<b>12.07%</b>
Expenses:							
Instruction	14,045,844	15,066,874			14,045,844	15,066,874	7.27%
Pupil and Instruction Services	3,944,530	4,474,900			3,944,530	4,474,900	13.45%
Administrative & Business	3,318,197	3,359,301			3,318,197	3,359,301	1.24%
Maintenance and Operations	2,380,780	2,289,950			2,380,780	2,289,950	-3.82%
Pupil Transportation	225,412	224,611			225,412	224,611	-0.36%
Special Schools	1,460,425	864,264			1,460,425	864,264	-40.82%
Capital Outlay		4,589				4,589	100.00%
Other			792,011	839,853	792,011	839,853	6.04%
<b>Total Expenses</b>	<b>25,375,188</b>	<b>26,284,489</b>	<b>792,011</b>	<b>839,853</b>	<b>26,167,199</b>	<b>27,124,342</b>	<b>3.66%</b>
Other Items:							
Other	(923,134)				(923,134)		-100.00%
Transfers	115	25,012		(25,012)	115		-100.00%
<b>Increase/(Decrease) in Net Position</b>	<b>\$(1,532,243)</b>	<b>\$ 1,540,064</b>	<b>\$ (56,407)</b>	<b>\$ (85,256)</b>	<b>\$ (1,588,650)</b>	<b>\$ 1,454,808</b>	<b>-191.58%</b>

*Revenue Sources.* The District’s total revenue for the 2017/2018 school year was \$28,579,150. (See Figure A-4). The County tax levy of \$6,351,286 accounted for a substantial portion of the District’s revenue, or 22.22 percent, along with 42.15% from charges for services. (See Figure A-5). Another 28.78 percent came from operating grants and contributions for specific programs and state and federal aid not restricted with the remainder from miscellaneous sources and County improvement authorizations.

**Governmental Activities**

The net position of the governmental activities increased \$1,540,064 due to numerous factors. Net Investment in Capital Assets increased \$505,640 combining additions, dispositions, and depreciation expense. As mentioned previously, Restricted Net position increased primarily due to a board approved deposit of \$253,126 into the Capital Reserve and \$40,059 into the Maintenance Reserve. Unrestricted Net position increased \$741,239, primarily due to an increase in committed fund balance related to capital projects of \$469,753 and an increase in assigned fund balance designated for subsequent year’s expenditures of \$251,578.

Figure A-5 presents the cost of eight major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, pupil transportation, special schools, capital outlay and other. The table also shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

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

**Figure A-5**

	<b>Net Cost of Governmental Activities</b>			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2016/17	2017/18	2016/17	2017/18
Instruction	\$ 14,045,844	\$ 15,066,874	\$ 3,779,101	\$ 3,252,943
Pupil and Instruction Services	3,944,530	4,474,900	752,054	634,083
Administrative and Business	3,318,197	3,359,301	1,327,057	1,216,562
Maintenance and Operations	2,380,780	2,289,950	1,403,790	982,078
Pupil Transportation	225,412	224,611	132,911	124,753
Special Schools	1,460,425	864,264	556,358	576,230
Capital Outlay		4,589		4,589
	<u>\$ 25,375,188</u>	<u>\$ 26,284,489</u>	<u>\$ 7,951,271</u>	<u>\$ 6,791,238</u>

## Business-Type Activities

Net position from the District’s business-type activities decreased overall by \$85,256. (Refer to Figure A-4). The most significant factors contributing to these results were:

- The Food Service Fund’s net position increased by \$10,595 mainly due to an increase in program and non-operating income.
- The Internet Consortium Fund was dissolved and the net position of \$25,012, including investment in capital assets of \$1,597 was transferred to the General Fund.
- Adult Education Enterprise Fund’s net position decreased by \$69,056, primarily due to program fees continuing to not be able to support the operating expenses. Program fees did increase by \$72,058 from the prior year; however, operating expenses simultaneously increased by \$71,630.

## Financial Analysis of the District’s Funds

The District’s overall net position increased by \$1.5 million. Restricted funds slightly increased although the distribution of those funds between capital and maintenance reserves and excess surplus shifted slightly. Investment in Capital assets increased. The remainder of the reduction pertains almost solely to net changes in the district’s pension liability, assumptions, gains and earnings. Overall the district performed well within its authorized governmental budget and reductions in its net position were a function of the district wide GAAP adjustments. The District reversed its marketing approach for its Adult Education proprietary fund operations to increase its enrollment and related revenues. The District will continue to manage its overall operations within a responsible balanced operating budget.

## General Fund Budgetary Highlights

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

## Capital Asset and Debt Administration

Figure A-6

	Capital Assets (Net of Depreciation)				Total School District		Total Percentage Change
	Government Activities		Business-Type Activities		2016/17	2017/18	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	
Sites and Site							
Improvements	\$ 332,094	\$ 330,487			\$ 332,094	\$ 330,487	-0.48%
Construction in							
Progress	1,694,962	2,423,209			1,694,962	2,423,209	42.97%
Buildings and							
Building Improvements	18,236,193	17,783,217			18,236,193	17,783,217	-2.48%
Furniture, Machinery							
and Equipment	931,712	1,163,688	\$ 51,626	\$ 78,459	983,338	1,242,147	26.32%
Total	<u>\$21,194,961</u>	<u>\$21,700,601</u>	<u>\$ 51,626</u>	<u>\$ 78,459</u>	<u>\$21,246,587</u>	<u>\$21,779,060</u>	<u>2.51%</u>

## Long-term Liabilities

At year-end, the District had \$8,976,391 of long term liabilities – a decrease of \$2,609,494 from last year – as shown in Figure A-7. This decrease was a result of a net decrease in compensated absences of \$2,552, and a net decrease of \$2,606,942 in net pension liability.

**Figure A-7**

### Outstanding Long-Term Liabilities

	Total School District		Total
	2016/17	2017/18	Percentage Change
Other Long-Term Liabilities	\$ 548,125	\$ 545,573	-0.47%
Net Pension Liability	11,037,760	8,430,818	-23.62%
	<u>\$ 11,585,885</u>	<u>\$ 8,976,391</u>	-22.52%

## Factors Bearing on the District’s Future

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

- Level county tax levy funding since the 2007-2008 fiscal year exerts budget pressure. Additionally, capital project funding from the County is uncertain from year to year.
- The passage of the Securing Our Schools bond act has raised the possibility of significant facility expansion for the district to address the unserved population of applicants. The 75% facility expansion funding from the state would have to be supplemented by a 25% county match. The probability of both occurring is uncertain at this time however if both happen the impact on the operating budget of the district would be significant.
- All bargaining units settled their contracts for the 2018-2021 contract period with 2.9% annual salary increases in exchange for eliminating the Direct 10 health benefit option. These settlements will assist with long term financial projections for the district as these two cost centers comprise the majority of the expenditures budget.
- The district continues to bump up against the maximum allowable state certified tuition rate capping potential revenues from sending districts due to level county and state funding. Chapter 67 projects level state aid for the district for the foreseeable future.
- Several non- repetitive competitive grants will continue to expire over the next few years. These grants require sustainability of the programs once the grant period ends and will require careful management of those programs.

## Contacting the District’s Financial Management

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

**BASIC FINANCIAL STATEMENTS**

DISTRICT-WIDE FINANCIAL STATEMENTS

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,114,998	\$ 104,392	\$ 2,219,390
Receivables from State Government	46,527	111	46,638
Receivables from Federal Government	273,703	1,231	274,934
Receivables from Other Governments	1,515,243		1,515,243
Other Receivables	33,999	8,876	42,875
Inventories		8,530	8,530
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	2,287,692		2,287,692
Maintenance Reserve Account - Cash and Cash Equivalents	115,059		115,059
Capital Assets, Net:			
Sites (Land) and Construction in Progress	2,731,809		2,731,809
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	18,968,792	78,459	19,047,251
Total Assets	<u>28,087,822</u>	<u>201,599</u>	<u>28,289,421</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows Related to Pensions	2,400,621	180,692	2,581,313
Total Deferred Outflows of Resources	<u>2,400,621</u>	<u>180,692</u>	<u>2,581,313</u>
<u>LIABILITIES</u>			
Accounts Payable	528,600	38,533	567,133
Payable to Federal Government	249		249
Unearned Revenue	8,904	4,837	13,741
Non-Current Liabilities:			
Due Within One Year	25,711		25,711
Due Beyond One Year	8,346,120	604,560	8,950,680
Total Liabilities	<u>8,909,584</u>	<u>647,930</u>	<u>9,557,514</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pensions	2,091,127	157,396	2,248,523
Total Deferred Inflows of Resources	<u>2,091,127</u>	<u>157,396</u>	<u>2,248,523</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	21,700,601	78,459	21,779,060
Restricted for:			
Capital Projects	2,287,692		2,287,692
Maintenance	115,059		115,059
Excess Surplus	1,000,000		1,000,000
Unrestricted/(Deficit)	(5,615,620)	(501,494)	(6,117,114)
Total Net Position/(Deficit)	<u>\$ 19,487,732</u>	<u>\$ (423,035)</u>	<u>\$ 19,064,697</u>

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



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 8,305,570	\$ 3,727,861	\$ 2,345,448	\$ (2,232,261)		\$ (2,232,261)
Special	994,810	446,509	1,010,298	461,997		461,997
Vocational Education	5,333,464	2,393,865	1,697,432	(1,242,167)		(1,242,167)
Other Instruction	433,030	192,518		(240,512)		(240,512)
Support Services:						
Student and Instruction Related Services	4,474,900	1,900,351	1,940,466	(634,083)		(634,083)
General Administrative Services	802,170	360,045	154,111	(288,014)		(288,014)
School Administrative Services	1,336,854	600,032	355,014	(381,808)		(381,808)
Central Services	808,387	362,835	127,583	(317,969)		(317,969)
Administrative Information Technology	411,890	183,119		(228,771)		(228,771)
Plant Operations and Maintenance	2,289,950	1,027,818	280,054	(982,078)		(982,078)
Pupil Transportation	224,611	99,858		(124,753)		(124,753)
Special Schools	864,264		288,034	(576,230)		(576,230)
Capital Outlay	4,589			(4,589)		(4,589)
Total Governmental Activities	26,284,489	11,294,811	8,198,440	(6,791,238)		(6,791,238)
Business-Type Activities:						
Supermarket Account	2,444				\$ (2,444)	(2,444)
Adult Education	655,703	586,647			(69,056)	(69,056)
Cosmetology	975	1,622			647	647
Food Service	180,731	163,971	27,355		10,595	10,595
Total Business-Type Activities	839,853	752,240	27,355		(60,258)	(60,258)
Total Primary Government	\$ 27,124,342	\$ 752,240	\$ 8,225,795	\$ (6,791,238)	\$ (60,258)	\$ (6,851,496)

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues, Transfers and Other Items:			
General Revenues:			
County Tax Levy	\$ 6,351,286		\$ 6,351,286
Federal and State Aid not Restricted	728,406		728,406
Interest Earnings	26,244	\$ 14	26,258
Miscellaneous Income	152,354		152,354
County Improvement Authorization	1,048,000		1,048,000
Transfers	25,012	(25,012)	
Total General Revenues, Transfers and Other Items	8,331,302	(24,998)	8,306,304
Change in Net Position	1,540,064	(85,256)	1,454,808
Net Position - Beginning	17,947,668	(337,779)	17,609,889
Net Position - Ending	\$ 19,487,732	\$ (423,035)	\$ 19,064,697

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

FUND FINANCIAL STATEMENTS

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,952,275		\$ 162,723	\$ 2,114,998
Interfund Receivables:				
Special Revenue Fund	171,881			171,881
Fiduciary Fund - Flex Spending Trust Fund	10,178			10,178
Receivables From State Government	25,823	\$ 20,704		46,527
Receivables From Federal Government		273,703		273,703
Receivables From Other Governments	467,159		1,048,084	1,515,243
Other Accounts Receivables	23,821			23,821
Restricted Cash and Cash Equivalents	2,402,751			2,402,751
<b>Total Assets</b>	<b>\$ 5,053,888</b>	<b>\$ 294,407</b>	<b>\$ 1,210,807</b>	<b>\$ 6,559,102</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Interfund Payable - General Fund		\$ 171,881		\$ 171,881
Accounts Payable	\$ 88,380	119,056	\$ 950	208,386
Payable to Federal Government		249		249
Unearned Revenue	5,683	3,221		8,904
<b>Total Liabilities</b>	<b>94,063</b>	<b>294,407</b>	<b>950</b>	<b>389,420</b>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Capital Reserve Account	2,287,692			2,287,692
Maintenance Reserve	115,059			115,059
Excess Surplus for 2018-2019	500,000			500,000
Excess Surplus for 2017-2018	500,000			500,000
<b>Committed:</b>				
Capital Projects Fund			1,209,857	1,209,857
<b>Assigned:</b>				
Other Purposes	322,912			322,912
Subsequent Year's Expenditures	251,578			251,578
Unassigned	982,584			982,584
<b>Total Fund Balances</b>	<b>4,959,825</b>		<b>1,209,857</b>	<b>6,169,682</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,053,888</b>	<b>\$ 294,407</b>	<b>\$ 1,210,807</b>	<b>\$ 6,559,102</b>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

Total  
Governmental  
Funds

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

Total Fund Balances from previous page	\$ 6,169,682
Capital Assets Used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$33,676,255 and the Accumulated Depreciation is \$11,975,654.	21,700,601
Long-Term Liabilities, Including Compensated Absences and Net Pension Liability for PERS, are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(8,371,831)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Deferred Outflows:	
Changes in Assumptions - Pensions	1,579,623
Changes in Proportions - Pensions	262,774
Difference Between Expected and Actual Experience - Pensions	184,621
Difference between Projected and Actual Earnings on Investments - Pensions	53,389
Deferred Inflows:	
Changes in Assumptions - Pensions	(1,573,832)
Changes in Proportions - Pensions	(517,295)
Net Position of Governmental Activities	<u>\$ 19,487,732</u>

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES:</b>				
<b>Local Sources:</b>				
County Tax Levy	\$ 6,351,286			\$ 6,351,286
Tuition from LEA's	10,849,946			10,849,946
Tuition from Individuals	449,416			449,416
Interest Earned on Capital Reserve Funds	26,185			26,185
Interest Earned on Maintenance Reserve Funds	59			59
Unrestricted Miscellaneous Revenue	152,354	\$ 324		152,678
Total - Local Sources	17,829,246	324		17,829,570
State Sources	3,597,247	457,839		4,055,086
Federal Sources		1,403,244		1,403,244
Total Revenues	21,426,493	1,861,407		23,287,900
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular Instruction	5,226,313	423,490		5,649,803
Special Education Instruction	395,054	182,210		577,264
Vocational Education Instruction	2,669,258	178,579		2,847,837
School-Sponsored/Other Instruction	350,488			350,488
<b>Support Services and Undistributed Costs:</b>				
Student and Other Instruction Related Services	2,082,709	787,329		2,870,038
General Administration Services	549,049			549,049
School Administration Services	751,852			751,852
Central Services	526,759			526,759
Administrative Information Technology	302,009			302,009
Plant Operations and Maintenance	1,859,883			1,859,883
Student Transportation Services	162,343			162,343
Unallocated Benefits	5,001,139			5,001,139
Capital Outlay	242,200	289,799	\$ 728,247	1,260,246
Special Schools	545,369			545,369
Total Expenditures	20,664,425	1,861,407	728,247	23,254,079
Excess/(Deficit) of Revenue Over/(Under) Expenditures	762,068		(728,247)	33,821
<b>Other Financing Sources/(Uses):</b>				
County Improvement Authorization			1,048,000	1,048,000
Transfer from Internet Consortium Fund	23,415			23,415
Capital Reserve - Transfer to Capital Projects Fund	(150,000)		150,000	
Total Other Financing Sources/(Uses)	(126,585)		1,198,000	1,071,415
Net Change in Fund Balances	635,483		469,753	1,105,236
Fund Balance - July 1	4,324,342		740,104	5,064,446
Fund Balance - June 30	\$ 4,959,825	\$ -0-	\$ 1,209,857	\$ 6,169,682

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 1,105,236

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

Capital outlays are reported in governmental funds as expenditures.

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

Depreciation Expense	\$ (686,157)	
Transfers In - Business Type Activities , Net of Related Depreciation Expense	1,597	
Deletions, Net of Related Depreciation Expense	(7,909)	
Capital Outlays	<u>1,198,109</u>	505,640

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

(3,480)

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

Change in Net Pension Liability	2,534,833	
Change in Deferred Outflows:		
Changes in Assumptions	(569,625)	
Changes in Proportion	(79,779)	
Difference Between Expected and Actual Experience	(8,332)	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(342,238)	
Change in Deferred Inflows:		
Changes in Assumptions	(1,573,832)	
Changes in Proportion	<u>(28,359)</u>	

Change in Net Position of Governmental Activities (Exhibit A-2) \$ 1,540,064

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds	Major Fund Adult Education	Total Enterprise
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 38,457	\$ 65,935	\$ 104,392
Intergovernmental Accounts Receivable:			
State	111		111
Federal	1,231		1,231
Other Accounts Receivable		8,876	8,876
Inventories	8,530		8,530
Total Current Assets	48,329	74,811	123,140
Non-Current Assets:			
Capital Assets	79,844	92,923	172,767
Less: Accumulated Depreciation	(56,495)	(37,813)	(94,308)
Total Non-Current Assets	23,349	55,110	78,459
Total Assets	71,678	129,921	201,599
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Total Deferred Outflows of Resources		180,692	180,692
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable		38,533	38,533
Unearned Revenue	4,837		4,837
Total Current Liabilities	4,837	38,533	43,370
Non-Current Liabilities:			
Compensated Absences Payable		14,403	14,403
Net Pension Liability		590,157	590,157
Total Non-Current Liabilities		604,560	604,560
Total Liabilities	4,837	643,093	647,930



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major Funds</u>	<u>Major Fund Adult Education</u>	<u>Total Enterprise</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Total Deferred Inflows of Resources		\$ 157,396	\$ 157,396
<u>NET POSITION:</u>			
Investment in Capital Assets	\$ 23,349	55,110	78,459
Unrestricted/(Deficit)	43,492	(544,986)	(501,494)
Total Net Position/(Deficit)	<u>\$ 66,841</u>	<u>\$ (489,876)</u>	<u>\$ (423,035)</u>

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds	Major Fund Adult Education	Total Enterprise
Operating Revenue:			
Daily Sales:			
Reimbursable Programs	\$ 80,493		\$ 80,493
Non-Reimbursable Programs	65,858		65,858
Charges for Services:			
Program Fees	1,622	\$ 586,647	588,269
Miscellaneous Revenue	17,620		17,620
Total Operating Revenue	<u>165,593</u>	<u>586,647</u>	<u>752,240</u>
Operating Expenses:			
Cost of Sales:			
Reimbursable Programs	46,814		46,814
Non-Reimbursable Programs	38,302		38,302
Salaries	54,774	297,392	352,166
Employee Benefits	12,857	180,346	193,203
Purchased Professional and Technical Services	10,197	29,379	39,576
Other Purchased Services		21,741	21,741
Supplies and Materials	11,478	73,536	85,014
Miscellaneous Expense	4,299	42,557	46,856
Depreciation Expense	5,429	10,511	15,940
Total Operating Expenses	<u>184,150</u>	<u>655,703</u>	<u>839,853</u>
Operating Loss	<u>(18,557)</u>	<u>(69,056)</u>	<u>(87,613)</u>
Non-Operating Income:			
Local Sources:			
Interest Income	14		14
State Sources:			
State School Lunch Program	1,259		1,259
Federal Sources:			
National School Lunch Program	13,322		13,322
School Breakfast Program	767		767
Food Distribution Program	12,007		12,007
Total Non-Operating Income	<u>27,369</u>		<u>27,369</u>
Change in Net Position Before Transfers	<u>8,812</u>	<u>(69,056)</u>	<u>(60,244)</u>
Transfers:			
Capital Contribution to General Fund	(1,597)		(1,597)
Transfer to General Fund	(23,415)		(23,415)
Total Transfers	<u>(25,012)</u>		<u>(25,012)</u>
Change in Net Position	(16,200)	(69,056)	(85,256)
Net Position/(Deficit) - Beginning of Year	<u>83,041</u>	<u>(420,820)</u>	<u>(337,779)</u>
Net Position/(Deficit) - End of Year	<u>\$ 66,841</u>	<u>\$ (489,876)</u>	<u>\$ (423,035)</u>

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Non-Major Funds	Major Fund Adult Education	Total Enterprise
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 171,563	\$ 577,771	\$ 749,334
Payments to Food Service Contractor	(170,804)		(170,804)
Payments to/for Employees		(389,662)	(389,662)
Payments to Suppliers	(8,417)	(155,210)	(163,627)
Net Cash Provided by/(Used for) Operating Activities	(7,658)	32,899	25,241
Cash Flows Used for Capital and Related Financing Activities:			
Purchases of Capital Assets	(4,664)	(40,907)	(45,571)
Net Cash Used for Capital and Related Financing Activities	(4,664)	(40,907)	(45,571)
Cash Flows from Noncapital Financing Activities:			
Transfer to General Fund	(23,415)		(23,415)
State Sources	2,876		2,876
Federal Sources	12,858		12,858
Net Cash Used for Noncapital Financing Activities	(7,681)		(7,681)
Cash Flows from Financing Activities:			
Interest Income	14		14
Net Cash Provided by Financing Activities	14		14
Net Decrease in Cash and Cash Equivalents	(19,989)	(8,008)	(27,997)
Cash and Cash Equivalents, July 1	58,446	73,943	132,389
Cash and Cash Equivalents, June 30	<u>\$ 38,457</u>	<u>\$ 65,935</u>	<u>\$ 104,392</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Non-Major</u>	<u>Major Fund</u>	<u>Total</u>
	<u>Funds</u>	<u>Adult Education</u>	<u>Enterprise</u>
Reconciliation of Operating Loss to Net Cash			
Provided by Operating Activities:			
Operating Loss	\$ (18,557)	\$ (69,056)	\$ (87,613)
Adjustment to Reconcile Operating Loss to Net Cash			
Provided by/(Used for) Operating Activities:			
Depreciation	5,429	10,511	15,940
Food Distribution Program	12,007		12,007
Changes in Assets and Liabilities:			
(Increase)/Decrease in Other Accounts Receivable	5,127	(8,876)	(3,749)
(Increase) in Inventory	(200)		(200)
Increase/(Decrease) in Accounts Payable	(12,508)	12,244	(264)
Increase in Unearned Revenue	1,044		1,044
(Decrease) in Compensated Absences Payable		(6,032)	(6,032)
(Decrease) in Net Pension Liability		(72,109)	(72,109)
Decrease in Changes in Assumptions - Pension		136,750	136,750
(Increase) in Difference between Expected and Actual Experience - Pension		(1,580)	(1,580)
Decrease in Difference between Projected and Actual Earnings in Investments - Pensions		21,234	21,234
Increase in Changes in Proportions - Pensions		9,813	9,813
Net Cash Provided by/(Used for) Operating Activities	<u>\$ (7,658)</u>	<u>\$ 32,899</u>	<u>\$ 25,241</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$12,208 and utilized U.S.D.A. Commodities valued at \$12,007.

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2018

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarships Trust</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 529,797	\$ 133,347	\$ 21,320	\$ 133,891
Interfund Receivable:				
Payroll Agency		3,256		
Total Assets	<u>529,797</u>	<u>136,603</u>	<u>21,320</u>	<u>133,891</u>
<u>LIABILITIES:</u>				
Interfund Payable:				
General Fund			10,178	
Unemployment Compensation Trust	3,256			
Payroll Deductions and Withholdings	105,966			
Accrued Salaries and Wages	278,171			
Due to Student Groups	142,404			
Total Liabilities	<u>529,797</u>		<u>10,178</u>	
<u>NET POSITION:</u>				
Held in Trust for:				
Unemployment Claims		136,603		
Flexible Spending Claims			11,142	
Restricted for Scholarships				133,891
Total Net Position	<u>\$ -0-</u>	<u>\$ 136,603</u>	<u>\$ 11,142</u>	<u>\$ 133,891</u>

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarships Trust
ADDITIONS:			
Contributions:			
Plan Members	\$ 19,879	\$ 23,200	
Board Contributions	110,000		
Donations			\$ 12,560
Total Contributions	<u>129,879</u>	<u>23,200</u>	<u>12,560</u>
Investment Earnings:			
Interest	1,539		\$ 213
Total Additions	<u>131,418</u>	<u>23,200</u>	<u>12,773</u>
DEDUCTIONS:			
Unemployment Benefit Claims	23,005		
Flexible Spending Claims		31,219	
Scholarships Awarded			11,593
Total Deductions	<u>23,005</u>	<u>31,219</u>	<u>11,593</u>
Change in Net Position	108,413	(8,019)	1,180
Net Position - Beginning of the Year	<u>28,190</u>	<u>19,161</u>	<u>132,711</u>
Net Position - End of the Year	<u>\$ 136,603</u>	<u>\$ 11,142</u>	<u>\$ 133,891</u>

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Morris County Vocational School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

Enterprise Fund: The Enterprise Funds account for all revenue and expenses pertaining to the Board's Enterprise Funds. The District operates several Enterprise Funds. The District's Enterprise Funds are comprised of the Supermarket Program, Internet Consortium, Adult Education, Cosmetology, and Food Service Funds. These Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students or to the public on a continuing basis are financed or recovered primarily through user charges.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office and are voted upon by the County Board of School Estimate, which consists of three Morris County freeholders and two Morris County Vocational School Board members. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 21,443,399	\$ 1,849,738
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognized Encumbrances as Expenditures and Revenue while the GAAP Basis does not:		
Current Year Encumbrances		(62,825)
Cancellation of Prior Year Encumbrances		(108)
Prior Year Encumbrances		74,602
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	115,301	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(132,207)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 21,426,493	\$ 1,861,407

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

D. Budgets/Budgetary Control (Cont'd)

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 20,664,425	\$ 1,849,738
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Current Year Encumbrances		(62,825)
Cancellation of Prior Year Encumbrances		(108)
Prior Year Encumbrances		74,602
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 20,664,425	\$ 1,861,407

E. Cash and Cash Equivalents and Investments

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

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

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

N.J.S.A 17:9-41et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

F. Interfund Transactions:

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

K. Capital Assets:

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

K. Capital Assets: (Cont'd)

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

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages

Certain District employees, who provide services to the District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned undisbursed amounts be retained in a separate bank account. As of June 30, 2018, the amount earned by these employees but not disbursed was \$277,312.

N. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

O. Unearned Revenue

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

P. Fund Balance Appropriated

General Fund: Of the \$4,959,825 General Fund fund balance at June 30, 2018, \$322,912 is assigned for other purposes and \$251,578 is assigned fund balance designated for subsequent year's expenditures; \$2,287,692 is restricted in the capital reserve account; \$115,059 is restricted in the maintenance reserve account; \$1,000,000 is restricted for excess surplus in accordance with N.J.S.A.18A:17F-7 as amended by P.L. 2004, C.73 (S1701) (\$500,000 of prior year excess surplus has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019; \$500,000 of current year excess surplus will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2020); and \$982,584 is unassigned, which is \$132,207 less than the budgetary unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2019.

Capital Projects Fund: Of the \$1,209,857 Capital Projects Fund committed fund balance at June 30, 2018, \$388,211 is committed for year-end encumbrances.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (s1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus at June 30, 2018 as detailed above.

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

Q. Deficit Net Position

The District has a deficit in unrestricted net position of \$5,615,620 in its governmental activities, which is primarily due to deferred inflows, outflows and liabilities related to pensions and compensated absences. The District also has a deficit in unrestricted net position in the Adult Education Enterprise Fund primarily also due to pension liability. These deficits do not indicate the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources and deferred inflows of resources at June 30, 2018 related to pensions.

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

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2018.

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

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

The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances in the General Fund at June 30, 2018.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

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



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

Investments: (Cont'd)

- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
  - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
  - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
  - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
  - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
  - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

Investments: (Cont'd)

As of June 30, 2018, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Restricted Cash &amp; Cash Equivalents</u> <u>Capital Reserve</u> <u>Account</u>	<u>Maintenance</u> <u>Reserve Account</u>	<u>Total</u>
Checking and Savings Accounts	\$ 3,037,745	\$ 2,287,692	\$ 115,059	\$ 5,440,496

During the period ended June 30, 2018, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents at June 30, 2018 was \$5,440,496 and the bank balance was \$5,922,503.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution on October 16, 2000 in the amount of \$1 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget. Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP).

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

A district may also appropriate additional amounts with the express approval of the Board of School Estimate authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning Balance, July 1, 2017	\$ 2,034,566
Add:	
Interest Earnings	26,185
Transfer from Unassigned Fund Balance as per Board Resolution	376,941
Less:	
Transfer to Capital Projects Fund as per Board Resolution	<u>(150,000)</u>
Ending Balance, June 30, 2018	<u>\$ 2,287,692</u>

The June 30, 2018 LRFP balance of local support costs of uncompleted capital projects exceeds the balance in the capital reserve account at June 30, 2018. The withdrawal from capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 308,600			\$ 308,600
Construction in Progress	1,694,962	\$ 728,247		2,423,209
Total Capital Assets Not Being Depreciated	<u>2,003,562</u>	<u>728,247</u>		<u>2,731,809</u>
Capital Assets Being Depreciated:				
Site Improvements	1,130,704			1,130,704
Buildings and Building Improvements	26,362,768	30,565		26,393,333
Machinery and Equipment	2,944,024	439,297	\$ 37,088	3,420,409
Total Capital Assets Being Depreciated	<u>30,437,496</u>	<u>469,862</u>	<u>37,088</u>	<u>30,944,446</u>
Governmental Activities Capital Assets	<u>32,441,058</u>	<u>1,198,109</u>	<u>37,088</u>	<u>33,676,255</u>
Less Accumulated Depreciation for:				
Site Improvements	(1,107,210)	(1,607)		(1,108,817)
Buildings and Building Improvements	(8,126,575)	(483,541)		(8,610,116)
Machinery and Equipment	(2,012,312)	(201,009)	(43,400)	(2,256,721)
	<u>(11,246,097)</u>	<u>(686,157)</u>	<u>(43,400)</u>	<u>(11,975,654)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 21,194,961</u>	<u>\$ 511,952</u>	<u>\$ (6,312)</u>	<u>\$ 21,700,601</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 213,205	\$ 45,571	\$ (86,009)	\$ 172,767
Less Accumulated Depreciation	<u>(161,579)</u>	<u>(15,940)</u>	<u>83,211</u>	<u>(94,308)</u>
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 51,626</u>	<u>\$ 29,631</u>	<u>\$ (2,798)</u>	<u>\$ 78,459</u>

The District had active construction projects totaling \$1,209,857 as of June 30, 2018. These projects include renovations of the District's schools and grounds.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 15,118
Vocational Education	116,118
Other Instruction	124
Student and Instruction Related Services	1,421
General Administration	4,805
School Administration	6,228
Central Services	2,690
Administrative Information Technology	9,429
Plant Operations and Maintenance	24,844
Pupil Transportation	14,650
Special Schools	5,582
Unallocated	485,148
	<u>\$ 686,157</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in long-term liabilities reported in the district-wide financial statements:

	Balance 6/30/2017	Accrued	Retired	Balance 6/30/2018
Compensated Absences Payable	\$ 548,125	\$ 62,259	\$ 64,811	\$ 545,573
Net Pension Liability	11,037,760		2,606,942	8,430,818
	<u>\$ 11,585,885</u>	<u>\$ 62,259</u>	<u>\$ 2,671,753</u>	<u>\$ 8,976,391</u>

A. Bonds Payable:

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

B. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$25,712 and is separated from the long-term liability balance of compensated absences of \$505,458. The General Fund will be used to liquidate these compensated absences. The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, \$14,403 is recorded for compensated absences in the Adult Education Enterprise Fund.

C. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$7,840,661. The Public Employees' Retirement System's (PERS) net pension liability of the proprietary fund types is recorded in the current and long-term liabilities and will be liquidated by the Adult Education Enterprise Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$590,157. See Note 7 for further information on the PERS.

NOTE 7. PENSION PLANS

A. Public Employees' Retirement System (PERS)

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

Plan Description

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$301,881 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the District reported a liability of \$8,430,818 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 as of 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 members, actuarially determined. At June 30, 2017, the District's proportion was 0.036%, which was a decrease of 0.001% from its proportion measured as of June 30, 2016.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$509,849. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 95,639	
	2015	5.72	402,856	
	2016	5.57	1,200,024	
	2017	5.48		\$(1,692,292)
			<u>1,698,519</u>	<u>(1,692,292)</u>
Changes in Proportion	2014	6.44		(368,939)
	2015	5.72	31,027	
	2016	5.57	251,526	
	2017	5.48		(187,292)
			<u>282,553</u>	<u>(556,231)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(101,026)	
	2015	5.00	86,181	
	2016	5.00	361,345	
	2017	5.00	(289,092)	
			<u>57,408</u>	
Difference Between Expected and Actual Experience	2015	5.72	111,771	
	2016	5.57	36,417	
	2017	5.48	50,330	
			<u>198,518</u>	
District Contribution Subsequent to the Measurement Date	2017	1.00	344,316	
			<u>\$ 2,581,314</u>	<u>\$(2,248,523)</u>

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 198,470
2019	299,496
2020	181,479
2021	(241,367)
2022	(175,925)
	\$ 262,153

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:

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%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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' target asset allocation as of June 30, 2017 are summarized in the following table.



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

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 upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

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

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

	June 30, 2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 10,459,000	\$ 8,430,818	\$ 6,741,088

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

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

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$1,007,305 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$3,308,340.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$47,756,671. 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.070%, which was an increase of 0.002% from its proportion measured as of June 30, 2016.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>47,756,671</u>
Total	<u>\$ 47,756,671</u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$3,308,340 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
			<u>13,378,255,364</u>	<u>11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.3		\$ 13,181,413
	2015	8.5	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
			<u>441,116,389</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.0	(435,309,142)	
	2015	5.0	385,284,122	
	2016	5.0	1,295,565,574	
	2017	5.0	(904,033,050)	
			<u>341,507,504</u>	
		<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>	

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

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 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%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% 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' target asset allocation as of June 30, 2017 are summarized in the following table.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

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

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

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

	June 30, 2017		
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 56,736,424	\$ 47,756,671	\$ 40,359,113

Pension Plan Fiduciary Net Position

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$5,172 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$17,987 for the fiscal year ended June 30, 2018.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (Continued)

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

Property, Liability and Health Benefits

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

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

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

The June 30, 2018 audit report for the Group is not available as of the date of this report. Selected, summarized financial information for the pools are detailed below:

	Morris County Insurance Fund Dec. 31, 2017	Morris-Essex Insurance Group June 30, 2017
Total Assets	\$ 11,030,258	\$ 10,087,866
Net Position	\$ 7,087,996	\$ 7,503,025
Total Revenue	\$ 3,309,385	\$ 3,384,095
Total Expenses	\$ 3,106,211	\$ 1,932,089
Change in Net Position	\$ 203,174	\$ 490,233
Members Dividends	\$ -0-	\$ 961,773



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 8. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits (Cont'd)

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

Morris County Insurance Fund

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

Morris-Essex Insurance Group

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

New Jersey Unemployment Compensation Insurance

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 110,000	\$ 1,539	\$ 19,879	\$ 23,005	\$ 136,603
2016-2017	-0-	121	16,499	12,404	28,190
2015-2016	-0-	46	18,995	25,035	23,974

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 9. ECONOMIC DEPENDENCY

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

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 182,059	
Special Revenue Fund		\$ 171,881
Fiduciary Fund - Unemployment Compensation Trust	3,256	
Fiduciary Fund - Flexible Spending Trust		10,178
Fiduciary Fund - Payroll Agency		3,256
	<u>\$ 185,315</u>	<u>\$ 185,315</u>

The interfund between the General Fund and the Special Revenue Fund is due to a deficit in cash and cash equivalents in the Special Revenue Fund. The deficit is due to the timing between expenditure and reimbursement of federal grant funds from the State. The interfund between the General Fund and the Flexible Spending Trust Fund consists of funds the General Fund advanced the Flexible Spending Trust Fund to open a bank account in prior years; current year and prior year interest earned (net of bank service charges) in the Flexible Spending Trust due to the General Fund and fiscal years 2011 through 2018 unclaimed employee contributions due to the General Fund. The interfund receivable in the Unemployment Compensation Trust Fund is fiscal year 2017 and 2018 employee unemployment withholdings not turned over from the Payroll Agency at year end.

NOTE 11. DEFERRED COMPENSATION

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

The plan administrators are as follows:

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

NOTE 12. TAX CALENDAR

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 12. TAX CALENDAR (Cont'd)

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

NOTE 13. ACCOUNTS PAYABLE

Payables as of June 30, 2018 were:

	Governmental Funds			District	Total	Business-Type	District	Total
	General Fund	Special Revenue Fund	Capital Projects Fund	Contribution Subsequent to the Measurement Date		Activities Adult Education	Contribution Subsequent to the Measurement Date	
Accrued Salaries	\$ 19,972	\$ 14,951			\$ 34,923	\$ 10,391		\$ 10,391
State of New Jersey		38,486		\$ 320,214	358,700		\$ 24,102	24,102
Vendors	68,408	65,619	\$ 950		134,977	4,040		4,040
	<u>\$ 88,380</u>	<u>\$ 119,056</u>	<u>\$ 950</u>	<u>\$ 320,214</u>	<u>\$ 528,600</u>	<u>\$ 14,431</u>	<u>\$ 24,102</u>	<u>\$ 38,533</u>

NOTE 14. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2018, there were encumbrances as detailed below in the governmental funds.

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>\$ 322,912</u>	<u>\$ 62,825</u>	<u>\$ 388,211</u>	<u>\$ 773,948</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 14. CONTINGENT LIABILITIES (Cont'd)

Encumbrances (Cont'd)

On the District's Governmental Funds Balance Sheet as of June 30, 2018, \$-0- is assigned for year-end encumbrances in the Special Revenue Fund, which is \$62,825 less than the actual year-end encumbrances on a budgetary basis. Encumbrances are not recognized on a GAAP basis and are reflected as either a reduction in grants receivables or an increase in unearned revenue. The \$388,212 of year-end encumbrances in the Capital Projects Fund on a budgetary basis are included in the \$1,209,857 committed fund balance on a GAAP basis at June 30, 2018.

NOTE 15. MAINTENANCE RESERVE

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

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

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

Beginning Balance, July 1, 2017	\$	75,000
Add:		
Interest Earnings		59
Budgeted Increase		40,000
Ending Balance, June 30, 2018	\$	115,059

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

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 MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

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 rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term 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.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. 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.

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 32,122,219	\$ 27,060,039	\$ 23,044,670

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate (Cont'd)

	June 30, 2016		
	At 1%	At	At 1%
	Decrease (1.85%)	Discount Rate (2.85%)	Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 34,628,176	\$ 28,904,476	\$ 24,399,191

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 22,254,266	\$ 27,060,039	\$ 33,442,049

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 23,716,927	\$ 28,904,476	\$ 35,839,734

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

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$1,828,990 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO BASIC THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0349534257%	0.0352924015%	0.0372681588%
District's proportionate share of the net pension liability	\$ 6,544,237	\$ 7,922,437	\$ 11,037,760
District's covered employee payroll	\$ 2,422,162	\$ 2,492,294	\$ 2,425,577
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	270.18%	317.88%	455.06%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%
			48.10%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 288,151	\$ 303,420	\$ 331,085
Contributions in relation to the contractually required contribution	(288,151)	(303,420)	(331,085)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 2,687,142	\$ 2,422,162	\$ 2,492,294
Contributions as a percentage of covered employee payroll	10.72%	12.53%	13.28%
			12.45%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0704692184%	0.0717234089%	0.0684626190%
State's proportionate share of the net pension liability attributable to the District	\$ 37,662,969	\$ 45,332,257	\$ 53,857,055
District's covered employee payroll	\$ 7,023,608	\$ 7,128,713	\$ 7,083,538
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	536.23%	635.91%	760.31%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%
			2018
			0.0708307882%
			\$ 47,756,671
			\$ 7,147,295
			668.18%
			25.41%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 2,026,621	\$ 2,767,942	\$ 4,046,608
Contributions in relation to the contractually required contribution	<u>(387,763)</u>	<u>(548,138)</u>	<u>(768,850)</u>
Contribution deficiency/(excess)	<u>\$ 1,638,858</u>	<u>\$ 2,219,804</u>	<u>\$ 3,277,758</u>
District's covered employee payroll	\$ 7,023,608	\$ 7,128,713	\$ 7,083,538
Contributions as a percentage of covered employee payroll	5.52%	7.69%	10.85%
			14.09%
			<u>\$ 2,301,035</u>
			<u>(1,007,305)</u>
			3,308,340

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

MORRIS COUNTY VO TECH  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TWO FISCAL YEARS  
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

\* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

State Health Benefit Local Education Retired Employees OPEB Plan

Benefit Changes

There were none.

Changes of Actuarial Assumptions

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

BUDGETARY COMPARISON SCHEDULES

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
County Tax Levy	\$ 6,351,286		\$ 6,351,286	\$ 6,351,286	
Tuition from LEA's	10,426,522		10,426,522	10,849,946	\$ 423,424
Tuition from Individuals	483,412		483,412	449,416	(33,996)
Interest Earned on Capital Reserve	750		750	26,185	25,435
Interest Earned on Maintenance Reserve				59	59
Unrestricted Miscellaneous Revenues	44,375		44,375	152,354	107,979
<b>Total - Local Sources</b>	<b>17,306,345</b>		<b>17,306,345</b>	<b>17,829,246</b>	<b>522,901</b>
State Sources:					
Categorical Special Education Aid	503,287		503,287	503,287	
Equalization Aid	73,419		73,419	73,419	
Categorical Security Aid	64,934		64,934	64,934	
Adjustment Aid	563,785		563,785	563,785	
Adult Education Programs Aid				146,508	146,508
PARCC Readiness Aid	8,910		8,910	8,910	
Host District Aid	8,910		8,910	8,910	
Professional Learning Community Aid	9,820		9,820	9,820	
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				666,385	666,385
On-Behalf TPAF Pension Contributions (Non-Budgeted)				1,007,305	1,007,305
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				24,445	24,445
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				1,755	1,755
TPAF Reimbursed Social Security (Non-Budgeted)				534,690	534,690
<b>Total State Sources</b>	<b>1,233,065</b>		<b>1,233,065</b>	<b>3,614,153</b>	<b>2,381,088</b>
<b>Total Revenues</b>	<b>18,539,410</b>		<b>18,539,410</b>	<b>21,443,399</b>	<b>2,903,989</b>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Regular Programs - Grade 9-12 - Instruction:					
Salaries of Teachers	\$ 2,850,280	\$ (19,439)	\$ 2,830,841	\$ 2,723,332	\$ 107,509
Purchased Professional-Educational Services	1,693,907	393,079	2,086,986	2,079,495	7,491
Other Purchased Services (400-500 series)	45,431	(204)	45,227	38,612	6,615
General Supplies	141,194	3,490	144,684	140,958	3,726
Textbooks	235,050	(17,294)	217,756	211,221	6,535
Other Objects	2,166	(1,041)	1,125	1,120	5
Total Grade 9-12 - Instruction	4,968,028	358,591	5,326,619	5,194,738	131,881
Regular Programs - Home Instruction:					
Salaries of Teachers	7,000	(1,837)	5,163	5,163	
Purchased Professional-Educational Services	10,404	23,406	33,809	26,337	7,472
Other Purchased Services (400-500 series)		97	97	75	22
Total Home Instruction	17,404	21,666	39,069	31,575	7,494
Total Regular Programs - Instruction	4,985,431	380,257	5,365,688	5,226,313	139,375
Special Education Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	388,525	4,870	393,395	393,395	
Other Purchased Services (400-500 series)	2,400		2,400	1,548	852
General Supplies	500	50	550	111	439
Total Resource Room/Resource Center/Special Education Instruction	391,425	4,920	396,345	395,054	1,291
Regular Vocational Programs:					
Salaries of Teachers	2,270,587	(166,164)	2,104,423	2,000,165	104,258
Other Salaries for Instruction	30,028	620	30,648	30,648	
Purchased Professional-Educational Services	21,740	416	22,156	20,553	1,603

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Regular Vocational Programs (Cont'd):					
Purchased Technical Services	\$ 4,270	\$ 1,054	\$ 5,324	\$ 4,705	\$ 619
Other Purchased Services (400-500 series)	28,982	(3,659)	25,323	23,661	1,662
General Supplies	319,951	(9,084)	310,867	289,071	21,796
Textbooks	22,503	(8,014)	14,489	14,489	
Other Objects	2,413	(1,548)	865	495	370
Total Regular Vocational Programs	2,700,474	(186,379)	2,514,095	2,383,787	130,308
Special Vocational Programs:					
Salaries of Teachers	272,798	(5,000)	267,798	261,961	5,837
Purchased Technical Services		175	175	171	4
Other Purchased Services (400-500 series)	8,963	(4,255)	4,708	2,740	1,968
General Supplies	25,371	4,977	30,348	20,599	9,749
Textbooks	2,080	(2,080)			
Special Vocational Programs	309,212	(6,183)	303,029	285,471	17,558
School-Sponsored Co-curricular Activities:					
Salaries	102,884		102,884	94,167	8,717
Purchased Services (300-500 series)	5,475	(4,939)	536	536	
Supplies and Materials	2,668	(1,656)	1,012	176	836
Other Objects	22,548	6,594	29,142	29,142	
Total School-Sponsored Co-curricular Activities	133,575	(1)	133,574	124,021	9,553
School-Sponsored Athletics:					
Salaries	139,863		139,863	137,061	2,802
Purchased Services (300-500 series)	56,687	15,074	71,761	70,304	1,457
Supplies and Materials	22,386	(8,515)	13,871	9,331	4,540
Other Objects	8,192	1,970	10,162	9,771	391
Total School-Sponsored Co-curricular Activities	227,128	8,529	235,657	226,467	9,190

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Total Instruction	\$ 8,747,245	\$ 201,143	\$ 8,948,388	\$ 8,641,113	\$ 307,275
<b>Undist. Expend. - Attendance and Social Work Services:</b>					
Salaries	42,504	1,707	44,211	44,211	
Supplies and Materials	701	88	789	403	386
Total Undist. Expend. - Attendance and Social Work Services	43,205	1,795	45,000	44,614	386
<b>Undist. Expend. - Health Services:</b>					
Salaries	131,537	(1,499)	130,038	129,322	716
Purchased Professional and Technical Services	21,019	540	21,559	12,190	9,369
Other Purchased Services (400-500 series)	600		600	536	64
Supplies and Materials	8,000		8,000	6,329	1,671
Other Objects	3,224	(1,000)	2,224		2,224
Total Undist. Expend. - Health Services	164,380	(1,959)	162,421	148,377	14,044
<b>Undist. Expend. - Speech, OT, PT, Related Svcs:</b>					
Purchased Professional - Educational Services		700	700		700
Total Undist. Expend. - Speech, OT, PT, Related Svcs		700	700		700
<b>Undist. Expend. - Guidance:</b>					
Salaries of Other Professional Staff	520,911	59,599	580,510	579,285	1,225
Salaries of Secretarial and Clerical Assistants	99,033		99,033	98,943	90
Other Salaries	96,819	7,009	103,828	96,580	7,248
Purchased Professional - Educational Services	1,658	(1,658)			
Other Purchased Services (400-500 series)	51,190	2,426	53,616	50,992	2,624
Supplies and Materials	17,162	(6,465)	10,697	7,101	3,596
Other Objects	4,208	2,908	7,116	7,069	47
Total Undist. Expend. - Guidance	790,981	63,819	854,800	839,970	14,830
<b>Undist. Expend. - Child Study Teams:</b>					
Salaries of Other Professional Staff	234,430	33,809	268,239	268,239	
Purchased Professional - Educational Services	5,776	625	6,401	2,377	4,024
Other Purchased Services (400-500 series)	900	177	1,077	800	277

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undist. Expend. - Child Study Teams (Cont'd):					
Supplies and Materials	\$ 1,084	\$ (1)	\$ 1,083	\$ 285	\$ 798
Other Objects	360	1	361	16	345
Total Undist. Expend. - Child Study Teams	242,550	34,611	277,161	271,717	5,444
Undist. Expend. - Improvement of Instruction Services:					
Salaries of Supervisors of Instruction	535,539	(3,391)	532,148	532,148	
Salaries of Secretarial and Clerical Assistants	154,236	(54,095)	100,141	99,791	350
Other Purchased Prof. and Tech. Services	22,372	6,875	6,875	6,875	
Other Purchased Services (400-500 series)	17,763	4,505	26,877	23,070	3,807
Supplies and Materials	1,071	(7,936)	9,827	9,827	
Other Objects	730,981	2,104	3,175	3,175	
Total Undist. Expend. - Improvement of Instruction Services		(51,938)	679,043	674,886	4,157
Undist. Expend. - Educational Media Services/School Library:					
Salaries	87,597	(978)	86,619	86,619	
Other Purchased Services (400-500 series)	12,139	3,226	15,365	15,048	317
Supplies and Materials	5,808	(3,276)	2,532	1,448	1,084
Other Objects	105,544	50	50	30	20
Total Undist. Expend. - Educational Media Services/School Library		(978)	104,566	103,145	1,421
Undist. Expend. - Support Services - General Administration:					
Salaries	290,779	2,000	292,779	292,779	
Legal Services	84,541	(17,541)	67,000	38,929	28,071
Audit Fees	45,000	2,325	47,325	47,325	
Architectural/Engineering Services	65,920	8,880	74,799	46,610	28,189
Other Purchased Professional Services	2,628	17,772	20,400	20,197	203
Purchased Technical Services	5,256	(5,256)			
Communications/Telephone	29,573	3,650	33,223	33,173	50
Miscellaneous Purchased Services (400-500)	54,716	(11,268)	43,448	40,322	3,126
General Supplies	8,782	(6,172)	2,610	1,149	1,461

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Undist. Expend. - Support Services - General Administration: (Cont'd)					
Miscellaneous Expenditures	\$ 23,637	\$ 5,844	\$ 29,481	\$ 28,565	\$ 916
Total Undist. Expend. - Support Services - General Administration	610,832	234	611,065	549,049	62,016
Undist. Expend. - Support Services - School Administration:					
Salaries of Principals/Assistant Principals	490,401	(9,223)	481,178	441,334	39,844
Salaries of Secretarial and Clerical Assistants	175,893	58,104	233,997	233,997	
Other Salaries	2,000		2,000	800	1,200
Purchased Professional and Technical Services	9,256	2,506	11,762	11,230	532
Other Purchased Services (400-500 series)	25,883	(2,599)	23,284	22,310	974
Supplies and Materials	54,742	(8,483)	46,259	41,494	4,765
Other Objects	9,256	(8,529)	727	687	40
Total Undist. Expend. - Support Services - School Administration	767,431	31,776	799,207	751,852	47,355
Undistributed Expenditures - Central Services:					
Salaries	497,632	(14,989)	482,643	459,569	23,074
Purchased Professional Services	2,704		2,704	2,631	73
Miscellaneous Purchased Services (400-500)	65,434	(3,895)	61,539	50,545	10,994
Supplies and Materials	19,669	(4,458)	15,211	12,552	2,659
Miscellaneous Expenditures	1,352	337	1,689	1,462	227
Total Undistributed Expenditures - Central Services	586,791	(23,005)	563,786	526,759	37,027
Undistributed Expenditures - Administrative Information Technology:					
Salaries	227,213	1	227,214	227,214	
Purchased Professional Services		1,302	1,302	1,244	58
Other Purchased Services (400-500 series)	84,365	(24,950)	59,415	50,844	8,571
Supplies and Materials	52,750	(27,764)	24,986	22,707	2,279
Total Undistributed Expenditures - Admin. Info. Technology	364,328	(51,411)	312,917	302,009	10,908



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
Required Maintenance for School Facilities:					
Salaries	\$ 302,813	\$ 750	\$ 303,563	\$ 284,138	\$ 19,425
Cleaning, Repair and Maintenance Services	404,595	83,288	487,883	333,209	154,674
General Supplies	77,421	35,311	112,732	111,240	1,492
Other Objects	600	(450)	150	125	25
<b>Total Required Maintenance for School Facilities</b>	<b>785,429</b>	<b>118,899</b>	<b>904,328</b>	<b>728,712</b>	<b>175,616</b>
Undist. Expend. - Custodial Services:					
Salaries	457,241	(5,500)	451,741	431,284	20,457
Purchased Professional and Technical Services	2,400	21,825	24,225	24,146	79
Cleaning, Repair and Maintenance Services	64,854	(16,980)	47,874	33,303	14,571
Other Purchased Property Services	28,000	(5,180)	22,820	20,917	1,903
Insurance	165,231	1	165,231	66,274	98,957
Miscellaneous Purchased Services	13,669	(4,526)	9,143	3,546	5,597
General Supplies	35,282	(500)	34,782	32,104	2,678
Energy (Natural Gas)	185,049	(2,500)	182,549	129,308	53,241
Energy (Electricity)	300,000	(18,320)	281,680	205,190	76,490
Other Objects	2,000		2,000	800	1,200
<b>Total Undist. Expend. - Custodial Services</b>	<b>1,253,726</b>	<b>(31,681)</b>	<b>1,222,045</b>	<b>946,872</b>	<b>275,173</b>
Undist. Expend. - Care and Upkeep of Grounds:					
Salaries	46,056	(6,001)	40,055	39,667	388
Cleaning, Repair and Maintenance Services	5,000	725	5,725	3,029	2,696
General Supplies	5,399	3,275	8,674	7,645	1,029
<b>Total Undist. Expend. - Care and Upkeep of Grounds</b>	<b>56,455</b>	<b>(2,001)</b>	<b>54,454</b>	<b>50,341</b>	<b>4,113</b>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Undist. Expend. - Security:					
Salaries	\$ 66,824	\$ (5,513)	\$ 61,311	\$ 60,158	\$ 1,153
Purchased Professional and Technical Services	80,000	(6,200)	73,800	73,800	
Total Undist. Expend. - Security	146,824	(11,713)	135,111	133,958	1,153
Undistributed Expenditures - Student Transportation Services					
Salaries for Pupil Transportation:					
Other than Between Home and School	21,650	12,869	34,519	34,519	
Other Purchased Professional & Technical Services		840	840	480	360
Cleaning, Repair, & Maintenance Services	15,000	(2,280)	12,720	4,505	8,215
Contracted Services:					
Other than Between Home and School - Vendors	5,182	1,810	6,992	2,640	4,352
Contracted Services - Regular Students - ESCs & CTSAs	147,700	(5,764)	141,936	113,776	28,160
Miscellaneous Purchased Services - Transportation	1,000	6,393	7,393	5,612	1,781
General Supplies		811	811	811	
Total Undistributed Expenditures - Student Transportation Services	190,532	14,679	205,211	162,343	42,868
Unallocated Benefits:					
Social Security Contributions	237,834		237,834	236,491	1,343
Other Retirement Contributions - PERS	337,243	(35,356)	301,887	301,881	6
Other Retirement Contributions - Regular	15,571	(9,346)	6,225	5,172	1,053
Unemployment Compensation	110,000		110,000	110,000	
Workmen's Compensation	123,000	6,971	129,971	129,971	
Health Benefits	1,935,521	(155,182)	1,780,339	1,725,084	55,255
Tuition Reimbursement	77,596	(5,312)	72,284	38,455	33,829
Other Employee Benefits	113,092	108,500	221,592	189,505	32,087
Unused Sick Payment to Terminated/Retired Staff	30,000	10,000	40,000	30,000	10,000
Total Unallocated Benefits	2,979,857	(79,725)	2,900,132	2,766,559	133,573

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
Current Expense:					
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				\$ 666,385	\$ (666,385)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				1,007,305	(1,007,305)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				24,445	(24,445)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				1,755	(1,755)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				534,690	(534,690)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<u>2,234,580</u>	<u>(2,234,580)</u>
<b>TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS</b>	\$ 2,979,857	\$ (79,725)	\$ 2,900,132	5,001,139	(2,101,007)
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<u>6,839,989</u>	<u>91,826</u>	<u>6,931,815</u>	<u>6,234,604</u>	<u>697,211</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>18,567,092</u>	<u>213,243</u>	<u>18,780,335</u>	<u>19,876,856</u>	<u>(1,096,521)</u>
<b>CAPITAL OUTLAY:</b>					
Equipment:					
Grades 9-12	20,000	34,741	54,741	37,177	17,564
Vocational Programs:					
Regular Vocational Programs		26,147	26,147	26,147	
School-Sponsored and Other Instructional Programs		5,310	5,310		5,310
Undistributed Expenditures:					
General Administration	10,000	(10,000)			
School Administration		16,635	16,635	16,635	
Administrative Information Technology	10,000	11,612	21,612	21,612	
Required Maintenance	125,326	(37,298)	88,028	64,033	23,995
Custodial Services		2,214	2,214	2,214	
Care and Upkeep of Grounds		16,834	16,834	16,834	
School Buses - Regular		94,600	94,600		94,600
Total Equipment	<u>165,326</u>	<u>160,795</u>	<u>326,121</u>	<u>184,652</u>	<u>141,469</u>
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA Funding	57,548		57,548	57,548	
Total Facilities Acquisition and Construction Services	<u>57,548</u>		<u>57,548</u>	<u>57,548</u>	

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY: (Cont'd)					
TOTAL CAPITAL OUTLAY	\$ 222,874	\$ 160,795	\$ 383,669	\$ 242,200	\$ 141,469
SPECIAL SCHOOLS					
Post-Secondary - Instruction:					
Salaries of Teachers	311,701	4,303	316,004	316,004	
Purchased Professional and Technical Services	400	6,157	6,557	3,507	3,050
Other Purchased Services (400-500 series)	3,400	(1,164)	2,236	1,600	636
General Supplies	22,500	1,241	23,741	14,465	9,276
Textbooks	200	(98)	102		102
Other Objects	200	864	1,064	646	418
Total Post-Secondary - Instruction	338,401	11,303	349,704	336,222	13,482
Post-Secondary - Support Services:					
Salaries	65,294	62,999	128,293	128,293	
Personal Services - Employee Benefits	92,975	(10,340)	82,635	80,854	1,781
Other Purchased Services (400-500 series)	318		318		318
Total Post-Secondary - Support Services	158,587	52,659	211,246	209,147	2,099
TOTAL SPECIAL SCHOOLS	496,988	63,962	560,950	545,369	15,581
TOTAL EXPENDITURES	19,286,954	438,000	19,724,954	20,664,425	(939,471)
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(747,544)	(438,000)	(1,185,544)	778,974	1,964,518
Other Financing Sources/(Uses):					
Transfer from Internet Consortium Fund				23,415	23,415
Capital Reserve - Transfer to Capital Projects Fund	(150,000)		(150,000)	(150,000)	
Total Other Financing Sources/(Uses)	(150,000)		(150,000)	(126,585)	23,415
Excess/(Deficit) of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing (Uses)	(897,544)	(438,000)	(1,335,544)	652,389	1,987,933

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Fund Balance, July 1	\$ 4,439,643		\$ 4,439,643	\$ 4,439,643	
Fund Balance, June 30	\$ 3,542,099	\$ (438,000)	\$ 3,104,099	\$ 5,092,032	\$ 1,987,933
<u>Recapitulation:</u>					
<u>Restricted:</u>					
Excess Surplus to be Utilized for 2019-2020 school year				\$ 500,000	
Excess Surplus to be Utilized for 2018-2020 school year				500,000	
Capital Reserve				2,287,692	
Maintenance Reserve				115,059	
<u>Assigned:</u>					
Designated for Subsequent Year's Expenditures				251,578	
Year End Encumbrances				322,912	
Unassigned				1,114,791	
				5,092,032	
<u>Reconciliation to Governmental Funds Statement (GAAP):</u>					
Last State Aid Payments not Recognized on GAAP Basis				(132,207)	
Fund Balance per Governmental Funds (GAAP)				\$ 4,959,825	

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
 (UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources	\$ 1,340		\$ 1,340	\$ 324	\$ (1,016)
State Sources	1,059,663		1,059,663	438,428	(621,235)
Federal Sources	1,311,075	\$ 811	1,311,886	1,410,986	99,100
<b>Total Revenues</b>	<b>2,372,078</b>	<b>811</b>	<b>2,372,889</b>	<b>1,849,738</b>	<b>(523,151)</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Salaries of Teachers	391,161	(34,807)	356,354	231,798	124,556
Purchased Professional and Technical Services	166,076	(726)	165,350	155,277	10,073
Other Purchased Services	128,592	3,007	131,599	14,247	117,352
General Supplies	320,252	27,741	347,993	272,421	75,572
Other Objects	40,668	451	41,119	12,329	28,790
<b>Total Instruction</b>	<b>1,046,749</b>	<b>(4,334)</b>	<b>1,042,415</b>	<b>686,072</b>	<b>356,343</b>
<b>Support Services:</b>					
Salaries of Supervisors of Instruction	16,961		16,961	16,961	
Salaries of Other Professional Staff	76,517	14,821	91,338	91,338	
Salaries of Secretarial and Clerical Assistants	35,286	(4,244)	31,042	30,316	726
Personal Services - Salaries	179,726	13,612	193,338	145,319	48,019
Personal Services - Employee Benefits	167,339	(18,744)	148,595	89,377	59,218
Purchased Professional-Educational Services	202,838	628	203,466	240,614	(37,148)
Other Purchased Professional Services	309,496	3,090	312,586	74,187	238,399
Tuition				240,972	(240,972)
Travel	250		250	237	13
Supplies and Materials	5,928	1,800	7,728	7,835	(107)
<b>Total Support Services</b>	<b>994,341</b>	<b>10,963</b>	<b>1,005,304</b>	<b>937,156</b>	<b>68,148</b>
<b>Facilities Acquisition and Construction Services:</b>					
Instructional Equipment	330,988	(5,818)	325,170	226,510	98,660
<b>Total Facilities Acquisition and Construction Services</b>	<b>330,988</b>	<b>(5,818)</b>	<b>325,170</b>	<b>226,510</b>	<b>98,660</b>
<b>Total Expenditures</b>	<b>\$ 2,372,078</b>	<b>\$ 811</b>	<b>\$ 2,372,889</b>	<b>\$ 1,849,738</b>	<b>\$ 523,151</b>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 21,443,399	\$ 1,849,738
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue while the GAAP Basis does not:		
Current Year Encumbrances		(62,825)
Cancellation of Prior Year Encumbrances		(108)
Prior Year Encumbrances		74,602
Prior Year State Aid Payments not Recognized for Budgetary Purposes, Recognized for GAAP Statements	115,301	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(132,207)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 21,426,493</u>	<u>\$ 1,861,407</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 20,664,425	\$ 1,849,738
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.:		
Current Year Encumbrances		(62,825)
Cancellation of Prior Year Encumbrances		(108)
Prior Year Encumbrances		<u>74,602</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 20,664,425</u>	<u>\$ 1,861,407</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISION SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office and are voted upon by the Morris County School Board of Estimate, which consists of three Morris County Freeholders and two Morris County Vocational School District board members. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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



SPECIAL REVENUE FUND

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>I.D.E.A.</u>	<u>Carl D.</u>	<u>Carl D.</u>
	<u>Part B, Basic</u>	<u>Perkins Act</u>	<u>Perkins Act</u>
	<u>Secondary</u>	<u>Secondary</u>	<u>Secondary</u>
<b>REVENUES:</b>			
Local Sources	\$ 182,210	\$ 117,239	\$ 319,718
State Sources			
Federal Sources			
<b>EXPENDITURES:</b>			
<b>Instruction:</b>			
Salaries of Teachers	47,225	46,420	2,359
Purchased Professional and Technical Services			83,130
Other Purchased Services			
General Supplies	1,658	26,860	76,120
Other Objects		1,563	6,285
Total Instruction	<u>48,883</u>	<u>74,843</u>	<u>167,894</u>
<b>Support Services:</b>			
Salaries of Supervisors of Instruction			
Salaries of Other Professional Staff			
Salaries of Secretarial and Clerical Assistants			
Personal Services - Salaries	69,563	8,381	30,157
Personal Services - Employee Benefits	32,199	189	1,633
Purchased Professional - Educational Services	23,730	825	825
Other Purchased Professional Services		657	11,156
Tuition			
Travel			
Supplies and Materials	7,835		
Total Support Services	<u>133,327</u>	<u>10,052</u>	<u>43,771</u>
Total Facilities Acquisition and Construction Services			
Instructional Equipment		32,344	108,053
Total Facilities Acquisition and Construction Services		<u>32,344</u>	<u>108,053</u>
Total Expenditures	<u>\$ 182,210</u>	<u>\$ 117,239</u>	<u>\$ 319,718</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	County Vocational School District Partnership Grant			
	4/15/17-6/30/20	3/1/16-6/30/19	4/1/15-6/30/18	4/13/18-6/30/21
<b>REVENUES:</b>				
Local Sources				
State Sources	\$ 163,311	\$ 49,143	\$ 175,177	\$ 35,839
Federal Sources				
<b>EXPENDITURES:</b>				
<b>Instruction:</b>				
Salaries of Teachers			34,973	
Purchased Professional and Technical Services			25,127	
Other Purchased Services			14,247	
General Supplies	55,646	30,061	14,044	35,839
Other Objects		4,481		
<b>Total Instruction</b>	<b>55,646</b>	<b>34,542</b>	<b>88,391</b>	<b>35,839</b>
<b>Support Services:</b>				
Salaries of Supervisors of Instruction				
Salaries of Other Professional Staff				
Salaries of Secretarial and Clerical Assistants				
Personal Services - Salaries		4,400	18,818	
Personal Services - Employee Benefits			3,840	
Purchased Professional - Educational Services	85,242	6,680		
Other Purchased Professional Services	438	3,521		
Tuition				
Travel				
Supplies and Materials				
<b>Total Support Services</b>	<b>85,680</b>	<b>14,601</b>	<b>22,658</b>	
<b>Total Facilities Acquisition and Construction Services</b>				
Instructional Equipment	21,985		64,128	
<b>Total Facilities Acquisition and Construction Services</b>	<b>21,985</b>		<b>64,128</b>	
<b>Total Expenditures</b>	<b>\$ 163,311</b>	<b>\$ 49,143</b>	<b>\$ 175,177</b>	<b>\$ 35,839</b>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Apprentice Coordinator</u>	<u>Adult Basic Skills</u>	<u>Makers Day Grant</u>	<u>Pell Grant</u>
<b>REVENUES:</b>				
Local Sources			\$ 324	
State Sources	\$ 14,958			\$ 85,929
Federal Sources		\$ 550,847		
<b>Total Revenues</b>	<u>14,958</u>	<u>550,847</u>		<u>85,929</u>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of Teachers		147,241		
Purchased Professional and Technical Services		600		
Other Purchased Services				
General Supplies	721	31,148	324	
Other Objects				
<b>Total Instruction</b>	<u>721</u>	<u>178,989</u>	<u>324</u>	
Support Services:				
Salaries of Supervisors of Instruction		16,961		
Salaries of Other Professional Staff		91,338		
Salaries of Secretarial and Clerical Assistants		30,316		
Personal Services - Salaries	14,000			
Personal Services - Employee Benefits		51,516		
Purchased Professional - Educational Services		123,312		
Other Purchased Professional Services		58,415		
Tuition				85,929
Travel	237			
Supplies and Materials				
<b>Total Support Services</b>	<u>14,237</u>	<u>371,858</u>		<u>85,929</u>
<b>Total Facilities Acquisition and Construction Services</b>				
Instructional Equipment				
<b>Total Facilities Acquisition and Construction Services</b>				
<b>Total Expenditures</b>	<u>\$ 14,958</u>	<u>\$ 550,847</u>	<u>\$ 324</u>	<u>\$ 85,929</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Stafford Loans		Totals
	Subsidized	Unsubsidized	2018
<b>REVENUES:</b>			
Local Sources			\$ 324
State Sources			438,428
Federal Sources	\$ 73,980	\$ 81,063	1,410,986
<b>Total Revenues</b>	73,980	81,063	1,849,738
<b>EXPENDITURES:</b>			
Instruction:			
Salaries of Teachers			231,798
Purchased Professional and Technical Services			155,277
Other Purchased Services			14,247
General Supplies			272,421
Other Objects			12,329
<b>Total Instruction</b>			686,072
Support Services:			
Salaries of Supervisors of Instruction			16,961
Salaries of Other Professional Staff			91,338
Salaries of Secretarial and Clerical Assistants			30,316
Personal Services - Salaries			145,319
Personal Services - Employee Benefits			89,377
Purchased Professional - Educational Services			240,614
Other Purchased Professional Services			74,187
Tuition	73,980	81,063	240,972
Travel			237
Supplies and Materials			7,835
<b>Total Support Services</b>	73,980	81,063	937,156
<b>Total Facilities Acquisition and Construction Services</b>			226,510
Instructional Equipment			226,510
<b>Total Facilities Acquisition and Construction Services</b>			226,510
<b>Total Expenditures</b>	\$ 73,980	\$ 81,063	\$ 1,849,738

CAPITAL PROJECTS FUND

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Revenue and Other Financing Sources:	
County Improvement Authorization	\$ 1,048,000
	<u>1,048,000</u>
Total Revenue and Other Financing Sources	<u>1,048,000</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	58,409
Construction Services	669,838
	<u>728,247</u>
Total Expenditures and Other Financing Uses	<u>728,247</u>
Deficit of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	319,753
Other Financing Uses:	
Operating Transfers In:	
General Fund - Capital Reserve	\$ 150,000
	<u>150,000</u>
Total Other Financing Uses	<u>150,000</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing (Uses)	469,753
Fund Balance - Beginning of Year	<u>740,104</u>
Fund Balance - End of Year	<u>\$ 1,209,857</u>
<u>Recapitulation:</u>	
Committed	\$ 821,646
Committed - Year End Encumbrances	<u>388,211</u>
Total Fund Balance - Budgetary Basis/GAAP Basis	<u>\$ 1,209,857</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
VARIOUS IMPROVEMENTS/RENOVATIONS TO SCHOOL DISTRICT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
County Improvement Authorization	\$ 972,351		\$ 972,351	\$ 972,351
Transfer from Capital Reserve	700,000		700,000	700,000
Total Revenue and Other Financing Sources	<u>1,672,351</u>		<u>1,672,351</u>	<u>1,672,351</u>
Expenditures:				
Legal Services				
Purchased Professional and Technical Services	363,391	\$ 9,267	372,658	242,500
Construction Services	1,205,960	50,684	1,256,644	1,341,035
Other Objects				88,816
Total Expenditures	<u>1,569,351</u>	<u>59,951</u>	<u>1,629,302</u>	<u>1,672,351</u>
Transfer to 2017 Bond			(300)	
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 103,000</u>	<u>\$ (59,951)</u>	<u>\$ 42,749</u>	<u>\$ -0-</u>

Additional Project Information:

Project Numbers	3365-050-13-2000; 3365-050-13-3000; 3365-050-13-4000
Grant Date	N/A
County Improvement Authorization Date	04/24/13
County Improvement Authorization	\$ 972,351
Original Authorized Cost	\$ 1,672,351
Additional Authorized Cost	-0-
Revised Authorized Cost	<u>\$ 1,672,351</u>

Percentage Increase over Original Authorized Cost	0%
Percentage Completion	97%
Original Target Completion Date	06/15
Revised Target Completion Date	12/18



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
HVAC AND VENTILATING DECK UNIT REPLACEMENTS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
County Improvement Authorization	\$ 601,000		\$ 601,000	\$ 601,000
Transfer from Capital Reserve	43,200		43,200	43,200
Total Revenue and Other Financing Sources	<u>644,200</u>		<u>644,200</u>	<u>644,200</u>
Expenditures:				
Purchased Professional and Technical Services	51,999	\$ 12,826	64,825	101,000
Construction Services	52,695	525,306	578,001	543,200
Total Expenditures	<u>104,694</u>	<u>538,132</u>	<u>642,826</u>	<u>644,200</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 539,506</u>	<u>\$ (538,132)</u>	<u>\$ 1,374</u>	<u>\$ -0-</u>

Additional Project Information:

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

Percentage Increase over Original Authorized Cost	7%
Percentage Completion	100%
Original Target Completion Date	09/17
Revised Target Completion Date	12/18

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
REPLACEMENT OF HOT WATER HEATERS - BUILDING 1 & 3  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
County Improvement Authorization	\$ 116,000		\$ 116,000	\$ 116,000
Transfer from Capital Reserve	2,515		2,515	2,515
Total Revenue and Other Financing Sources	<u>118,515</u>		<u>118,515</u>	<u>118,515</u>
Expenditures:				
Purchased Professional and Technical Services		\$ 850	850	
Construction Services	20,917	93,848	114,765	118,515
Total Expenditures	<u>20,917</u>	<u>94,698</u>	<u>115,615</u>	<u>118,515</u>
Transfer from 2013 Bond			300	
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 97,598</u>	<u>\$ (94,698)</u>	<u>\$ 3,200</u>	<u>\$ -0-</u>

Additional Project Information:

Project Numbers	3365-050-17-1000
Grant Date	N/A
County Improvement Authorization Date	04/26/17
County Improvement Authorization	\$ 116,000
Original Authorized Cost	\$ 118,515
Additional Authorized Cost	-0-
Revised Authorized Cost	<u>\$ 118,515</u>

Percentage Increase over Original Authorized Cost	0%
Percentage Completion	98%
Original Target Completion Date	9/17
Revised Target Completion Date	N/A

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
REPLACEMENT OF BOILERS - BUILDING 2 & 3 AND GENERATOR UPGRADE - BUILDING 4  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
County Improvement Authorization		\$ 1,048,000	\$ 1,048,000	\$ 1,048,000
 Total Revenue and Other Financing Sources		1,048,000	1,048,000	1,048,000
Expenditures:				
Purchased Professional and Technical Services		32,041	32,041	101,000
Construction Services				495,000
General Supplies				452,000
 Total Expenditures		32,041	32,041	1,048,000
 Excess of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 1,015,959	\$ 1,015,959	\$ -0-

Additional Project Information:

Project Numbers	3365-050-18-4000,3365-050-18-5000
Grant Date	N/A
County Improvement Authorization Date	N/A
County Improvement Authorization	\$ 596,000
County Bond Ordinances Issued	\$ 1,869,000
Original Authorized Cost	\$ 118,515
Additional Authorized Cost	-0-
Revised Authorized Cost	<u>\$ 118,515</u>

Percentage Increase over Original Authorized Cost	0%
Percentage Completion	3%
Original Target Completion Date	N/A
Revised Target Completion Date	N/A

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
DIESEL SHOP  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 106,600	\$ 106,600	\$ 106,600
Total Revenue and Other Financing Sources		106,600	106,600	106,600
Expenditures:				
Purchased Professional and Technical Services				106,600
Total Expenditures				106,600
Excess of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 106,600	\$ 106,600	\$ -0-

Additional Project Information:

Project Numbers	N/A
Grant Date	N/A
County Improvement Authorization Date	N/A
County Improvement Authorization	\$ 106,000
Original Authorized Cost	\$ 106,000
Additional Authorized Cost	-0-
Revised Authorized Cost	<u>\$ 106,000</u>
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	
Original Target Completion Date	9/19
Revised Target Completion Date	N/A

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -  
BUDGETARY BASIS  
ACCESS GATE  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
Transfer from Capital Reserve		\$ 43,400	\$ 43,400	\$ 43,400
Total Revenue and Other Financing Sources		43,400	43,400	43,400
Expenditures:				
Purchased Professional and Technical Services		3,425	3,425	43,400
Total Expenditures		3,425	3,425	43,400
Excess of Revenue and Other Financing Sources Over Expenditures	\$ -0-	\$ 39,975	\$ 39,975	\$ -0-

Additional Project Information:

Project Numbers	N/A
Grant Date	N/A
County Improvement Authorization Date	N/A
County Improvement Authorization	N/A
Original Authorized Cost	\$ 43,400
Additional Authorized Cost	-0-
Revised Authorized Cost	<u>\$ 43,400</u>
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	8%
Original Target Completion Date	9/18
Revised Target Completion Date	N/A

PROPRIETARY FUNDS

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Supermarket Account</u>	<u>Non-Major Funds</u>		<u>Total</u>	<u>Major Fund</u>		<u>Total Enterprise Funds</u>
		<u>Cosmetology</u>	<u>Food Service</u>		<u>Adult Education</u>		
<b>ASSETS:</b>							
<b>Current Assets:</b>							
Cash and Cash Equivalents	\$ 7,293	\$ 4,294	\$ 26,870	\$ 38,457	\$ 65,935		\$ 104,392
Intergovernmental Accounts Receivable:							
State			111	111			111
Federal			1,231	1,231			1,231
Other Accounts Receivable					8,876		8,876
Inventories			8,530	8,530			8,530
<b>Total Current Assets</b>	<u>7,293</u>	<u>4,294</u>	<u>36,742</u>	<u>48,329</u>	<u>74,811</u>		<u>123,140</u>
<b>Non-Current Assets:</b>							
Capital Assets			79,844	79,844	92,923		172,767
Less: Accumulated Depreciation			(56,495)	(56,495)	(37,813)		(94,308)
<b>Total Non-Current Assets</b>			<u>23,349</u>	<u>23,349</u>	<u>55,110</u>		<u>78,459</u>
<b>Total Assets</b>	<u>7,293</u>	<u>4,294</u>	<u>60,091</u>	<u>71,678</u>	<u>129,921</u>		<u>201,599</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>							
Changes in Assumptions - Pension					118,896		118,896
Changes in Proportion - Pensions					19,779		19,779
Difference Between Expected and Actual Experience - Pension					13,896		13,896
Difference Between Projected and Actual Earnings on Investments - Pension					4,019		4,019
District Contribution Subsequent to the Measurement Date - Pension					24,102		24,102
<b>Total Deferred Outflows of Resources</b>					<u>180,692</u>		<u>180,692</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	Non-Major Funds		Major Fund		Total
	Supermarket Account	Cosmetology	Food Service	Adult Education	Enterprise Funds
	Total	Total	Total	Total	Total
<u>LIABILITIES:</u>					
Current Liabilities:					
Accounts Payable			\$ 4,837	\$ 38,533	\$ 38,533
Unearned Revenue					4,837
Total Current Liabilities			4,837	38,533	43,370
Non-Current Liabilities:					
Compensated Absences Payable				14,403	14,403
Net Pension Liability				590,157	590,157
Total Non-Current Liabilities				604,560	604,560
Total Liabilities			4,837	643,093	647,930
<u>DEFERRED INFLOWS OF RESOURCES:</u>					
Changes in Assumptions - Pension				118,460	118,460
Changes in Proportion - Pension				38,936	38,936
Total Deferred Inflows of Resources				157,396	157,396
<u>NET POSITION:</u>					
Investment in Capital Assets			23,349	55,110	78,459
Unrestricted/(Deficit)	\$ 7,293	\$ 4,294	31,905	(544,986)	(501,494)
Total Net Position/(Deficit)	\$ 7,293	\$ 4,294	\$ 55,254	\$ (489,876)	\$ (423,035)



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Funds			Major Fund		Total Enterprise Funds
	Supermarket Account	Internet Consortium	Cosmetology	Food Service	Adult Education	
Operating Revenue:						
Daily Sales:						
Reimbursable Programs			\$ 80,493	\$ 80,493		\$ 80,493
Non-Reimbursable Programs			65,858	65,858		65,858
Charges for Services:						
Program Fees		\$ 1,622		1,622	\$ 586,647	588,269
Miscellaneous Revenue			17,620	17,620		17,620
<b>Total Operating Revenue</b>		<b>1,622</b>	<b>163,971</b>	<b>165,593</b>	<b>586,647</b>	<b>752,240</b>
Operating Expenses:						
Cost of Sales:						
Reimbursable Programs			46,814	46,814		46,814
Non-Reimbursable Programs			38,302	38,302		38,302
Salaries			54,774	54,774	297,392	352,166
Employee Benefits			12,857	12,857	180,346	193,203
Purchased Professional and Technical Services			10,197	10,197	29,379	39,576
Other Purchased Services					21,741	21,741
Travel					241	241
Supplies and Materials	\$ 2,444	975	8,059	11,478	73,536	85,014
Miscellaneous Expense			4,299	4,299	42,557	46,856
Depreciation Expense			5,429	5,429	10,511	15,940
<b>Total Operating Expenses</b>	<b>2,444</b>	<b>975</b>	<b>180,731</b>	<b>184,150</b>	<b>655,703</b>	<b>839,853</b>
<b>Operating Income/(Loss)</b>	<b>(2,444)</b>	<b>647</b>	<b>(16,760)</b>	<b>(18,557)</b>	<b>(69,056)</b>	<b>(87,613)</b>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Funds					Major Fund Adult Education	Total Enterprise Funds
	Supermarket Account	Internet Consortium	Cosmetology	Food Service	Total		
Non-Operating Revenue:							
Local Sources:							
Interest Earnings	\$ 14				\$ 14		\$ 14
State Sources:							
State School Lunch Program			\$ 1,259		1,259		1,259
Federal Sources:							
National School Lunch Program			13,322		13,322		13,322
School Breakfast Program			767		767		767
Food Distribution Program			12,007		12,007		12,007
Total Non-Operating Income	14		27,355		27,369		27,369
Change in Net Position Before Transfers	\$ (2,430)	\$ -0-	\$ 647	10,595	8,812	\$ (69,056)	\$ (60,244)
Transfers:							
Capital Contribution to General Fund		(1,597)			(1,597)		(1,597)
Transfer to General Fund		(23,415)			(23,415)		(23,415)
Total Transfers		(25,012)			(25,012)		(25,012)
Change in Net Position	(2,430)	(25,012)	647	10,595	(16,200)	(69,056)	(85,256)
Net Position/(Deficit) - Beginning of Year	9,723	25,012	3,647	44,659	83,041	(420,820)	(337,779)
Net Position/(Deficit) - End of Year	\$ 7,293	\$ -0-	\$ 4,294	\$ 55,254	\$ 66,841	\$ (489,876)	\$ (423,035)

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Funds				Major Fund Adult Education	Total Enterprise Funds
	Supermarket Account	Internet Consortium	Cosmetology	Food Service		
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 5,126	\$ 1,622	\$ 164,815	\$ 171,563	\$ 577,771	\$ 749,334
Payments to Food Service Contractor			(170,804)	(170,804)		(170,804)
Payments to/for Employees	(2,444)	(958)	(4,040)	(8,417)	(389,662)	(389,662)
Payments to Suppliers					(155,210)	(163,627)
Net Cash Provided by/(Used for) Operating Activities	(2,444)	4,168	647	(7,658)	32,899	25,241
Cash Flows from Capital and Related Financing Activities:						
Purchase of Capital Assets			(4,664)	(4,664)	(40,907)	(45,571)
Net Cash Used for Capital and Related Financing Activities			(4,664)	(4,664)	(40,907)	(45,571)
Cash Flows from Noncapital Financing Activities:						
State Sources			2,876	2,876		2,876
Federal Sources			12,858	12,858		12,858
Transfer to General Fund		(23,415)		(23,415)		(23,415)
Net Cash Provided by/(Used for) Noncapital Financing Activities		(23,415)	15,734	(7,681)		(7,681)
Cash Flows from Financing Activities:						
Interest Income	14			14		14
Net Cash Provided by Financing Activities	14			14		14
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,430)	(19,247)	647	(19,989)	(8,008)	(27,997)
Cash and Cash Equivalents, July 1	9,723	19,247	3,647	58,446	73,943	132,389
Cash and Cash Equivalents, June 30	\$ 7,293	\$ -0-	\$ 4,294	\$ 26,870	\$ 65,935	\$ 104,392

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Funds			Major Fund		Total Enterprise Funds
	Supermarket Account	Internet Consortium	Cosmetology	Food Service	Adult Education	
Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:						
Operating Income/(Loss)	\$ (2,444)		\$ 647	\$ (16,760)	\$ (69,056)	\$ (87,613)
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:						
Depreciation				5,429	10,511	15,940
Food Distribution Program				12,007		12,007
Changes in Assets and Liabilities:						
(Increase)/Decrease in Other Accounts Receivable		\$ 5,126		1	(8,876)	(3,749)
(Increase) in Inventory				(200)		(200)
Increase/(Decrease) in Accounts Payable		(958)		(11,550)	12,244	(264)
Increase in Unearned Revenue				1,044		1,044
(Decrease) in Net Pension Liability					(72,109)	(72,109)
Decrease in Changes in Assumptions - Pension					136,750	136,750
(Increase) in Difference between Expected and Actual Experience - Pension					(1,580)	(1,580)
Decrease in Difference between Projected and Actual Earnings in Investments - Pensions					21,234	21,234
Increase in Changes in Proportions - Pensions					9,813	9,813
Net Cash Provided by/(Used for) Operating Activities	\$ (2,444)	\$ 4,168	\$ 647	\$ (10,029)	\$ 32,899	\$ 25,241

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$12,208 and utilized U.S.D.A. Commodities valued at \$12,007.

FIDUCIARY FUNDS

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2018

	Agency		Total Agency	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarships Trust
	Student Activity	Payroll				
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 142,404	\$ 387,393	\$ 529,797	\$ 133,347	\$ 11,142	\$ 133,891
Interfund Receivable:						
Payroll Agency				3,256		
Total Assets	142,404	387,393	529,797	136,603	11,142	133,891
<b>LIABILITIES:</b>						
Interfund Payable:						
General Fund					10,178	
Unemployment Compensation Trust		3,256	3,256			
Payroll Deductions and Withholdings		105,966	105,966			
Accrued Salaries and Wages		278,171	278,171			
Due to Student Groups	142,404		142,404			
Total Liabilities	142,404	387,393	529,797	10,178		
<b>NET POSITION:</b>						
Held in Trust for:						
Unemployment Claims				136,603		
Flexible Spending Claims					964	
Restricted for Scholarships						133,891
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 136,603	\$ 964	\$ 133,891

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarships Trust
<b>ADDITIONS:</b>			
Contributions:			
Plan Members	\$ 129,879	\$ 23,200	
Donations			\$ 12,560
Investment Earnings:			
Interest	1,539		213
Total Additions	<u>131,418</u>	<u>23,200</u>	<u>12,773</u>
<b>DEDUCTIONS:</b>			
Unemployment Benefit Claims	23,005		
Flexible Spending Claims		31,219	
Scholarships Awarded			11,593
Total Deductions	<u>23,005</u>	<u>31,219</u>	<u>11,593</u>
Change in Net Position	108,413	(8,019)	1,180
Net Position - Beginning of the Year	<u>28,190</u>	<u>19,161</u>	<u>132,711</u>
Net Position - End of the Year	<u>\$ 136,603</u>	<u>\$ 11,142</u>	<u>\$ 133,891</u>

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 128,831	\$ 185,926	\$ 172,353	\$ 142,404
Total Assets	<u>\$ 128,831</u>	<u>\$ 185,926</u>	<u>\$ 172,353</u>	<u>\$ 142,404</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 128,831	\$ 185,926	\$ 172,353	\$ 142,404
Total Liabilities	<u>\$ 128,831</u>	<u>\$ 185,926</u>	<u>\$ 172,353</u>	<u>\$ 142,404</u>



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 368,649	\$ 14,552,800	\$ 14,534,056	\$ 387,393
Total Assets	<u>\$ 368,649</u>	<u>\$ 14,552,800</u>	<u>\$ 14,534,056</u>	<u>\$ 387,393</u>
 <u>LIABILITIES:</u>				
Interfund Payable:				
Fiduciary Fund - Unemployment Trust	\$ 3,280	\$ 28,561	\$ 28,585	\$ 3,256
Payroll Deductions and Withholdings	98,425	14,246,927	14,239,386	105,966
Accrued Salaries and Wages	266,944	277,312	266,085	278,171
Total Liabilities	<u>\$ 368,649</u>	<u>\$ 14,552,800</u>	<u>\$ 14,534,056</u>	<u>\$ 387,393</u>

**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**Contents**

**Exhibit**

**Financial Trends**

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

J-1 thru J-5

**Revenue Capacity**

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

J-6 thru J-9

**Debt Capacity**

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

J-10 thru J-13

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

**Operating Information**

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

J-16 thru J-20

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
UNAUDITED

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 18,114,525	\$ 17,726,665	\$ 17,268,964	\$ 16,799,233	\$ 18,249,442	\$ 19,083,633	\$ 20,449,783	\$ 21,358,861	\$ 21,194,961	\$ 21,700,601
Restricted	1,277,463	1,014,488	719,472	2,842,525	773,349	1,809,685	2,766,786	3,122,283	3,109,566	3,402,751
Unrestricted/(Deficit)	897,989	129,870	580,782	684,138	2,601,034	(4,642,873)	(4,214,710)	(5,001,233)	(6,356,859)	(5,615,620)
Total Governmental Activities Net Position	\$ 20,289,977	\$ 18,871,023	\$ 18,569,218	\$ 20,325,896	\$ 21,623,825	\$ 16,250,445	\$ 19,001,859	\$ 19,479,911	\$ 17,947,668	\$ 19,487,732
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 46,852	\$ 38,426	\$ 34,104	\$ 32,216	\$ 28,254	\$ 21,889	\$ 59,168	\$ 54,132	\$ 51,626	\$ 78,459
Unrestricted/(Deficit)	381,707	263,690	211,506	116,132	121,914	(337,263)	(272,787)	(335,504)	(389,405)	(501,494)
Total Business-type Activities Net Position/(Deficit)	\$ 428,559	\$ 302,116	\$ 245,610	\$ 148,348	\$ 150,168	\$ (315,374)	\$ (213,619)	\$ (281,372)	\$ (337,779)	\$ (423,035)
<b>District-wide</b>										
Net Investment in Capital Assets	\$ 18,161,377	\$ 17,765,091	\$ 17,303,068	\$ 16,831,449	\$ 18,277,696	\$ 19,105,522	\$ 20,508,951	\$ 21,412,993	\$ 21,246,587	\$ 21,779,060
Restricted	1,277,463	1,014,488	719,472	2,842,525	773,349	1,809,685	2,766,786	3,122,283	3,109,566	3,402,751
Unrestricted/(Deficit)	1,279,696	393,560	792,288	800,270	2,722,948	(4,980,136)	(4,487,497)	(5,336,737)	(6,746,264)	(6,117,114)
Total District Net Position	\$ 20,718,536	\$ 19,173,139	\$ 18,814,828	\$ 20,474,244	\$ 21,773,993	\$ 15,935,071	\$ 18,788,240	\$ 19,198,539	\$ 17,609,889	\$ 19,064,697

Source: School District Financial Reports

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
Governmental Activities:										
Instruction										
Regular	\$ 4,114,766	\$ 4,574,965	\$ 4,802,430	\$ 5,273,623	\$ 5,302,990	\$ 5,283,328	\$ 6,214,158	\$ 6,756,299	\$ 7,353,268	\$ 8,305,570
Special Education	277,639	379,783	409,248	450,689	534,556	534,548	943,045	680,667	720,377	994,810
Vocational Education	3,536,180	3,777,258	3,585,918	3,720,334	3,941,855	3,752,582	4,576,541	5,065,655	5,498,804	5,333,464
Other Instruction	445,002	440,205	256,821	233,990	290,081	287,998	359,390	413,282	473,395	433,030
Support Services:										
Student and Instruction Related Services	1,370,525	1,830,658	2,373,119	2,714,931	2,800,250	2,749,365	2,923,717	3,416,421	3,944,530	4,474,900
General Administrative Services	415,245	392,675	583,387	607,139	736,765	536,254	679,650	790,458	770,423	802,170
School Administrative Services	1,562,126	1,490,547	1,309,806	1,332,581	1,203,423	1,226,292	1,128,066	1,135,391	1,229,957	1,336,854
Central Services	522,604	528,839	671,784	655,869	581,469	570,132	667,080	730,335	852,529	808,387
Administrative Information Technology	155,508	163,698	215,829	244,956	302,753	428,018	297,466	367,155	465,288	411,890
Plant Operations and Maintenance	1,513,626	1,621,683	2,069,839	2,101,988	2,028,223	2,023,212	2,205,533	2,025,996	2,380,780	2,289,950
Pupil Transportation	239	7,104	108,470	142,824	126,746	152,221	165,439	177,197	225,412	224,611
Special Schools	3,242,842	2,909,832	1,203,924	1,106,689	1,169,112	1,334,528	1,263,140	1,408,989	1,460,425	864,264
Capital Outlay	49,839		78,585	54,775	64,549	62,039	62,289	57,548		4,589
Unallocated Depreciation	407,757	463,126	435,761	435,762	469,687	469,963				
Total Governmental Activities Expenses	17,613,898	18,580,373	18,104,921	19,076,150	19,552,459	19,412,480	21,485,514	23,025,393	25,375,188	26,284,489
Business-Type Activities:										
Enterprise Funds	468,985	706,502	999,329	936,633	811,257	795,080	792,832	835,537	792,011	839,853
Total Business-Type Activities Expense	468,985	706,502	999,329	936,633	811,257	795,080	792,832	835,537	792,011	839,853
Total District Expenses	18,082,883	19,286,875	19,104,250	20,012,783	20,363,716	20,207,560	22,278,346	23,860,930	26,167,199	27,124,342
<b>Program Revenues:</b>										
Governmental Activities:										
Charges for Services:										
Tuition	2,935,855	2,903,398	2,997,416	3,100,157	3,842,274	3,560,437	5,097,290	6,121,970	7,610,126	8,198,440
Operating Grants and Contributions	2,935,855	2,903,398	2,997,416	11,874,858	12,767,118	12,874,946	15,048,132	15,651,664	17,423,917	19,493,251
Total Governmental Activities Program Revenues	5,871,710	5,806,796	5,994,832	14,975,015	16,609,392	16,435,383	20,145,422	21,773,634	25,034,043	27,691,691
Business-Type Activities:										
Charges for Services:										
Enterprise Funds	326,277	521,007	872,288	781,278	762,613	726,521	845,773	831,756	703,503	752,240
Operating Grants and Contributions	20,998	25,795	25,551	32,379	27,173	21,401	28,556	29,977	32,089	27,355
Total Business-Type Activities Program Revenues	347,275	546,802	897,839	813,657	789,786	747,922	874,329	861,733	735,592	779,595

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

UNAUDITED  
(Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total District Program Revenues	\$ 3,283,130	\$ 3,450,200	\$ 3,895,255	\$ 12,688,515	\$ 13,556,904	\$ 13,622,868	\$ 15,922,461	\$ 16,513,397	\$ 18,159,509	\$ 20,272,846
Net (Expense)/Revenue:										
Governmental Activities	(14,678,043)	(15,676,975)	(15,107,505)	(7,201,292)	(6,785,341)	(6,537,534)	(6,437,382)	(7,373,729)	(7,951,271)	(6,791,238)
Business-Type Activities	(121,710)	(159,700)	(101,490)	(122,976)	(21,471)	(47,158)	81,497	26,196	(56,419)	(60,258)
Total District-Wide Net Expense	(14,799,753)	(15,836,675)	(15,208,995)	(7,324,268)	(6,806,812)	(6,584,692)	(6,355,885)	(7,347,533)	(8,007,690)	(6,851,496)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
County Tax Levy	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286	6,351,286
Federal and State Aid not Restricted	1,032,956	655,008	388,508	623,050	695,443	706,862	720,276	718,955	729,129	728,406
Tuition	5,992,857	6,937,181	8,232,968							
Interest Earnings	22,000	2,435	2,461	2,671	5,761	4,687	4,063	11,714	27,608	26,244
Transfers	(19,132)	(34,092)	(47,664)	(26,554)	(32,748)	(44,059)	(16,761)	94,798	115	25,012
Contributed Capital										
County Improvement Authorization	(8,307)		1,963,892	1,963,892	972,351	1,292,220	2,061,000	601,000	116,000	1,048,000
County Improvement Authorization Cancelled								(23,694)	(923,134)	
Debt Service Contribution to County of Morris	(246,200)	(246,200)	(246,200)							
Miscellaneous Income	592,085	592,403	124,341	43,625	91,177	47,972	72,190	97,722	118,024	152,354
Total Governmental Activities	13,717,525	14,258,021	14,805,700	8,957,970	8,083,270	8,358,968	9,188,796	7,851,781	6,419,028	8,331,302
Business-Type Activities:										
Transfers	19,152	34,092	47,664	27,702	33,325	44,142	17,000	(93,949)		(25,012)
Contributed Capital							3,258			
Miscellaneous Income										
Cancellation of Prior Year's Accounts Receivable/Payable	470	(835)	(2,680)	(1,988)	(10,034)	(3,283)			12	
Total Business-Type Activities	19,622	33,257	44,984	25,714	23,291	40,859	20,258	(93,949)		(24,998)
Total District-Wide	13,737,147	14,291,278	14,850,684	8,983,684	8,106,561	8,399,827	9,209,054	7,757,832	6,419,040	8,306,304
Change in Net Position:										
Governmental Activities	(960,518)	(1,418,954)	(301,805)	1,756,678	1,297,929	1,821,434	2,751,414	478,052	(1,532,243)	1,540,064
Business-Type Activities	(102,088)	(126,443)	(56,506)	(97,262)	1,820	(6,299)	101,755	(67,753)	(56,407)	(85,256)
Total District	\$ (1,062,606)	\$ (1,545,397)	\$ (358,311)	\$ 1,659,416	\$ 1,299,749	\$ 1,815,135	\$ 2,853,169	\$ 410,299	\$ (1,588,650)	\$ 1,454,808

Source: School District Financial Reports

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved/Restricted	\$ 1,277,463	\$ 1,014,488	\$ 719,472	\$ 878,633	\$ 773,349	\$ 1,809,685	\$ 2,766,786	\$ 3,122,283	\$ 3,109,566	\$ 3,402,751
Assigned		494,765	191,506	506,184	365,812	300,573	280,788	108,958	288,294	574,490
Unreserved/Unassigned	1,204,247		731,133	613,948	877,946	848,989	887,036	909,928	926,482	982,584
Total General Fund	\$ 2,481,710	\$ 1,509,253	\$ 1,642,111	\$ 1,998,765	\$ 2,017,107	\$ 2,959,247	\$ 3,934,610	\$ 4,141,169	\$ 4,324,342	\$ 4,959,825
All Other Governmental Funds										
Reserved/Restricted				\$ 1,963,892	\$ 1,846,257	\$ 1,871,012	\$ 2,200,313	\$ 1,636,014	\$ 740,104	\$ 1,209,857
Committed										
Total All Other Governmental Funds	\$ -0-	\$ -0-	\$ -0-	\$ 1,963,892	\$ 1,846,257	\$ 1,871,012	\$ 2,200,313	\$ 1,636,014	\$ 740,104	\$ 1,209,857
Total All Governmental Funds	\$ 1,277,463	\$ 1,014,488	\$ 719,472	\$ 878,633	\$ 773,349	\$ 1,809,685	\$ 2,766,786	\$ 3,122,283	\$ 3,109,566	\$ 3,402,751
Reserved/Restricted			191,506	1,963,892	1,846,257	1,871,012	2,200,313	1,636,014	740,104	1,209,857
Committed				506,184	365,812	300,573	280,788	108,958	288,294	574,490
Assigned	1,204,247	494,765	731,133	613,948	877,946	848,989	887,036	909,928	926,482	982,584
Unreserved/Unassigned/(Deficit)										
Total All Governmental Funds	\$ 2,481,710	\$ 1,509,253	\$ 1,642,111	\$ 3,962,657	\$ 3,863,364	\$ 4,830,259	\$ 6,134,923	\$ 5,777,183	\$ 5,064,446	\$ 6,169,682

Source: School District Financial Reports

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
County Tax Levy	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286	\$ 6,351,286
Tuition from LEAs	5,697,043	6,607,163	7,915,480	8,439,180	8,445,786	8,856,352	9,462,981	9,037,355	9,374,983	10,849,946
Other Tuition	295,814	330,018	317,488	335,521	479,058	458,157	487,861	492,339	438,808	449,416
Interest Earned on Capital Reserve Funds	7,980	650	514	1,094	1,226	768	1,475	4,161	10,778	26,185
Interest Earned on Maintenance Reserve Funds										59
Unrestricted Miscellaneous Revenue	606,105	594,188	126,288	45,202	95,712	53,422	75,528	107,154	134,854	152,678
State Sources	2,366,682	1,993,269	1,835,427	2,279,210	3,021,850	2,556,977	2,786,118	3,072,492	3,537,683	4,055,086
Federal Sources	1,602,129	1,565,137	1,550,497	1,443,997	1,515,867	1,708,791	1,391,840	1,546,750	1,523,814	1,403,244
<b>Total Revenue</b>	<b>16,927,039</b>	<b>17,441,711</b>	<b>18,096,980</b>	<b>18,895,490</b>	<b>19,910,785</b>	<b>19,985,753</b>	<b>20,557,089</b>	<b>20,611,537</b>	<b>21,372,206</b>	<b>23,287,900</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	3,615,355	3,933,461	3,993,233	4,411,557	4,370,028	4,456,229	4,642,339	4,832,218	4,844,904	5,649,803
Special Education Instruction	227,084	303,079	301,950	321,444	385,919	389,739	432,043	411,301	403,777	577,264
Vocational Education Instruction	2,866,273	2,858,581	2,715,427	2,737,163	2,909,703	2,894,868	3,038,607	3,014,179	3,020,720	2,847,837
School-Sponsored/Other Instruction	428,209	420,870	238,683	219,463	272,978	266,705	307,298	344,322	361,942	350,488
<b>Support Services:</b>										
Student and Instruction Related Services	1,140,551	1,538,262	1,914,034	2,065,247	2,215,824	2,207,515	2,200,507	2,400,740	2,552,870	2,870,038
General Administrative Services	357,542	332,430	483,439	497,829	616,342	452,648	527,100	608,332	522,608	549,049
School Administrative Services	1,256,705	1,064,143	931,067	929,527	892,389	946,985	791,065	762,568	698,542	751,852
Central Services	417,662	398,580	504,745	476,847	459,217	459,317	495,682	513,617	546,588	526,759
Administrative Information Technology	107,313	102,974	144,417	162,096	229,006	286,859	221,550	262,562	320,193	302,009
Plant Operations and Maintenance	1,307,840	1,351,665	1,717,503	1,728,846	1,665,586	1,661,447	1,960,469	1,726,021	1,858,580	1,859,883
Pupil Transportation	239	7,104	108,470	146,113	129,593	155,760	154,556	164,468	153,635	162,343
Allocated Benefits	1,319,648	1,829,784	2,278,270	2,414,478	1,807,979	5,251				
Unallocated Benefits	867,620	978,141	964,464	1,196,143	1,784,453	3,321,966	3,435,663	3,743,454	4,275,466	5,001,139
Special Schools	3,162,328	2,831,627	1,194,196	1,072,169	1,118,531	1,292,440	1,078,813	1,189,895	1,161,358	545,369
Capital Outlay	234,735	183,175	180,360	177,994	2,172,326	1,469,290	2,007,714	1,667,704	556,741	1,260,246
<b>Total Expenditures</b>	<b>17,309,104</b>	<b>18,133,876</b>	<b>17,670,258</b>	<b>18,556,916</b>	<b>21,029,874</b>	<b>20,267,019</b>	<b>21,293,406</b>	<b>21,641,381</b>	<b>21,277,924</b>	<b>23,254,079</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(382,065)</b>	<b>(692,165)</b>	<b>426,722</b>	<b>338,574</b>	<b>(1,119,089)</b>	<b>(281,266)</b>	<b>(736,317)</b>	<b>(1,029,844)</b>	<b>94,282</b>	<b>33,821</b>

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

UNAUDITED  
(Continued)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses):										
County Improvement Authorizations	\$ (8,307)			\$ 1,963,892	\$ 972,351	\$ 1,292,220	\$ 2,061,000	\$ 601,000	\$ 116,000	\$ 1,048,000
Transfers	(19,152)	\$ (34,092)	\$ (47,664)	(26,554)	(32,748)	(44,059)	(16,761)	94,798	115	23,415
Capital Contribution to Food Service Fund	(246,200)	(246,200)	(246,200)	44,634	80,193		(3,258)			
Debt Service Contribution to County of Morris				1,981,972	1,019,796	1,248,161	2,040,981	672,104	(807,019)	1,071,415
Capital Leases (Non-budgeted)	(273,659)	(280,292)	(293,864)							
Total Other Financing Sources (Uses)	\$ (655,724)	\$ (972,457)	\$ 132,858	\$ 2,320,546	\$ (99,293)	\$ 966,895	\$ 1,304,664	\$ (357,740)	\$ (712,737)	\$ 1,105,236
Net Change in Fund Balances	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt Service as a Percentage of Noncapital Expenditures										
N/A Not Applicable										

Source: School District Financial Reports



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

Fiscal Year Ended June 30,	Tuition	Interest on Investments	Program Fees	Miscellaneous	Total
2009	\$ 5,992,857	\$ 22,000	\$ 453,116	\$ 138,969	\$ 6,606,942
2010	6,937,181	2,435	438,161	154,242	7,532,019
2011	8,232,968	2,461	971	123,370	8,359,770
2012	8,774,701	2,671		43,625	8,820,997
2013	8,924,844	5,761		91,177	9,021,782
2014	9,314,509	4,687		47,972	9,367,168
2015	9,950,842	4,063		72,190	10,027,095
2016	9,529,694	11,714		97,722	9,639,130
2017	9,813,791	27,608		118,024	9,959,423
2018	11,299,362	26,244		152,354	11,477,960

Source: District records

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

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities *	Net Valuation Taxable	Total Direct School Tax Rate	Estimated Actual (County Equalized Value)
2008	\$ 1,373,940,350	\$ 58,547,857,080	\$ 709,356,800	\$ 13,465,748	\$ 11,350,378,461	\$ 2,711,381,200	\$ 1,994,223,900	\$ 76,700,603,539	\$ 7,001,701,800	\$ 142,959,362	\$ 76,843,562,901	N/A	\$ 102,596,960,196
2009	1,310,313,450	60,378,573,088	714,322,900	13,238,748	11,613,287,447	2,841,125,700	2,080,489,400	78,951,350,733	7,413,133,700	147,168,209	79,098,518,942	N/A	103,669,450,016
2010	1,218,511,450	58,195,366,425	652,147,200	12,013,308	11,275,927,757	2,690,796,500	2,071,807,000	76,116,569,640	7,395,815,300	148,405,558	76,264,974,998	N/A	102,332,070,127
2011	1,150,385,750	57,863,255,210	667,820,200	12,177,178	11,088,116,597	2,626,022,625	2,119,407,700	75,527,185,260	7,393,879,200	128,034,958	75,655,220,218	N/A	98,052,992,752
2012	1,172,274,150	59,774,842,190	690,767,100	12,282,578	11,568,762,422	2,980,678,200	2,191,170,400	78,390,777,040	7,061,681,200	125,183,300	78,515,960,340	N/A	94,996,537,642
2013	1,121,535,950	60,489,876,715	685,237,400	11,944,478	11,513,732,422	2,917,649,400	2,286,186,900	79,026,163,265	7,277,468,700	61,429,260	79,087,592,525	N/A	90,780,233,689
2014	1,040,064,650	60,385,164,210	690,643,400	12,057,978	11,666,955,422	2,923,186,200	2,295,606,200	79,013,678,060	7,293,537,400	45,147,771	79,058,825,831	N/A	89,368,907,348
2015	1,006,685,850	60,605,580,547	693,260,300	11,915,400	11,629,578,222	2,887,476,900	2,323,159,100	79,157,656,319	7,346,524,200	33,841,181	79,191,497,500	N/A	90,711,159,054
2016	1,010,630,100	59,960,359,430	590,134,200	8,695,260	12,000,529,422	2,747,812,600	2,344,932,900	78,663,093,912	7,319,296,950	34,501,222	82,168,381,134	N/A	91,741,656,968
2017	1,072,431,500	64,706,917,630	717,815,600	11,997,198	12,382,440,622	2,906,536,400	2,562,203,300	84,360,342,250	7,676,242,500	35,471,441	84,360,342,250	N/A	93,601,899,566

N/A - Not Applicable

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

\* Taxable Value of Machinery, Implements and Equipment of Telephones, Telegraph and Messenger System Companies

Source: Morris County Board of Taxation

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

Taxpayer	2017		
	Taxable Assessed Value	Rank	% of Total County Net Valuation Taxable
Novartis Corporation	\$ 415,030,700	1	0.49%
Point View Campus, LLC	300,000,000	2	0.36%
Rockaway Center Associates	208,469,600	3	0.25%
Bayer Healthcare, LLC	155,670,300	4	0.18%
Oakwood Garden Associates, LLC	120,000,000	5	0.14%
SDK Village Green, LLC	98,000,000	6	0.12%
KBS II 300-600 Campus Drive, LLC	93,517,700	7	0.11%
Saint Clare's	83,552,300	8	0.10%
Allergan Sales, LLC	76,237,500	9	0.09%
Honeywell International, Inc.	81,992,400	10	0.10%
Total	<u>\$ 1,632,470,500</u>		<u>1.75%</u>

Taxpayer	2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Novartis Corporation	\$ 325,530,700	1	0.42%
MC NEIL-PPC Inc.	182,500,000	2	0.24%
Point View Campus LLC	329,630,600	3	0.43%
Rockaway Center Associates	145,000,000	4	0.19%
KBS II	108,017,200	5	0.14%
Pfizer	86,000,000	6	0.11%
Oakwood Garden Associates, LLC	86,550,000	7	0.11%
State Farm Associates, LLC	82,500,000	8	0.11%
Segal Realty Associates	82,400,000	9	0.11%
LTI NJ Financial LLC	73,000,000	10	0.09%
	<u>\$ 1,501,128,500</u>		<u>1.95%</u>

Source: County of Morris

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 6,351,286	\$ 6,351,286	100.00%	\$ -0-
2010	6,351,286	6,351,286	100.00%	-0-
2011	6,351,286	6,351,286	100.00%	-0-
2012	6,351,286	6,351,286	100.00%	-0-
2013	6,351,286	6,351,286	100.00%	-0-
2014	6,351,286	6,099,391	96.03%	251,895
2015	6,351,286	6,351,286	100.00%	-0-
2016	6,351,286	6,351,286	100.00%	-0-
2017	6,351,286	6,351,286	100.00%	-0-
2018	6,351,286	6,351,286	100.00%	-0-

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

Source: District records.

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

Fiscal Year Ended June 30,	Governmental Activities							Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Business-Type Activities		Total District			
					Capital Leases	Capital Leases				
2013	\$ -0-	\$ -0-	\$ 104,972	\$ -0-	\$ 12,367	\$ 117,339	0.0003%	\$ 0.24		
2014	-0-	-0-	80,685	-0-	9,910	90,595	0.0002%	0.18		
2015	-0-	-0-	55,828	-0-	7,401	63,229	0.0002%	0.13		
2016	-0-	-0-	30,385	-0-	4,839	35,224	0.0001%	0.07		
2017	-0-	-0-	-0-	-0-	-0-	-0-	0.0000%	0.00		
2018	-0-	-0-	-0-	-0-	-0-	-0-	0.0000%	0.00		

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

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

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

Source: School District Financial Reports

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

Year	Population <sup>a</sup>	Morris County Per Capital Personal Income <sup>b</sup>	Total Morris County Personal Income	Unemployment Rate <sup>c</sup>
2009	488,518	\$ 71,361	\$ 34,861,132,998	7.20%
2010	492,902	74,460	36,701,482,920	7.30%
2011	495,671	77,207	38,269,270,897	7.00%
2012	497,447	80,027	39,809,191,069	7.30%
2013	498,680	80,868	40,327,254,240	6.30%
2014	498,481	83,687	41,716,379,447	4.90%
2015	498,538	87,896	43,819,496,048	4.20%
2016	498,844	89,065	44,429,540,860	3.90%
2017	499,693	89,065 **	44,505,157,045 ***	3.60%
2018	499,693 *	89,065 **	44,505,157,045 ***	N/A

\* - Latest population data available (2017) was used for calculation purposes.

\*\* - Latest Morris County per capita personal income available (2016) was used for calculation purposes.

\*\*\* - Latest available population data (2017) and latest available Morris County per capita personal income (2016) was used for calculation purposes.

N/A - Information not available

Source:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the county population and per capita personal income presented

<sup>c</sup> Per capita personal income by county estimated based upon the 2007 Census published by the US Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

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

Employer	2017		
	Employees	Rank (Optional)	Percentage of Total Employment
U.S. Army Armament Research and Development	6,400	1	2.56%
Atlantic Health Systems	6,350	2	2.54%
Novartis Corporation	4,607	3	1.84%
Bayer Healthcare, LLC	2,800	4	1.12%
ADP	2,242	5	0.90%
Wyndham Worldwide	1,907	6	0.76%
Accenture	1,883	7	0.75%
Honeywell	1,868	8	0.75%
Allergan	1,700	9	0.68%
St. Clare's	1,544	10	0.62%
	<u>31,301</u>		<u>12.50%</u>
Total Employment	<u>250,447</u>		
Employer	2008		
	Employees	Rank (Optional)	Percentage of Total Employment
Novartis Corporation	5,386	1	2.04%
U.S. Army Armament Research and Development	4,300	2	1.63%
Atlantic Health System	4,045	3	1.53%
County of Morris	2,007	4	0.76%
Lucent Technologies	1,983	5	0.75%
United Parcel Service	1,941	6	0.74%
Wyndham Worldwide	1,371	7	0.52%
Greystone Psychiatric Center	1,296	8	0.49%
Tiffany & Company	1,200	9	0.46%
Accenture	1,200	10	0.46%
	<u>24,729</u>		<u>9.38%</u>
Total Employment	<u>263,677</u>		

Source: County of Morris

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

<u>Function/Program</u>	<u>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>
<b>Instruction:</b>										
Regular	32.5	34.5	32.0	33.0	33.0	33.0	35.0	36.0	37.0	37.0
Special Education	5.0	5.0	5.0	5.0	6.0	6.0	6.0	5.0	3.0	3.0
Vocational	24.0	24.0	23.0	22.5	22.5	23.5	24.5	24.0	27.0	27.0
Other Instruction	5.0	5.0	4.5	5.0	5.0	5.0	5.0	5.0	5.0	6.0
Adult/Continuing Education Programs	79.0	68.0	70.0	71.0	74.0	91.0	76.0	52.0	67.0	69.0
<b>Support Services:</b>										
Student & Instruction Related Services	12.0	12.0	10.0	10.0	10.0	10.0	10.0	10.5	12.0	13.0
School Administrative Services	23.0	22.0	22.0	22.0	20.0	21.0	21.0	20.0	18.0	20.0
General Administrative Services	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0
Central Services	6.0	6.0	7.0	7.0	5.0	5.0	6.0	6.0	6.0	6.0
Administrative Information Technology	1.5	1.5	1.5	1.5	2.0	2.0	2.0	2.0	2.0	2.0
Plant Operations and Maintenance	16.0	15.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
<b>Total</b>	<b>207.0</b>	<b>196.0</b>	<b>192.0</b>	<b>194.0</b>	<b>194.5</b>	<b>212.5</b>	<b>201.5</b>	<b>176.5</b>	<b>193.0</b>	<b>199.0</b>

Source: District Personnel Records



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

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio School of Technology	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	715.2	\$ 13,912,041	\$ 19,452	-6.07%	73.0	1:09.80	715.2	688.1	2.91%	96.21%
2010	734.9	15,119,074	20,573	5.76%	73.0	1:10.06	734.9	710.7	2.75%	96.71%
2011	939.3	16,295,702	17,349	-15.67%	64.5	1:14.56	939.3	893.2	27.81%	95.09%
2012	942.6	17,306,753	18,361	5.83%	68.0	1:13.86	942.6	887.2	0.35%	94.12%
2013	946.5	17,739,017	18,742	2.08%	66.5	1:14.23	946.5	905.6	0.41%	95.68%
2014	971.7	17,505,289	18,015	-3.88%	67.5	1:14.40	971.7	923.5	2.66%	95.04%
2015	975.1	18,206,879	18,672	3.65%	70.5	1:13.80	975.1	933.1	0.35%	95.69%
2016	996.0	18,783,782	18,859	1.00%	70.0	1:13.80	996.0	955.0	2.14%	95.88%
2017	1,035.5	19,559,825	18,889	0.16%	72.0	1:14.30	1,035.6	991.3	3.97%	95.72%
2018	1,105.9	21,207,492	19,177	1.52%	73.0	1:14.30	1,105.9	1,068.5	6.79%	96.62%

Note: Enrollment based on annual October district count.

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

<sup>b</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>c</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

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

Sources: School District records

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>District Buildings</u>										
School of Technology (1969)	165,011	165,011	165,011	165,011	165,011	165,011	165,011	187,911	187,911	187,911
Square Feet	934	934	934	934	934	934	934	934	934	934
Capacity (students)	715.2	734.9	939.3	942.6	946.5	971.7	975.1	996.0	1,035.6	1,105.9
Enrollment										

Number of Schools at June 30, 2018  
 School of Technology = 1  
 Off-site Academies = 4

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

Source: School District Facilities Office

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

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

Facility	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Morris County Vocational School*	\$ 728,711	\$ 695,927	\$ 447,707	\$ 589,085	\$ 373,338	\$ 370,050	\$ 384,072	\$ 329,790	\$ 274,042	\$ 250,993
Total School Facilities*	\$ 728,711	\$ 695,927	\$ 447,707	\$ 589,085	\$ 373,338	\$ 370,050	\$ 384,072	\$ 329,790	\$ 274,042	\$ 250,993

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

Source: School District records

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2018  
UNAUDITED

**Morris County Insurance Fund**

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2018  
UNAUDITED

	<u>Coverage</u>
<b>Argonaut Insurance Company</b>	
Sexual Misconduct Sublimit	
Policy Limits	
Each Occurrence	\$ 1,000,000
Maximum Sublimit	\$ 1,000,000
Media Expense	\$ 50,000
Self-Insured Retention	\$ 500,000
 Employee Practices Liability	
Policy Limits	
Each Wrongful Act	\$ 1,000,000
Annual Aggregate	\$ 2,000,000
Self-Insured Retention	\$ 500,000
 <b>Argonaut Insurance Company</b>	
Business Automobile Policy	
Policy Limits	
Each Accident	\$ 1,000,000
Including Owned, Non-Owned & Hired Autos	
 <b>Argonaut Insurance Company</b>	
Umbrella Liability Policy	
Policy Limits	
Each Occurrence Limit	\$ 9,000,000
Products-Completed Operations Aggregate	\$ 9,000,000
Personal & Advertising Injury Limit	\$ 9,000,000
General Aggregate	\$ 9,000,000
 <b>Great American Insurance Group</b>	
Crime Policy	
Public Employee Dishonesty	\$ 1,000,000
Forgery or Alteration	\$ 1,000,000
Computer Fraud	\$ 1,000,000
Money Orders and Counterfeit Paper Currency	\$ 1,000,000
Theft, Destruction and Disappearance	\$ 10,000
 <b>Hartford Insurance</b>	
Statutory Bonds	
Treasurer of School Monies	\$ 250,000
Business Administrator	\$ 250,000
 <b>Ironshore Specialty Insurance Company</b>	
Site Pollution Incident Legal Liability (Claims-Made)	
Each Loss/Incident	\$ 1,000,000
Policy Aggregate	\$ 3,000,000
Deductible	\$ 25,000

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2018  
UNAUDITED

Coverage

**Morris Essex Insurance Group**

Workers Compensation

Policy Limits

Part One

Statutory Benefits as Required by the State of New Jersey

Part Two, Employer's Liability

\$ 5,000,000

Fund Retention per Claim

\$ 500,000

Cyber Liability

Policy Limits

First Party Coverage

Business Interruption & Extra Expense

\$ 1,000,000

Data Recovery

\$ 1,000,000

Cyber Extortion

\$ 1,000,000

Third Party Coverage

\$ 2,000,000

Privacy & Cyber Security

\$ 2,000,000

Privacy Regulatory Defense, Awards & Fines

\$ 2,000,000

Data Breach Response and Crisis Management Coverage

\$ 1,000,000

Shared Policy Aggregate for All Coverages

\$ 4,000,000

Retention Each Claim

\$ 15,000

SINGLE AUDIT

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Morris County Vocational School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 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 January 18, 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### Compliance and Other Matters

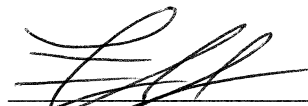
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### Purpose of this Report

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

January 18, 2019  
Mount Arlington, New Jersey

  
NISIVOCCIA LLP



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Francis Jones  
Licensed Public School Accountant #1154  
Certified Public Accountant



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

Independent Auditors' Report

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

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal and State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 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 federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

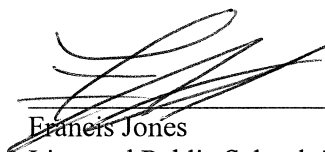
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

January 18, 2019  
Mount Arlington, New Jersey

  
NISIVOCCIA LLP

  
Francis Jones  
Licensed Public School Accountant #1154  
Certified Public Accountant

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017			Cancellation of Prior Year Encumbrances	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2018		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor
<b>U.S. Department of Education:</b>													
Passed-through State Department of Education:													
Special Revenue Fund:													
Student Financial Aid Cluster:													
Federal Pell Grant	84.063	P063P064434	9/1/17-8/31/18	\$ 85,929	\$	85,929	\$	(85,929)					
Federal Direct Student Loans (Direct Loan)													
Stafford Loans - Subsidized	84.268	N/A	9/1/17-8/31/18	73,980		73,980		(73,980)					
Stafford Loans - Unsubsidized	84.268	N/A	9/1/17-8/31/18	81,063		81,063		(81,063)					
Total Student Financial Aid Cluster						240,972		(240,972)					
Passed-through State Department of Education:													
Elementary and Secondary Education Act:													
Title I	84.010	ESEA336517	7/1/16-6/30/17	\$ 43,402	\$	(6,352)			\$ 1				
Subtotal Title I						6,351			1				
Special Education Cluster:													
I.D.E.A. Part B, Basic	84.027	IDEA336518	7/1/17-6/30/18	221,399		143,834	\$	(182,210)	(1)	\$ 245	\$	(38,130)	
I.D.E.A. Part B, Basic	84.027	IDEA336517	7/1/16-6/30/17	277,743		48,642			1	70			
I.D.E.A. Part B, Basic	84.027	IDEA336516	7/1/15-6/30/16	250,266						(315)		(38,130)	
Total Special Education Cluster						192,476		(182,210)					
Carl D. Perkins Secondary	84.048	PERK336518	7/1/17-6/30/18	326,388		247,131		(319,718)				(72,587)	
Carl D. Perkins Secondary	84.048	PERK336517	7/1/16-6/30/17	306,561		21,856			29		\$	153	
Carl D. Perkins Post Secondary	84.048	PERK336518	7/1/17-6/30/18	118,128		113,220		(117,239)				(4,019)	
Carl D. Perkins Post Secondary	84.048	PERK336517	7/1/16-6/30/17	117,409		10,672			(2)	(105)			
Subtotal Carl D. Perkins						392,879		(436,957)	108	27		(76,606)	153
Passed thru State Department of Labor and Workforce Development:													
Consolidated Adult Basic Skills and Integrated English Literacy and Civics Education													
Consolidated Adult Basic Skills and Integrated English Literacy and Civics Education	84.002	ABS-18-07-31	7/1/17-6/30/18	645,160		383,434		(550,847)				(167,413)	
Subtotal Consolidated Adult Basic Skills and Integrated English Literacy and Civics Education						135,219		(550,847)					96
Subtotal Consolidated Adult Basic Skills						518,653		(167,413)					96
Total U.S. Department of Education						1,351,331		(1,410,986)	108	28		(282,149)	249
													\$ 180,767
													245,158
													425,925

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017			Cash Received	Budgetary Expenditures	Cancellation of Prior Year Encumbrances	Adjust- ments	Repayment of Prior Years' Balances	Balance at June 30, 2018		Amount Provided to Subrecipients
					Budgetary Accounts Receivable	Due to Grantor	Budgetary Unearned Revenue						Budgetary Accounts Receivable	Budgetary Unearned Revenue	
U.S. Department of Agriculture:															
Passed-through State Department of Agriculture:															
Child Nutrition Cluster:															
Food Distribution Program	10.555	N/A	7/1/17-6/30/18	\$ 12,208			\$ 12,208	\$ (10,351)					\$ 1,857		
Food Distribution Program	10.555	N/A	7/1/16-6/30/17	11,013				(1,656)							
National School Lunch Program	10.555	N/A	7/1/17-6/30/18	13,322			12,121	(13,322)							
National School Lunch Program	10.555	N/A	7/1/16-6/30/17	17,650			1,455					\$ (1,201)			
School Breakfast Program	10.553	N/A	7/1/17-6/30/18	767			737	(767)				(30)			
School Breakfast Program	10.553	N/A	7/1/16-6/30/17	2,197			180								
Total Child Nutrition Cluster							26,701	(26,096)				(1,231)	1,857		
Total Federal Awards							\$ 1,378,032	\$ (1,437,082)	\$ 108	\$ 28	\$ (105)	\$ (283,380)	\$ 1,857	\$ 249	\$ 425,925

N/A - Not Available/Applicable

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018			Cumulative Total Expenditures
				Budgetary					GAAP Accounts Receivable	Budgetary Deferred Revenue	Budgetary Accounts Receivable	
				Accounts Receivable	Due to Grantor							
NJ Department of Education:												
General Fund State Aid:												
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 73,419		\$	\$ 66,383	\$ (73,419)		\$	(7,036)	\$	73,419
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	503,287			455,056	(503,287)			(48,231)		503,287
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	64,934			58,711	(64,934)			(6,223)		64,934
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	563,785			509,757	(563,785)			(54,028)		563,785
Adult and Post-Graduate Program Aid	18-100-034-5120-101	7/1/17-6/30/18	146,508			132,468	(146,508)			(14,040)		146,508
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	8,910			8,056	(8,910)			(854)		8,910
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	8,910			8,056	(8,910)			(854)		8,910
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	9,820			8,879	(9,820)			(941)		9,820
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	534,690			508,867	(534,690)		\$ (25,823)	(25,823)		534,690
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	666,385			666,385	(666,385)					666,385
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	1,007,305			1,007,305	(1,007,305)					1,007,305
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	24,445			24,445	(24,445)					24,445
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	1,755			1,755	(1,755)					1,755
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	73,419		\$ (6,865)	6,865						73,419
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	503,287		(47,061)	47,061						503,287
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	64,934		(6,072)	6,072						64,934
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	563,785		(52,718)	52,718						563,785
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	8,910		(833)	833						8,910
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	8,910		(833)	833						8,910
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	9,820		(919)	919						9,820
Total General Fund State Aid					(115,301)	3,571,424	(3,614,153)		(25,823)	(158,030)		4,847,218
Enterprise Fund:												
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	1,259			1,148	(1,259)			(111)		1,259
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	1,127		(94)	94						1,127
Total Enterprise Fund State Aid					(94)	1,242	(1,259)		(111)	(111)		2,386
Special Revenue Fund:												
New Jersey Achievement Coaches Program	16-TG03-A01	3/1/16-11/30/16	64,720		\$ 3,819			\$ (3,819)				54,621
County Vocational School District Partnership Grant, C3 Comp	17-E00-155	4/15/17-6/30/20	330,000		(73,790)	213,942	(163,311)		(6,659)	(23,159)		306,841
County Vocational School District Partnership Grant, Cohort 2	16-VE02-G06	3/1/16-6/30/19	445,325		(32,514)	81,823	(49,143)		\$ 166			445,325
County Vocational School District Partnership Grant, Cohort 2	15-VE01-G06	4/1/15-6/30/18	353,807		(5,689)	170,592	(175,177)		(10,274)	(10,274)		343,533
County Vocational School District Partnership Grant, C4 Comp	18-E00-137	4/13/18-6/30/21	330,000				(35,839)		(35,839)			35,839

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		Cumulative Total Expenditures
				Budgetary Accounts Receivable	Due to Grantor				GAAP Accounts Receivable	Budgetary Accounts Receivable	
NJ Department of Labor and Workforce Development:											
Workforce Development:											
Special Revenue Fund:											
Apprenticeship Coordinator	N/A	7/1/17-6/30/18	\$ 15,000			\$ 11,187	\$ (14,958)		\$ (3,771)	\$ (3,771)	\$ 14,958
Apprenticeship Coordinator	N/A	7/1/16-6/30/17	15,000	\$ (1,687)		1,687					15,000
Total NJ Department of Labor and Workforce Development				(1,687)		12,874	(14,958)		(3,771)	(3,771)	29,958
Total Special Revenue Fund State Aid				(113,680)	\$ 3,819	479,231	(438,428)	\$ (3,819)	(20,704)	\$ 166	1,216,117
Total State Awards Subject to Single Audit Determination				\$ (229,075)	\$ 3,819	\$ 4,051,897	\$ (4,053,840)	\$ (3,819)	\$ (46,638)	\$ 166	\$ 6,065,721
Less: State Awards Not Subject to Single Audit Major Program Determination											
On-Behalf TPAF Pension System Contributions:											
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17-6/30/18	(666,385)			(666,385)	666,385				
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	(1,007,305)			(1,007,305)	1,007,305				
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	(24,445)			(24,445)	24,445				
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	(1,755)			(1,755)	1,755				
Subtotal - On-Behalf TPAF Pension System Contributions						(1,699,890)	1,699,890				
Total State Awards Subject to Single Audit Major Program Determination						\$ 2,352,007	\$ (2,353,950)				

N/A - Not Available

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) includes the federal and state grant activity of the Morris County Vocational School District under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$16,906) for the General Fund and \$11,669 for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.



MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

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

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

	Federal	State	Total
General Fund		\$ 3,597,247	\$ 3,597,247
Special Revenue Fund	\$ 1,403,244	457,839	1,861,083
Enterprise Funds (Food Service Fund)	26,096	1,259	27,355
Total Federal and State Awards	\$ 1,429,340	\$ 4,056,345	\$ 5,485,685

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2018. Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

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

	<u>C.F.D.A. Number/ State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Consolidated Adult Basic Skills and Integrated English Literacy and Civics Education	84.002	7/1/17-6/30/18	\$ 645,160	\$ 550,847
<u>State:</u>				
<u>General Fund State Aid:</u>				
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	73,419	73,419
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	503,827	503,827
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	64,934	64,934
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	563,785	563,785
Adult and Post-Graduate Program Aid	18-100-034-5120-101	7/1/17-6/30/18	146,508	146,508
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	8,910	8,910
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	8,910	8,910
Prof. Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	9,820	9,820

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

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

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

MORRIS COUNTY VOCATIONAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

There were no prior year audit findings.